

**PURPOSE-DRIVEN LEADERSHIP
FOR THE 21ST CENTURY:
HOW CORPORATE PURPOSE IS
FUNDAMENTAL TO REIMAGINING
CAPITALISM**

2017-2019 GLOBAL MULTI-YEAR
CEO STUDY

**LEADERS
— ON
PURPOSE**

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HORVÁTH & PARTNERS

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Disclaimer: The views and opinions expressed in this report are those of the authors, who contributed to the Leaders on Purpose collaborative, and do not necessarily reflect the official views or position of Harvard University, the World Bank Group, or the London School of Economics or any of the organizations mentioned above.

Editors: Christa Gyori, Dr. Tatiana Kazakova, Dr. Brad Gyori | London, UK

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INTRODUCTION: LETTER FROM THE MANAGING DIRECTORS



On the 19th of August 2019, 181 CEOs committed to moving from a shareholder value paradigm to a stakeholder paradigm. In the process, the US-based “Business Roundtable,” signaled a conscious shift from the focus of merely profiting investors to the far more expansive view of benefiting the entire planet. In other words, they aspire to transform business-as-usual into the new business logic.

This, and many other recent examples illustrate how the role of business in society is changing. Faced with unprecedented social, political and ecological threats, the human race has only a small window in which to change course and ensure our collective survival. We live in an interconnected system that includes our communities, businesses, governments, academia, non-profit organizations and, of course, the environment. The crises we face are complex, pointing to areas in which this current system is failing. To address and influence such challenges, everyone in the system must play a role. Business is uniquely positioned to create meaningful change.

Today’s multinational organizations have unparalleled scale and reach. They touch billions of consumers and have supply chains that expand across over 100 countries. They are the most global actors in this system and have both the ability and the responsibility to make significant positive impact. What’s more, according to the 2019 Edelman Trust Barometer, faith in government institutions is on the decline as employees, investors and customers increasingly rely on business leaders to address social and environmental issues. Although many businesses have yet to begin the journey, growing numbers of purpose-driven leaders are making a real difference. Our 2019 Leaders on Purpose CEO study explains how they are doing this, and analyses where these trends are taking business and society at large.

In the 2018 Leaders on Purpose CEO study, we looked at why the CEOs of some of the world’s largest businesses were beginning to pave the way toward a purpose-driven

future. This year, we delve deeper and consider how they are consciously striving to address some of the world’s most pressing challenges and create a more sustainable planet and just society. Over the past 24 months, we have conducted in-depth interviews with some of the world’s top purpose-driven leaders in a comprehensive study that offers an emerging new model for capitalism.

In this new era, we define purpose as, **‘the ambition to create value by contributing to the welfare of society.’**

Last year we shared the business case for purpose, highlighting benefits such as employee engagement, customer loyalty, organizational agility, and long-term financial performance. This year, our findings show that purpose is becoming even more important and central in the reimagining of capitalism. We see that:

Organizations with a clear purpose embedded in their corporate strategy have a competitive advantage.

Purpose pays, but it isn’t easy. While an increasing number of organizations are finding new ways to align purpose with profits, there is no one-size-fits-all solution.

Many leaders are learning how to resolve the tension between short-term financial pressures and long-term purpose.

A WORD ABOUT SUSTAINABLE DEVELOPMENT GOALS AND SYSTEMS THINKING

In 2015, the Sustainable Development Goals (SDGs) were adopted by world leaders at a historic UN Summit. These goals represent a roadmap for a more sustainable future for all. By defining the world’s largest challenges related to inequality, climate, poverty, justice and peace, the SDGs constitute the global agenda for what needs to be achieved by 2030 (United Nations, 2019). Though government institutions are the primary driver of the SDGs, they are not

the only levers of social change. These goals also provide an important shared language for business leaders, and, according to the Business and Sustainable Development Commission, open up over \$12 trillion in market opportunities (Business and Sustainable Development Commission, 2017).

For companies to play a part in achieving these goals, they must move beyond placing social engagement at the periphery of their operations. The SDGs give organizations the chance to embrace their wider responsibilities to the societies in which they operate. Those that truly want to make a difference and redefine their role for the future are moving beyond designing their products and services around customer needs to providing attributes that benefit a healthy and productive business eco-system. If the system thrives, then so does the business. Businesses that understand both their impacts and the role they can play in creating positive change in the larger system are identifying what we refer to as the 'systems need'. From this perspective, they can then develop a value proposition that offers solutions for society. This systems value proposition and systems perspective lead to the emergence of what we call 'the new business logic.' This is at the core of authentic corporate purpose. That is, purpose that is transformative for both the organization and the world.

From this vantage, the report contemplates corporate purpose as a fundamental driver to reimagine capitalism. Our study is divided into four chapters:

CHAPTER 1: THE NEW BUSINESS LOGIC

As expectations for business shift beyond the bottom line, CEOs at the forefront of this new movement are beginning to take a more holistic view of their role in the world. Becoming systems thinkers means avoiding practices with negative collateral effects and instead of aiming to generate positive effects on both their organizations and the world by developing systems value that's anchored in corporate purpose.

CHAPTER 2: PARTNERSHIPS FOR COLLECTIVE IMPACT

In a world facing interrelated challenges, organizations are looking to new types of long-term, purpose-aligned partnerships. This helps them generate innovation on a large scale. In this section, we outline some of the ways businesses are successfully leveraging these new partnerships.

CHAPTER 3: PROFIT AND PURPOSE

We take an in-depth look at the remarkable work that 30 of the world's top leaders are doing to integrate profit and purpose at scale within their organizations. Specifically, we identify and analyze the steps they are taking to equip employees for a future of engagement through purpose.

CHAPTER 4: ORGANIZATIONAL AGILITY

We focus on the evolution of organizational design and discover how pioneering leaders structure their organization to drive the transition towards purpose-driven growth. We also share insights on how these agile structures are helping to unleash employee potential and empower the innovation needed to deliver on systems value propositions.

In summary, the leaders of some of the world's largest businesses are taking steps to redefine capitalism. They are driven to this change by employees, customers and investors who expect them to contribute positively to society. In order to be fit for the future, they recognize that they must align corporate purpose and profit.

No one has all the answers yet, but the CEOs we interviewed are making important progress on a journey that will provide leadership for the 21st century and beyond. As this report shows, business is effectively developing tools that are helping them address the Sustainable Development Goals by reimagining capitalism. This change won't happen overnight, but we hope our work will add to the conversation on corporate purpose by providing insights, tools and inspiration for those who are on this journey towards a more just and sustainable world.



CHRISTA GYORI
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**PURPOSE IS THE
AMBITION TO CREATE
VALUE BY CONTRIBUTING
TO THE WELFARE OF
SOCIETY**

A COMMUNITY OF LEADERS RESHAPING LEADERSHIP.



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EXECUTIVE SUMMARY

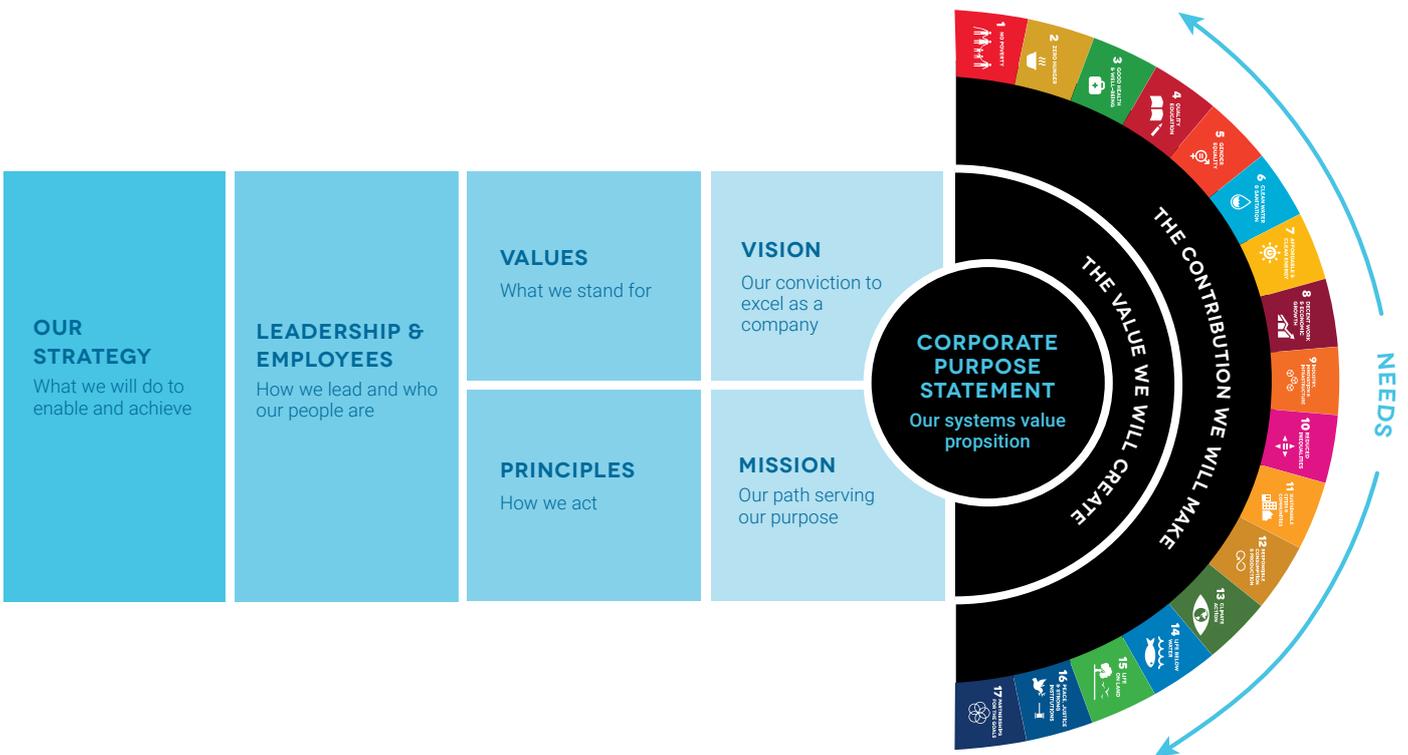
01 / INTRODUCTION

The role of business in society is evolving from a focus on shareholder value to an engaged focus on meaningful corporate value creation. As this imperative for business responsibility becomes widely accepted, companies are increasingly leveraging corporate **purpose** to shape a future that connects business imperatives with the global development agenda.

Leaders on Purpose, in conversation with CEOs, business leaders, and academics throughout the world, defines purpose as the ambition to create value by contributing to the welfare of society.

Connecting the dots between social issues and business solutions (HBR, 2015) is no longer simply an indication of industry leadership. Increasingly, it is a proactive corporate strategy reshaping the role of business in society. Now is the time for corporate transformations which address disruptive global changes and challenges while seizing the opportunities of purpose-driven business models. Authentic corporate purpose has a transformative effect on both business and the world. To arrive at this, organizations need to move beyond what many have referred to as finding the 'why' and instead consider their broader role in society. Companies have an obligation not just to articulate a sense of purpose, but to enact and embed that purpose.

PURPOSE IS THE AMBITION TO CREATE VALUE BY CONTRIBUTING TO THE WELFARE OF SOCIETY.



02 / METHODOLOGY

Leaders on Purpose presents our 2019 CEO Study, which consolidates findings on purpose from in-depth conversations with 30 CEOs. It also draws on deep industry expertise, as well as nearly ten years of research into socially impactful organizations.

03 / CHAPTER INSIGHTS

The Leaders on Purpose 2019 CEO Study demonstrates how corporate purpose is fundamental to reimagining capitalism. This report demonstrates actionable and concrete ways that CEOs and corporate leaders are leveraging their purpose to advance the dual ambitions of promoting business success and social wellbeing. Each of our four chapters facilitates a deep dive into areas that identify and analyze examples of actionable corporate purpose in practice:

I.

Our first chapter outlines the emergent pillars of what we call the *"New Business Logic"* by uncovering six fundamental themes. This section frames how business leaders today place purpose at the core of corporate strategy, pushing the boundaries of traditional business models towards a corporate purpose anchored approach.

II.

Our second chapter examines purpose-driven partnerships that address interrelated challenges. The **Partnerships for Collective Impact** section provides a *'checklist'* for the most important attributes leading to successful partnerships. These include the readiness of the organization, shared purpose, partner characteristics, operational alignment and robust communication.

III.

Our third chapter considers techniques for unleashing purpose and promoting skill sets of the future. We point out that, in addition to addressing short-termism and other challenges, it is critical that organizations are **Fit for the Future**. This section explores how leaders can cultivate serendipity to capitalize on unexpected events.

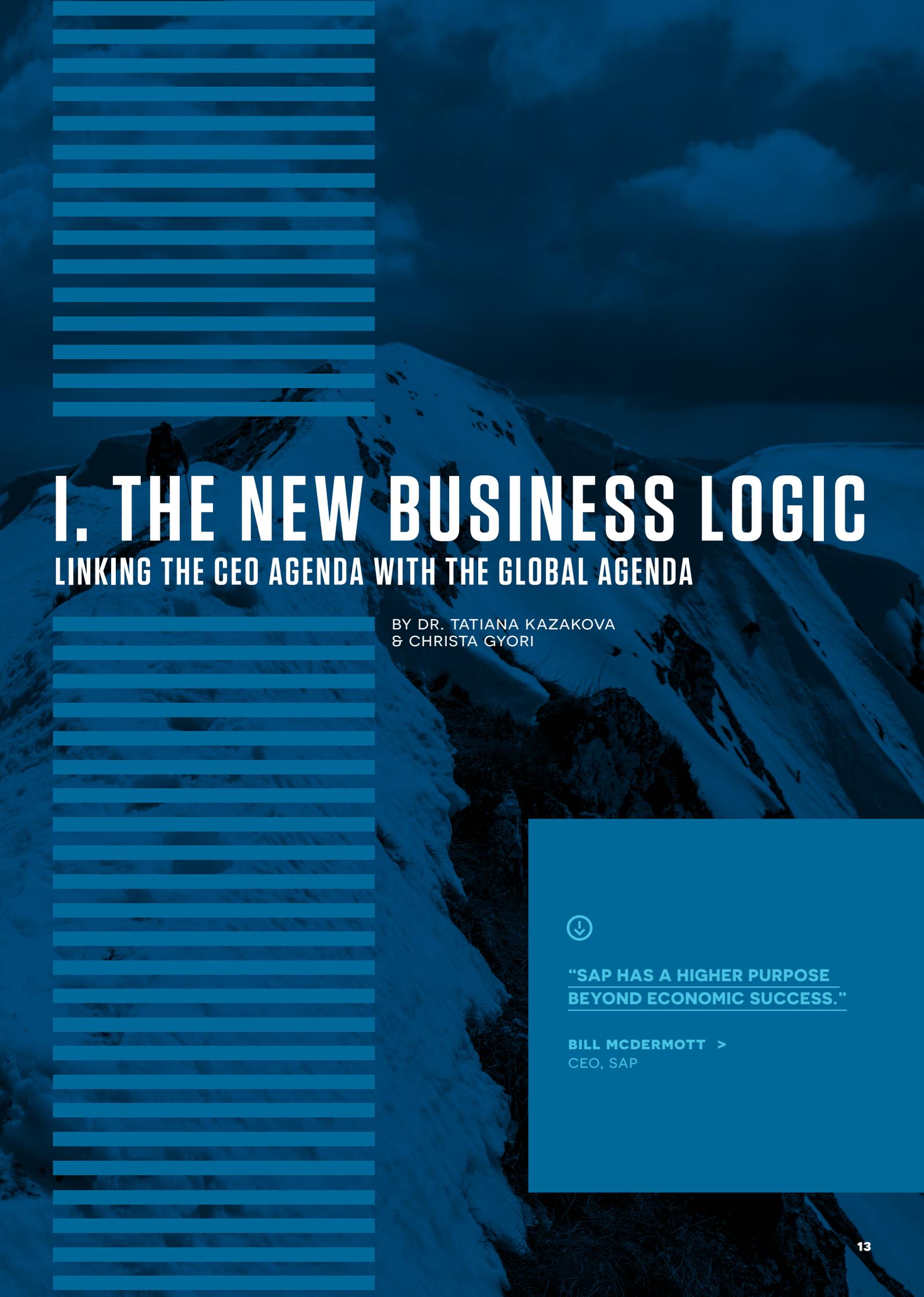
IV.

Our final chapter considers how organizational design is evolving in service of a new purpose-driven business model. Our look at **Organizational Agility and Flow** addresses how CEOs are unleashing human potential and improving the flow of information, ideas, energy, capital and material to better serve their stakeholders and the global context.

04 / CONCLUSION

The Leaders on Purpose 2019 CEO Study provides a roadmap for the future of business in society. Through practical insights, we aim to inspire and empower companies to seize the opportunities and address the challenges of purpose-driven growth.





I. THE NEW BUSINESS LOGIC

LINKING THE CEO AGENDA WITH THE GLOBAL AGENDA

BY DR. TATIANA KAZAKOVA
& CHRISTA GYORI



**“SAP HAS A HIGHER PURPOSE
BEYOND ECONOMIC SUCCESS.”**

BILL MCDERMOTT >
CEO, SAP

I. THE NEW BUSINESS LOGIC

LINKING THE CEO AGENDA WITH THE GLOBAL AGENDA



“THE 17 SDGS HAVE HAD ENORMOUS IMPACT IN OUR PART OF THE WORLD AS WELL AS IN OUR BANK. IT HAS GIVEN US A COMMON LANGUAGE AND A FRAMEWORK TO DISCUSS THINGS ABOUT SUSTAINABILITY.”

JOHAN TORGEBY >
PRESIDENT & CEO, SEB



GRANT REID >
CEO, MARS



“WHAT IS KEY NOW IS THAT THE PACE OF CHANGE IS GETTING FASTER, AND HOW WE CAN MAKE A BIGGER DIFFERENCE FASTER. HOW CAN WE USE SCIENCE TO HELP, AND HOW CAN WE CAN MAKE A GREATER IMPACT.”

Today CEOs connect the dots between social issues and business solutions. They are not just industry leaders; they are also cultural innovators inventing a new role for business in society. Expectations about this role have shifted dramatically in recent years. Society’s expectations for CEOs have changed as well (Scherer & Palazzo, 2011). With trust in government and social institutions declining, the general public increasingly looks to business leaders to drive positive social change (Edgecliffe-Johnson, 2019; Pirson et al., 2016). We see this both in consumer behavior and in employee engagement and loyalty. Because today’s corporations are so powerful, they have the capacity to do the most damage and the best in the arena of global welfare (Wettstein, 2010). Therefore, it is important to highlight positive developments in terms of corporate best practices so that these trends can be effectively adopted and amplified by business around the world. This is the objective of the Leaders on Purpose CEO Study.

Political bureaucracy, growing inequality, and climate change are some of the forces driving frustration with powerful institutions (Edelman, 2019). Connectivity and the “war for talent” are some of the forces shaping new business trends that serve to mitigate these frustrations. Consumers and employees are increasingly looking for ways to make their voice heard and leveraging the means they have most readily available to them. If “customers vote with their dollars”, employees are now also voting with their talent and forward-thinking CEOs are listening.

As many of today’s leaders are finding out, caring solely about profits no longer ensures business success (Hall & Soskice, 2001). In fact, in the long run, this approach can be a liability. The concept of pursuing a triple bottom line (profit, people and the planet) has gained traction among large, established firms and fledgling enterprises alike. The outdated perspective that companies must compromise financial success for social progress is a false dichotomy (Wolf, 2018). Savvy leaders and board members now know that organizations must do well and do good in order to thrive in today’s socially conscious marketplace (Zadek, 2004).

A growing number of leaders are working to align their unique business agendas with the Sustainable Development Goals (Williams, 2004). For them, new business logic has emerged in which corporations in concert with suppliers, customers, government, academics and social entrepreneurs are working to solve some of the world’s most pressing challenges. This study focuses on the latest methods for approaching this work. Some of these strategies have succeeded and some have failed. Most are being continually modified to stay apace with a rapidly changing environment and marketplace. In the pages that follow, we elaborate on all of these important developments.



JEAN-PAUL AGON >
CEO, L'ORÉAL



"IN ORDER TO MAKE THE WORLD MORE BEAUTIFUL, WE HAVE TO START WITH OURSELVES AND WE TRY TO BE AS WELL AS – AS MUCH AS WE CAN WHAT WE CALL ALSO INTERNALLY A BEAUTIFUL COMPANY, WHICH MEANS WE ALWAYS WANT TO MAKE SURE THAT ECONOMIC PERFORMANCE, BUSINESS PERFORMANCE AND ETHICAL AND SUSTAINABILITY PERFORMANCE GO TOGETHER AND REINFORCE EACH OTHER. WE ARE REALLY CONVINCED ALL OF US HERE THAT THE TWO ARE GOING TOGETHER. THEY ARE NOT ANTAGONISTIC. THEY ARE NOT CONTRADICTORY. DOING GOOD IN A WAY IS ALSO GOOD FOR THE BUSINESS AND DOING GOOD BUSINESS HELPS US ALSO TO DO GOOD. WE REALLY BELIEVE THAT THE TWO ARE GOING IN THE SAME DIRECTION."

Through this work, we have identified several exemplary CEOs at the forefront of a growing trend toward purpose-driven leadership. These business innovators constitute the vanguard of a new form of capitalism, one in which corporate purpose plays an indispensable role. We are pleased to report that all of these business leaders helm corporations that are thriving because—not in spite—of a focus on a corporate purpose aimed at adding value to society.

Their organizations continually outperform competitors financially and in terms of employee engagement and customer loyalty. Last year's CEO Study focused on general trends related to this new business logic. This year, we dig deeper and identify six specific pillars pointing to a new standard.



SIX PILLARS OF THE NEW BUSINESS LOGIC:

01

SYSTEMS PERSPECTIVE WITH GLOBAL SENSITIVITY:

from customer value proposition to systems value proposition.

02

CEO LEADERSHIP MINDSET:

from managing the business to empowering and unleashing organization.

03

CORPORATE PURPOSE:

from asking the **WHY** to the ambition to leverage the business for the welfare of society.

04

CORPORATE STRATEGY ANCHORED IN CORPORATE PURPOSE:

from profit-only performance to purpose-driven performance.

05

STAKEHOLDERS RELATIONS:

from transactional to longer term peer level engagement.

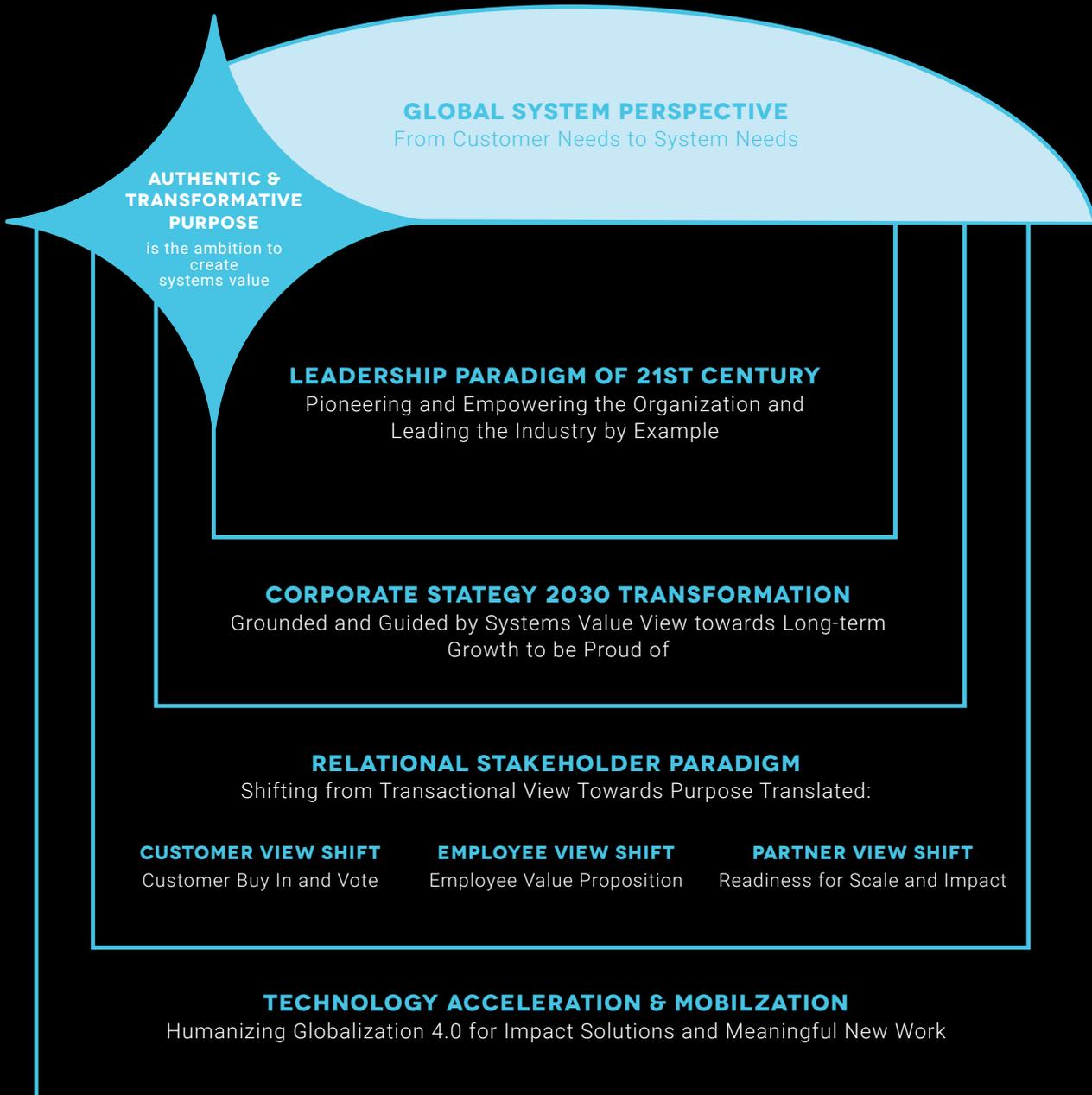
06

TECHNOLOGY FOR GOOD AT SCALE:

from prototyping for data business cases towards humanizing globalization 4.0.



THE FRONTLINE OF REIMAGINED CAPITALISM:



1.1

SYSTEMS PERSPECTIVE WITH GLOBAL SENSITIVITY

FROM CUSTOMER VALUE PROPOSITION TO A SYSTEMS VALUE PROPOSITION



“IT’S A BROADER LOOK TO SAY WE PLAY A ROLE BOTH IN OUR ECONOMIC DEVELOPMENT, WHICH IS IMPORTANT FOR OUR EMPLOYMENT OF OUR PEOPLE AND OUR SHAREHOLDERS, BUT WE ALSO SEE A MUCH BROADER GROUP OF STAKEHOLDERS THAT WE TOUCH AND WANT TO BE MEANINGFUL AND HAVE A POSITIVE IMPACT. WE USE THE PHRASE AT TIMES, AND YOU’VE SEEN MAYBE IN OUR AMBITION 2030, IS A FORCE FOR GOOD AND A FORCE FOR GROWTH. IF WE’RE NOT SUCCESSFUL, IT LIMITS THE IMPACT WE CAN HAVE. ON THE OTHER HAND, IT’S NOT JUST ABOUT US. IT’S ABOUT BEING PART OF A BROADER SYSTEM THAT IF WE CAN CONTRIBUTE AND CONTRIBUTE POSITIVELY, IT RAISES ALL BOATS. OUR COMPANY, OUR SHAREHOLDERS,

Most of today’s leaders possess the operational skills needed to maintain the status quo. Unfortunately, many of them lack the expertise required to tackle the complex and interconnected dilemmas commonly referred to as, “wicked problems.” These are issues that require more than a single decision. They have causes that seem incomprehensible and require solutions that are not easily grasped. In order to address them, leaders need to broaden their scope, and companies need to transform the way they do business.

One of the first surprising findings that emerged from this year’s CEO interviews was the fact that complex problems requiring complex socially responsible solutions often generate what we will term, “collateral good”. Just as socially reckless initiatives can produce collateral damage, purpose-driven initiatives can have a positive ripple effect, spreading progressive change far beyond the immediate purviews of the production line and supply chain. Many of the CEOs we interviewed discussed creating value for the more extensive system beyond their customers and shareholders. They feel that this broader perspective brings more in-depth insight into the organization’s ability to deliver innovative solutions for both existing and potential customers (Brown & Eisenhardt, 1997).

For example, when Philips set the ambitious goal of becoming a zero-waste organization, it started to research not only what the organization did with waste, but what customers did with their products at the end of their economic life. In this process, they discovered that their new social mission had a high level of customer attraction and that by tracking and more deeply engaging with customers on the issue of waste, they were able to learn more about their needs. Through this work, Philips created an innovative new business model that is enabling them to meet waste reduction targets while attaining higher customer retention of existing customers and the great attraction of new customers.

It is important to note that CEOs see this shift in perspective as business sense, not corporate philanthropy.



Business is taking the systems perspective, moving away from customer centricity and customer needs, moving towards systems centricity and system’s needs.

OUR EMPLOYEES, THE COMMUNITIES, AND INDEED OUR SUPPLIERS AND CUSTOMERS AND MOST IMPORTANTLY, THE PEOPLE WE SERVE, WHICH IS AT THE END OF THE DAY, THE CONSUMERS, THE PEOPLE THAT USE OUR PRODUCTS, HAVE TO FEEL THAT WE’RE MAKING A DIFFERENCE IN THEIR LIVES. “

In shifting towards these perspectives, they increasingly allocate more time to:

UNDERSTANDING THEIR ORGANIZATIONS AS A GLOBALLY INTEGRATED COMPANY OPERATING IN THE INTERRELATED ISSUES OF THE WORLD.

For example, organizations such as DNV GL, Philips, and SEB calculate the impact of today's global risks and challenges on their P&Ls to comprehend global relationships and their effects on the company. They also develop increased sensitivity to stakeholder issues and concerns and treat stakeholders as peers thereby gaining a more in-depth understanding of society's complexity (i.e. policy interplay). Many of the organizations we researched are expanding their analyses from direct touch-points to indirect touch-points with a broader scope in terms of global and local communities.

CEO of P&G David Taylor describes this sensitivity to stakeholders, which for his corporation includes almost five billion consumers a year: "It gets back to our purpose, which is we want to touch and improve the lives of these people in small but meaningful ways every day and leave the world in a better place. To do that, you think about whether it's climate, waste, or water. All are very important. [Also] the other lens, which is people: it tends to be things like trust, transparency, and being part of creating meaningful work. Again, P&G can touch that, both with our employees and how we work with suppliers, customers, and other stakeholders".

"We are a company that needs to be very open-minded, very ready to, as we say at L'Oréal, to seize what's starting. I'm also cultivating this by always traveling a lot, listening to people, meeting people everywhere, and I have to say that all the great changes that we made, the great transformation we made at L'Oréal in terms of ethics, in terms of sustainability, in terms of culture of the country, in terms of digital and everything, have always been the results of this opening to the world rather than just by thinking." Jean-Paul Agon, CEO L'Oréal.

TRANSLATING GLOBAL CHALLENGES INTO BUSINESS OPPORTUNITIES: THE SDG BUSINESS CASE.

The global goals, as outlined by the United Nations and the World Bank, provide insights into the most critical issues of our times. These goals also provide business with significant growth opportunities. Reports such as the Global Opportunities report (DNV-GL) and the Better Business, Better World report (WBCSD) show that pursuing global goals can raise trillions in new market opportunities in ways that extend

prosperity to all (Business and Sustainable Development Commission, 2017). In the same vein, purpose-driven CEOs advocate social responsibility, aiming to prove that there does not need to be tension between delivering value for the world and delivering it for the company. For example, Cummins recognized the potential in zero-emission electric mobility many years ago. Just this year, in partnership with Gillig, it launched a zero-emission battery-electric bus. Tom Linebarger, CEO of Cummins, points out the potential for a win-win scenario: "There are things where the economic cost to the world isn't captured in the economic cost of the participants in the economy. Just in my case, if I think about some of our situations, where we don't have regulations on things like water usage or energy usage, as an example you used, there are a lot of areas we've discovered that are win-wins".

Businesses seeking ways to deliver on systems needs are already seeing positive effects in innovation-related leadership, such as:

- **FOCUSING CROSS-INDUSTRY COLLABORATION ON THE NEEDS OF SOCIETY TO DRIVE INNOVATION**
- **ENHANCING AND SCALING TECHNOLOGY TO ENABLE BROADER AVAILABILITY OF SOLUTIONS**
- **GROWING FROM DOMESTIC TO GLOBAL MARKETS TO UNCOVER NEW CUSTOMER BASE**
- **TRANSFORMING VALUE AND SUPPLY CHAIN VIA INNOVATION**

The more comprehensive systems perspective enables leaders to detect early warning signs and predict challenges. It also helps them pivot their business with increased agility to capture opportunities, foster innovation, and build enduring institutions.

1.2

CEO LEADERSHIP MINDSET



FROM MANAGING THE BUSINESS TO EMPOWERING AND UNLEASHING ORGANIZATIONS



LORNA DONATONE >
CEO, GEOGRAPHIC
REGIONS, SODEXO



**'LEADING WITH PURPOSE IS THE
FUTURE, AND IT'S HARD WORK.'**



**"WE'VE CREATED AN ENVIRONMENT
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THAT WORK."**

LAURA KOHLER >
MEMBER BOD, KOHLER

Along with the ongoing shift in expectations about the role that business plays in society, society's expectations of CEOs have changed as well. What does it take for a CEO to meet the challenges of today's social pressures and constantly changing market (HBR, 2015)?

With this study, we aim to uncover the practices and leadership skills that enable some of the world's leading CEOs to thrive while leading the transformation of their businesses towards a new understanding of their role in society (Gioia & Chittipeddi, 1991). What we found were five key, globally related leadership skills that these CEOs possess.

1. Willingness to embrace ambiguity and risk
2. Holistic perspective
3. Dexterity in balancing short-term and long-term goals
4. Passion for advocacy
5. Conviction for empowerment

WILLINGNESS TO EMBRACE AMBIGUITY AND RISK: OPPORTUNITIES AT THE EDGE OF CERTAINTY

→ "We believe that with every risk, there is at least one opportunity. This view has been in our DNA for many years to view risk as an opportunity. That's why we have produced a global opportunity report, which links opportunities to the SDGs." Remi Eriksen, CEO DNV-GL

In a volatile world with accelerating market forces and environmental complexity, today's leaders need flexibility, agility, a high tolerance for ambiguity and a willingness to extend their organization's capabilities into new and, sometimes, unexpected areas. The overwhelming majority of CEOs we spoke with share these traits, and many are working to bring them into their organizational DNA. At BMW, for example, employees are rotated into different departments to help build their capacity to lead.

→ "We are moving people across the organizations and the different departments. I was an engineer in HR, for example started as a board member for HR. I was in sales and marketing. I was in production. With this one, you need to move on, and you learn leadership." Harald Krueger, outgoing CEO BMW

The leaders we spoke to span a variety of industries, yet they all stressed the importance of agility. Each shared examples of projects that were initiated, and succeeded, as a result of the ability to quickly mobilize their organization's resources to address an emerging opportunity. For example, the Turkish telecom giant Turkcell sensed the headwinds of a regional refugee crisis. Displaced people desperate to connect with friends and family were causing cellular systems to overload. The company quickly adjusted its network and developed an app, 'Hello Hope', which supported simultaneous translation from Arabic to Turkish. 'Hello Hope' also provided much-needed information such as how refugees can register in their new country and where to find health and financial services. This forward-thinking and fast action resulted in reduced tensions in camps across the country. It also led to an expansion of their customer base. Turkcell has continued to build on this app by adding other needed services and has increased customer loyalty and sales. Five years after the initial refugee crisis, there are still over 3 million Syrian refugees in Turkey. Among these, Turkcell currently enjoys a 70% market share.

HOLISTIC PERSPECTIVE: PURPOSE-DRIVEN CEOs HAVE A SYSTEMS VIEW OF INTERRELATED GLOBAL ISSUES

As discussed above, the systems perspective and greater stakeholder sensitivity are themes that feature significantly in both this year's and last year's interviews. Present in almost every conversation was the fact that today, business leaders are facing a growing number of complex and interconnected challenges from slowing global growth, to climate change, to geopolitical tensions and the accelerating pace of technology. In isolation, these are formidable issues. Together, they can seem overwhelming and can compel companies to overlook the fact that they command enormous resources, which can influence the world for better or worse. Companies may lose sight of the fact that their strategies shape the lives of stakeholders: employees, partners, and consumers. They may also ignore the ways in which their strategies are increasingly influenced by outside experts and watchdog groups such as Green Peace. It may seem daunting for a leader to transition to this level of engagement. However, several of our respondents outlined how they managed to negotiate this shift.

"Know your impacts, favor improvement, and share what you learn," advise Patagonia's Yvon Chouinard and Vincent Stanley (Chouinard & Stanley, 2012). This is often how the journey to a systems approach begins. As part of an organization's assessment of its impact, the leadership team begins to identify and interact with a broader stakeholder group (Chouinard & Stanley, 2016). According

to a recent Harvard Law School report, 85% of multinational organizations currently produce some form of sustainability or impact reporting (Melis et al., 2019). While these outputs may serve as standalone reports or compliance exercises in some cases, leaders at the forefront of this change are leveraging such insights to articulate and negotiate the competitive advantages that result from taking such an approach. These insights also point to potential risks and opportunities for their businesses.

DEXTERITY IN BALANCING SHORT-TERM AND LONG-TERM GOALS: PURPOSE-DRIVEN CEOs RESOLVE TENSIONS WITH SPEED AND AGILITY

In a time of uncertainty, nothing can weigh more heavily on a leader's mind than balancing short-term demands with long-term goals. Today's CEOs live in a world of conflicting messages. They are expected to prove themselves by showing investors consistent improvements in quarterly earnings. At the same time, they must show stakeholders that they have a long-term focus that will build resilience in the organization.

The CEOs we interviewed were confident that it is possible to achieve both goals simultaneously, but they stressed that it is not easy. A 2019 study conducted by FCLT Global, a not-for-profit organization dedicated to encouraging socially responsible business and investment decision-making, found that balancing long-term goals and short-term demands tend to benefit organizations (FCLT Global, 2019). All of the CEOs we spoke with, have been in senior roles for many years and have had to forge new paths to meet the evolving demands. Each of them has one set of strategies aimed at immediately increasing revenues, and another set of strategies focused on long-term growth. These purpose-driven leaders tend to invest more in R&D than their competitors. Another trait they share is a tendency to leverage deep system insights to develop sustainable new markets via geographical expansion, or the creation of new products to meet the needs of a changing population. This enables them to steadily increase revenue and margins and build high-quality earnings.

All of these strategies take time to develop and will not deliver the types of quick returns associated with short-term tactics such as cost-cutting, aggressive use of accounting rules, or the sale of an asset. For a purpose-driven CEO, delaying immediate rewards for quality growth is crucial to long-term success. Making this difficult transition takes courage. It also requires support. Therefore, these leaders must also become purpose evangelists, preaching the gospel of sustainable growth, and convince others to join them on their pilgrimage toward a sustainable future.



PABLO ISLA >
CEO, INDITEX



“THESE CHALLENGES ARE NOT CONCEIVED AS ‘EXTERNAL ISSUES’ THAT COULD BE DEALT WITH THROUGH CHARITY OR DONATIONS, BUT RATHER ADDRESSED BY EVERY PART OF THE COMPANY AND THROUGHOUT THE WHOLE VALUE CHAIN.”



PETER AGNEFJÄLL >
FORMER CEO, IKEA



“YOU MAKE SURE THAT THE BEST AMBASSADORS ACTUALLY ARE THE ONES THAT ARE GETTING BIGGER AND BIGGER ASSIGNMENTS AS THE COMPANY IS GROWING.”

To open meaningful dialogue and gain buy-in, CEOs must give their boards and external stakeholders a purpose-based road map for future value creation. This vision must be based on an objective assessment of the business and its growth opportunities. The board plays a vital role in this process. It has a responsibility to define incentive plans that will promote long-term strategies and support leaders with the time and resources required for these strategies to bear fruit.

PASSION FOR ADVOCACY: PURPOSE-DRIVEN CEOS ARE LEADING BY EXAMPLE AND NOT COMPROMISING ON PURPOSE-BASED PRINCIPLES

Increasingly, CEOs are being asked to respond to far-reaching social issues previously perceived to be outside of their purviews (Chatterji & Toffel, 2018). This year, Edelman reported that a full 76% of the US population believes that “CEOs need to take the lead on change instead of waiting for the government to impose it” (Edelman, 2019). The CEOs we talked with, are speaking up about large-scale systemic issues in an attempt to respond to stakeholder expectations and to confront the reality that these issues have a long-term effect on the health of their organizations.

CEO activism also has strategic implications. According to a recent Harvard Business Review Study, in the social media age, silence is more conspicuous and consequential than ever before (Chatterji & Toffel, 2018). Our findings suggest that, in the years ahead, the pressure for CEOs to be transparent and vocal will likely increase. Moreover, as more CEOs adopt this approach, their peers will be increasingly emboldened and pressured to do the same. Case in point: when PayPal’s Dan Schulman learned that North Carolina passed a law requiring people to use bathrooms corresponding with the gender on their birth certificates, he decided to take a stand. He halted construction on a new corporate office and moved that facility to a different state. Although the LGBTQ community applauded Shulman, he also received several angry email messages, social media postings, and even some death threats. Although Shulman was unnerved by the experience, it has not deterred him from speaking up and using his business as a platform to combat intolerance. Shulman explains: “Every day, we look at websites that promote violence or hatred or racial intolerance. If they are using PayPal to raise money, we disallow that website to use PayPal. This can be very public and very controversial. We have people on the right and the left who disagree with some of our decisions. We take every one of those decisions very seriously, and we make sure that we try to be very consistent with our values.”



“We are the leading beauty company in the world, it seems to us pretty obvious and natural that we should also contribute to make the world more beautiful.” Jean-Paul Agon, CEO L’Oréal

This is new territory for most organizations and leaders, as a consequence, there are likely to be missteps along the way. How these errors are handled will be the difference between building trust and destroying it. Barri Rafferty, CEO of PR firm Ketchum, shared her experience and advice for today’s leaders: “We often say to clients you can’t talk your way out of a crisis. You have to make sure that if you’re going to navigate a reputation issue, particularly in this world of transparency and authenticity, that you have to earn that trust. We talk a lot about the idea of not messaging your way to reputation, but making the changes that you need and earn that permission through the deeds, not only the words.”

**CONVICTION FOR EMPOWERMENT:
PURPOSE-DRIVEN CEOs WANT THEIR EMPLOYEES TO CO-OWN
THE STRATEGIC DIRECTIONS OF THE BUSINESS AND EMPOWER
THEM TO DO SO**

- “My view is we as CEOs have multiple constituencies. We’ve got employees. We’ve got customers. We’ve got shareholders. We’ve got regulators. By far and away, from my perspective, the number one constituencies that you need to have before you can address any of the others are motivated, talented, passionate employees. To me, that’s the starting point.” Dan Schulman, CEO PayPal
- “We’ve done much work through the years in studying the service profit chain, and you know that the more engaged your employees are, the more they feel taken care of; the more they think you have their back, the more they’re going to contribute and feel like they can add to the profit of your organization and move things forward. I think that type of leadership and engaging your employee base does take leading from between, and, taking the ability to make other people heroes in our areas. We have a lot of industry leaders and many specialty leaders. So, the idea is to let all of them be leaders and experts. It’s not just expertise at the top, but it’s expertise throughout the organization.” Barri Rafferty, CEO Ketchum

**IN THE WAR FOR TALENT, PURPOSE-DRIVEN ORGANIZATIONS
ARE WINNING.**

One of the most surprising things we noticed in the interviews this year was the number of times the CEOs talked about their employees. In turbulent times, a company’s talent is its most valuable asset. The CEOs we spoke with shared some of the ways they are engaging with this key group of stakeholders. Some of these include:

- PROVIDING THOUGHTFUL BENEFITS
- CREATING A CULTURE OF LEARNING AND GIVING LICENSE TO FAIL
- EMPOWERING EMPLOYEES AS OWNERS
- CROWD-SOURCING COMPANY VALUES
- TRAINING ON GLOBAL CHALLENGES AND ENGAGEMENT IN RELEVANT SOLUTIONS
- CREATING AN ENVIRONMENT FOR EMPOWERMENT WHICH UNLEASHES EMPLOYEE PASSION AND ENERGY

**LEADING DIFFERENTLY, MOVING FROM TOP-DOWN TO
COACHING**

- “If the team has a good experience, then so will our partners and, of critical importance, our customers. We want our people to have the freedom and the ability to voice ideas and concerns. Continuous innovation provides real, tangible freedom. People are empowered to think and act creatively. That creates trust and offers personal confidence.” Bill McDermott, CEO SAP



**“WE ALSO NEEDED TO USE OUR
INDUSTRY LEADERSHIP POSITION
TO EDUCATE OTHERS, EDUCATE
CONSUMERS, AND EDUCATE OTHER
BUSINESSES THAT YOU CAN BE A
RESPONSIBLE CATALYST ENTERPRISE
AND ALSO BE AN ENVIRONMENTALIST
THAT CARE DEEPLY FOR THE
ENVIRONMENT AND WORK TO CREATE
LESS HARM AND ENHANCEMENT OF
THE ENVIRONMENT OVER TIME AS WE
DRIVE TO A NET ZERO, NET POSITIVE
POSITION AS A COMPANY. “**

This focus on employees makes good business sense. Gallup polls have shown year after year that when the number of disengaged employees is significant profits and growth suffer (Gallup, 2019). Purpose-driven organizations attract people who are not just focused on financial incentives but are interested in building an organization. Leaders that build a culture and structure to empower and support employees through shared values, not only build trust but have a more engaged innovative workforce.

1.3

CORPORATE PURPOSE



FROM ASKING THE WHY TO THE AMBITION TO LEVERAGE THE BUSINESS FOR THE WELFARE OF SOCIETY



DENIS MACHUEL >
CEO, SODEXO



"OUR FOUNDER, PIERRE BELLON IN 1968, SAID THAT THE COMPANY IS A COMMUNITY OF ITS CLIENTS, ITS SHAREHOLDERS, AND ITS EMPLOYEES. FIFTY YEARS LATER, OUR PURPOSE STILL ENCOMPASSES ALL THE STAKEHOLDERS AROUND THE COMPANY. IT'S IN OUR DNA. I THINK IT'S VERY, VERY IMPORTANT TO UNDERSTAND. WITHIN ALL OF THE [GLOBAL] CHALLENGES, HUNGER, GENDER, AND WASTE ARE AREAS WE FOCUS ON AND ARE CONVINCED THAT WE HAVE A POSITIVE IMPACT."



"If you don't have an organizational purpose that includes the environment and society, you are not going to get or keep the best people."

Lorna Donatone, CEO Geographic Regions, Sodexo

Based on our CEO interviews and our ten-year-long research on impactful organizations (Busch, 2020), we define purpose with global and business transformative effects in the following way:

AUTHENTICITY IS THE NEW PREREQUISITE FOR TRANSFORMATION AND COMPETITIVENESS

Finding an authentic organizational purpose takes both time and reflection, but for those willing to make an effort, it is well worth it. Through our research, we found that this process often begins by revisiting the organization's founding legacy. This story about its origins provides some framing for leaders and their teams to take an in-depth look at their current business practices and the role they see their business playing in the future. Many of the leaders we spoke with said they believe it is time to redefine the role of business in society.

Authenticity can be seen in the conscious and consistent reinforcement of the following practices:

ASSESSING ORGANIZATIONAL COMPLEXITY TO UNCOVER LEVERAGE POINTS

Increasingly, progressive business leaders are seeking to address large-scale challenges such as poverty, social injustice and climate change. They believe corporations must think beyond serving customer. This means finding solutions to systemic problems relevant to their industries and core capabilities. While there is increasing global debate about the tension between profit and purpose, many of the leaders we interviewed feel that profits are an outcome of having a meaningful purpose. For these leaders, freeing their employees' capacity to take on this work is a critical step toward sustainable growth. This illustrates that a genuine business purpose needs to both bring robust innovation/solutions and sustain business operations.

MEASURING THE IMPACT OF PURPOSE BOTH INTERNALLY AND EXTERNALLY



"We are present almost everywhere in the world... and everywhere we go, everywhere we create our subsidiary, everywhere we settle, we bring with us our very high standards on all aspects, very high standards in terms of ethics, in terms of sustainability, in terms of respect, in terms of human rights, in terms of everything." Jean-Paul Agon, CEO L'Oréal

PURPOSE IS THE AMBITION TO CREATE VALUE BY CONTRIBUTING TO THE WELFARE OF SOCIETY

AMBITION	CEOs at the forefront of social and environmental progress lead their industries in making a positive impact upon relevant sectors, transforming their operations with drive and ambition . They set high targets for internal and external impact and aspire to lead by example on the systems level. This is more than a business objective. Underlying, this approach is the desire to drive change, to grow beyond existing norms, and to push the innovation envelope for competitive advantage.
CREATE	In our research we consistently found that purpose-driven organizations use a deep understanding of underlying issues and employee's talents to create innovation with positive impacts. This focus on innovation translates challenges into opportunities, whether by the re-interpretation and adaptation of existing solutions and markets or by creating new markets. We also noted many businesses that have developed new technologies aimed at solving a significant issue are making them available beyond their traditional customer base.
CONTRIBUTE	CEOs want their businesses to generate meaningful solutions that can lead the market and also have a positive impact. When done well, the organization finds an authentic link between capabilities and value for the society for a contribution at scale. CEOs also agree that by shifting their focus to contribute to the systems-need journey rather than solely to the customer-need journey, they increasingly collaborate in pre-competitive partnerships to truly deliver at systemic scale.
WELFARE	As businesses are shifting from being providers of services and products towards providing solutions for the world, CEOs we interviewed stress that they and their employees thrive on making their organizations forces for the welfare of society by doing the right thing.
SOCIETY	With a systems perspective, we can see that business operations touch the planet and society everywhere, with powerful implications if acted upon. Naturally, the business' purpose is also directed towards developing its future fitness, remaining an integral part of society.

Increasingly, leaders on the purpose journey are attempting to practice what they preach. Danone is an organization that has had a purpose built into its structure since founder Antoine Riboud began what he called the "dual project" of combining economic success and social progress in 1972. In 2017, after Danone acquired WhiteWave Foods, it created a new entity, Danone North America. This offered Danone the opportunity to take the purpose journey to the next level. Danone opted to structure as a B-corp (benefit corporation)

in the U.S. and, in so doing, created the largest public benefit corporation in the world. By creating Danone North America as a B-corp, Danone was able to write Antoine Riboud's "dual project" language into its legal structure.



BILL MCDERMOTT >
CEO, SAP



“BUSINESSES NEED TO CONCENTRATE ON BUILDING TRUST AND PROTECTING THAT TRUST. [...] IN THE END, THE MOST IMPORTANT THING FOR LEADERS AND COMPANIES IS TO BE AUTHENTIC. GENDER, AND WASTE ARE AREAS WE FOCUS ON AND ARE CONVINCED THAT WE HAVE A POSITIVE IMPACT.”

CEO of Danone, Emmanuel Faber shared:

→ “The B Corp certification journey started several decades ago, with the declaration as far back as 1972 that Danone is committed to pursuing a “dual economic and social agenda”. We needed to translate this in a way that matters in today’s world, while staying true to our founder’s vision from 50 years ago. We found B Corp to be a very interesting paradigm shift. In line with our ‘One Planet. One Health’ vision, B Corp offers transparency as to a company’s high standards of social and environmental practices. It is a mark of trust; a proof point of who the people behind the brands are, highlighting both their intent and ways of working. B Corp is not just another CSR program for us. It is about transforming Danone at the core of how we do business, to embrace the food revolution and as such be preferred by all our partners (people, shareholders, banks, customers, etc.); to be more resilient as a company; and to have more impactful brands inspiring healthier and more sustainable eating and drinking habits. I think the board responded favorably because B Corp and its triple impact assessment offers a good balance in terms of the agenda we are creating. With our shareholders, we engaged in a dialogue on how this was not going to veer us away from looking for the right efficiency in how we use our resources – be they human, natural, or financial. We explained how B Corp creates value, through preference but also through financing. For example, 12 of the largest banks in the world syndicated a 2 bn euro loan to Danone with interest rates that are lowering as we progress on our B Corp (and other ESG) metrics. As such, these banks have identified B Corp as lowering the beta risk of our credit status. A true paradigm shift indeed. “

TRANSPARENTLY COMMUNICATING THE PROGRESS OF THE PURPOSE AGENDA

Many of the CEOs in our study were happy to share metrics that their teams have developed to track the progress they are making towards achieving specific goals. These internal and external markers are more than mere anecdotal success stories; they are concrete evidence of impact and surface some of the challenges businesses are facing on their purpose-driven journey.

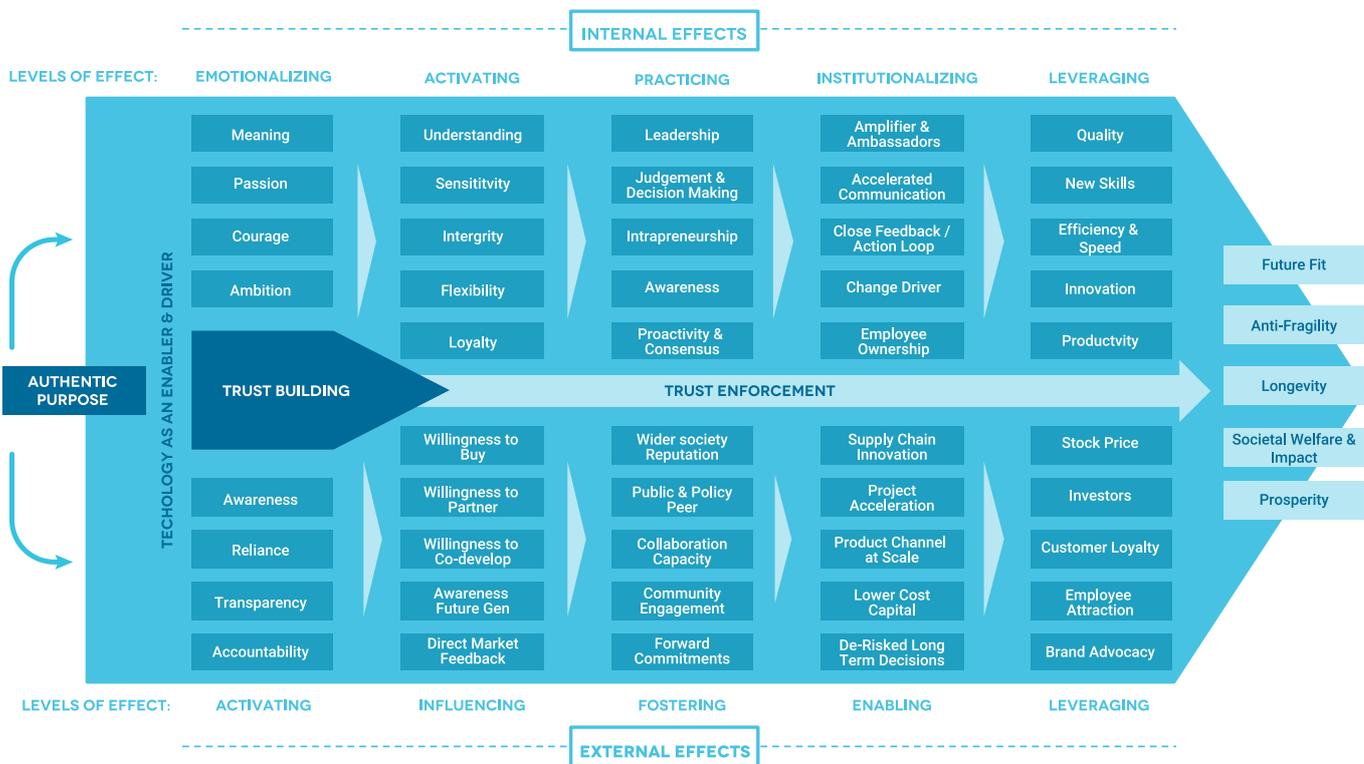
STAYING LOYAL TO THE BUSINESS PURPOSE AND MANAGING WITH INTEGRITY

The CEO’s we interviewed acknowledge that it is not easy to transform old business practices while maintaining a financially healthy organization (Busch 2019). Nonetheless, all of them are committed to navigating a change toward increased purpose.

Dan Schulman, CEO of PayPal stresses how important it is to back purpose with consistent and consequential action: “[...] These are things that you act on, even if they’re difficult to act on, even if they expose you to scrutiny by the public”.

EFFECTS OF A TRANSFORMATIVE AND AUTHENTIC PURPOSE ON FUTURE FITNESS

Authentic corporate purpose builds trust inside and outside the organization. Trust reinforced by technology that enables accelerated communication, connection, and collaboration around an authentic purpose leads to the effects we can see emerge throughout our research shown in the next Figure.



→ “Trust also is seen when you put money in the budget... Organizations respond to money in their budgets. If you give them money at the year’s end to do things, they realize you’re serious. If you just quack, and the time comes for the budget, and you tell them, ‘You got fund that yourself,’ that doesn’t work very well.” Ajay Banga, CEO Mastercard

An authentic purpose in times of accelerated change creates a contract of trust, accelerates strategic decision-making, and improves judgment (Kahneman, 2011). This, in turn, enables greater agility and faster translation of ideas into action. An authentic purpose can be the fundamental driver of future growth.

1.4

CORPORATE STRATEGY ANCHORED IN CORPORATE PURPOSE

FROM PROFIT-ONLY PERFORMANCE TO PURPOSE-DRIVEN PERFORMANCE



“I HAVE TO APPROACH THIS NOT AS A PHILANTHROPIC ADVENTURE BUT VERY MUCH A PART OF OUR CORE BUSINESS WITH REAL RESULTS AND REAL PROFITABILITY DOWN THE LINE.”

With the global agenda for 2030 looming, embedding purpose at the core of corporate strategy can deliver lasting results both for the organization and society. Hence, purpose-driven CEOs and their teams are adapting commonly applied business tools and practices to their corporate strategy work. Frans van Houten, CEO of Philips, explains:

 “Just like you manage the P&L, you can manage these kinds of dimensions. You can have, on the one hand, a North Star and a dream, but on the other hand, you need to break it down into something very tangible and measurable and embed it in your monthly review cycle.”

These CEOs are pushing the boundaries of traditional corporate strategy work. Their more integrated focus on global issues in relation to their business can enable the achievement of their organizational ambition through developing a purpose-driven agenda. When organizations aspire to deliver different outputs, they need different inputs into their strategy and associated processes. This approach involves taking a thorough inventory of the impact the organization makes today and envisioning what role it might play in the future. Strategic foresight techniques can be very useful in this phase. These conceptualization tools engage employees and external stakeholders in designing strategy and setting bold objectives backed with strategic programs and comprehensive metrics. When this occurs, we observe a shift of perception to a more deeply embedded long-term strategy and a more adaptive short-term strategy.

One of the most important pillars of this new business logic is a corporate strategy formulated around an authentic and transformative purpose, guided by a systems value view. Purpose-led businesses have developed further from simply designing a customer value propositions. These organizations are now broadening out their perspective to designing their systems value propositions. That is the solution based on societal needs, which is grounded in the global interrelated systemic challenges we face today.

Phillips provides a recent example of how the CEO shifted from customer value proposition to systems value proposition through embracing design thinking and co-creating innovation through integrating the circular economy business model into the organization. This shift is not only ensuring the organization meets the needs of the system but is transforming its relationship with customers, suppliers and partners. As Frans van Houten, CEO of Philips shared:

 “The circular model is something that I felt passionate about for a long time. If you have zero waste to landfill goal, then you need to start thinking about what happens to our products after their economic use? We first

took care of our own kind of waste that comes out of the production process. Then we said we need to start worrying about what happens to our products at the end of life or after the economic life? Then you end up studying what your customers do after ten years of using a medical capital product. We discovered that we were losing most of those base customers. Then we realized that tracking all those customers and making sure that we keep them happy while they use the product and ask them to give it back to us and sell them a new product later on led to higher retention of those customers. We discovered we could recoup value from the products that come back, either expensive components or even refurbishing the machine for the second period of ten years of use. The bottom line is we can fulfill the circular model and we retain more customers. We then have a value offer for customers who cannot afford a new machine. Then we even took that one step further where we said if we take the machine back anyway after ten years, why do you buy it in the first place? Maybe you should just buy the utility of the system rather than owning the product outright. You get service-based business models, so pay as you use. Pay for the benefit rather than pay for the equipment. That ties in nicely with value-based care where people need to do more with less."

TRANSITION READINESS TOWARD ACHIEVING THE PURPOSE

The CEOs in our study make their organizations future-ready through anchoring corporate purpose in the following corporate strategies:

BUILDING TRUST EXTERNALLY AND INTERNALLY BY COMMUNICATING REALISTICALLY

When we asked CEOs to define their top three global challenges, declining trust in business was near the top of the list. Purpose-driven CEOs are constantly seeking new ways to build trust. This requires a constant focus on stakeholder expectations. It also involves consistently and transparently communicating the organization's purpose and its goal to become future-ready. Novo Nordisk's former CEO Lars Rebien Sorensen:

→ "The biggest worry that I have short term is how do we recreate credibility on the part of our politicians,

institutions, and also private enterprises, which I've been responsible for, where the general public sees private companies as being self-serving and profiteering as opposed to being a part of community and society? "

In addition to using communication and PR channels to market success stories tied to their purpose agenda, the CEOs we interviewed also ensure authenticity and safeguard trust by discussing the challenges they face candidly and transparently. Ketchum CEO, Barri Rafferty, reiterated this point throughout her interview, explaining that this approach reduces the risk of reputational loss and setbacks on the journey.

DEMONSTRATING VALUE TO THE ORGANIZATION AND SOCIETY

This is achieved by actually doing the work and understanding the value that can be leveraged for the organization. Grant Reid, CEO of Mars:

→ "Data and connectivity are helping us get smarter about our impact every year. Today, climate science is clear and we understand the environmental and social challenges in our supply chain better than ever before. With this knowledge, it is clear that the scale of intervention needs to be much bolder."

This means not relying solely on storytelling, but also showing the results of the value creation and willingness to invest.



“ [IT] IS ‘EXTREMELY CRUCIAL IN TALKING ABOUT STRATEGIC APPROACH AND DIRECTION TO GET ALL MANAGERS ON BOARD SO THEY CAN LEAD THEIR TEAMS AND HELP GET THE COMPANY MOVING FORWARD IN THE DIRECTION OF THE OVERALL STRATEGY. TO DO THIS, WE CREATED AN INITIATIVE CALLED NEXT EXPERIENCE, WHERE WE TRAINED AROUND 17,000 MANAGERS ACROSS THE GLOBE IN UNDERSTANDING THE CHALLENGES AHEAD, NEW DRIVETRAINS, AS WELL AS OUR CORE VALUES TO ENABLE US TO TACKLE THE TRANSFORMATION TAKING PLACE IN OUR INDUSTRY. “

ENABLING EMPLOYEES AND LEADERSHIP TO BE FUTURE-READY

Organizations at the forefront of purpose-driven change free up capacity to train their employees and leadership team efficiently. They do so by using technology that builds a comprehensive understanding of change in the world and an awareness of what it will entail for the organization.

This approach means including as many employees as possible in discussions focused on future strategic directions and business trends. It also means reducing a sense of change-aversion and fear amongst the workforce and developing new skill sets. Most importantly, it involves ensuring that employees understand the strategic implications of long-term efforts while securing operational ability in the short term.

LINKING CEO AGENDA WITH GLOBAL AGENDA

→ “Our corporate board is ultimately responsible for governance of our organizational purpose and its progress. [...] Corporate responsibility must be an integral part of the organizations strategy and needs to be embedded into all business activities and dimensions, with an effective governance structure.” Denis Machuel, CEO Sodexo

Emerging strategic practices differ from traditional corporate strategy in that they legitimize and de-risk long-term decisions. This serves to promote purpose-oriented businesses. From SWOT analysis to stakeholder-informed systems, such organizations map an iterative understanding of leverage points, impacts, and outcomes.

Purpose-driven CEOs free up capacity for an in-depth assessment of their impact, and their competencies to develop value at scale for business and society. Below are five key ways in which they do this:

A) RESEARCH-INFORMED FORESIGHT

Purpose-driven CEOs incorporate scientific data into the strategic process developing a more comprehensive understanding of future scenarios.

B) ITERATIVE ENGAGEMENT AND SENSE-MAKING IN STAKEHOLDER SYSTEM

As highlighted by Chapters 2 and 5, Purpose-driven CEOs engage more strongly and sensitively with their broader stakeholder system (society, research, policy, expert actors, board, employees, and consumers). They integrate insights from these strategic partners when assessing their companies’ ability to add value to society. In this way, they glean fresh insight into potential disruptions and methods for legitimizing purpose.

C) FROM SMALL-SCALE TO BIG-SCALE EMPLOYEE ENGAGEMENT

As chapter 5 discusses, CEOs stress the importance and positive effects of comprehensive employee engagement in the strategy process. In times of rapid change, re-skilling for future work and retaining talented employees are prominent concerns within purpose-driven businesses. This means that

employee involvement in transparent conversations and ownership of outcomes have a direct and positive effect on innovation and productivity.

D) FROM INCREMENTAL INNOVATION TO AMBITIOUS FUTURE FITNESS

The purpose-driven CEOs we interviewed argue that serving the needs of society, rather than only existing customer groups, opens up tremendous business opportunities and new markets. Capitalizing on these opportunities means ambitiously targeting social and environmental goals and enlisting the help of consumers and employees in achieving them.

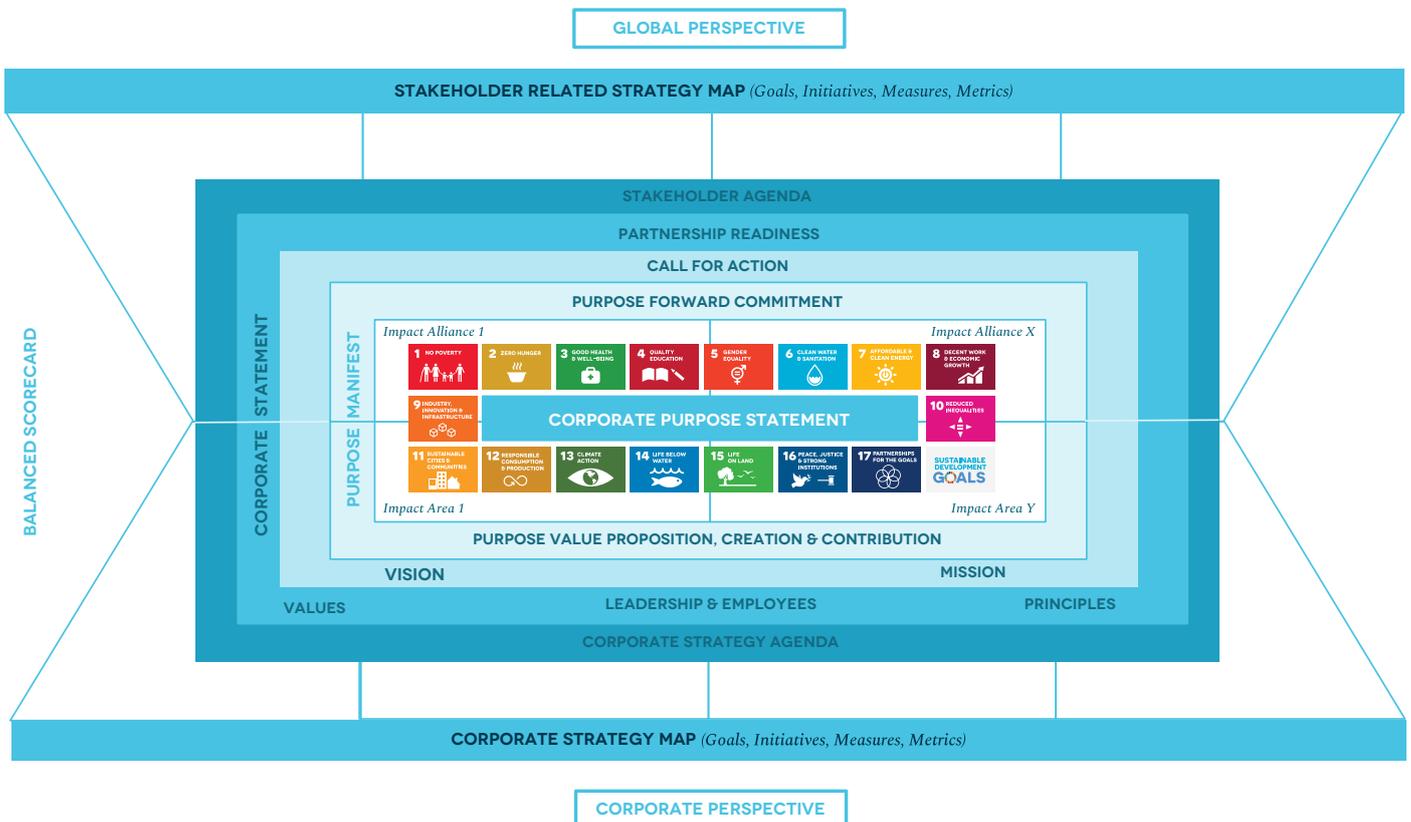
E) PURPOSE-ANCHORED STRATEGY MAP

→ “We learned that it’s important to start with a framework, a strategy, and then evolve from there.”
David Kohler, CEO Kohler

The CEOs we interviewed believe that profit should be the outcome of generating purpose, hence, the systems value proposition. There is much work to do to adapt in the

short term, but businesses are taking big steps to find such pathways. As Hubert Joly, former CEO of Best Buy, states:

→ “If, as a company, the only thing you measure is financial results, you’re going to be in trouble very quickly, especially if you focus just on short-term results. In line with our purposeful strategy, we’ve redefined last year’s key performance indicators around, again, people, business, and finance. From a business standpoint, if our purpose is to enrich lives through technology and our business opportunity is to build relationships with our customers, be more meaningful in the life of our customers because that’s how we feel we could do a good job of enriching their lives, it changes our key performance indicators. Being clear about what you measure is critical, and financial measures are incomplete and not so helpful at the end of the day. You look at an outcome, and you don’t look at the drivers, and you don’t look at what you’re trying to accomplish, the question of why you’re doing things.”



1.5



STAKEHOLDERS RELATIONS

FROM TRANSACTIONAL TO LONGER-TERM PEER-LEVEL ENGAGEMENT

One of the shifts towards embracing the new business logic involves building and valuing relationships in new ways. In line with this, a new partnership paradigm seems to be emerging among non-competing and even competing businesses. This marks a shift from transactional engagements to more relational engagements. As CEOs are taking on the systems-value view, they know that no business can succeed in a vacuum. Long-term success requires collaboration with others. Some emergent shifts are:

A) STAKEHOLDERS VOTING FOR A HIGHER CAUSE WITH THEIR WALLETS

In 1999, Joseph Pine and James Gilmore predicted that consumers would increase demand and pay premiums for an experience beyond just the consumption of a product or service (Pine & Gilmore, 2011). They dubbed this next phase, "The Experience Economy." This shift in value is now occurring. Potential and existing customers are no longer solely seen as faceless consumers. By taking a stand with their wallets, they are becoming influencers for the movement towards a purpose-driven economy. As trust in public institutions is declining, consumers are voting with their dollars for the betterment of society. They are also taking part in conversational feedback and providing valuable input into designing purpose-driven business models. Such involvement both guides and encourages businesses as they develop said, models.

B) EMPLOYEE VALUE PROPOSITION AND EMPLOYEE OWNERSHIP

Employees drive many decisions regarding responses to internal and external pressures on organizations. They are able to mobilize purpose-driven ideas and lead them flexibly through the friction of organizational hierarchies to develop impactful innovations (Sharp, 2019). Moreover, by leveraging the value of their talent they are able to demand greater involvement in business operations, fostering ownership by intrapreneurship (Busch, 2019).



"If you look at the world, there are 7 billion potential consumers out there and companies hire these consumers and create jobs for them. SAP recognizes that. The purpose behind the intelligent enterprise is to understand and serve the spirit of the human condition. For example, eliminating things like bias in the workplace is a driving force in the economy. "
Bill McDermott, CEO SAP

C) TRANSLATION INTO PARTNERS FOR IMPACT

CEOs face a significant new task in managing stakeholders with higher sensitivity and partnering in new ways. Partners are no longer seen solely as enablers of business operations, but as peer-level collaborators on a systemic level helping to achieve ambitious purposes. The pursuit of a shared purpose helps to identify the right partnerships fast and to transform them into long-lasting relationships with actionable outcomes at scale (Gyori et al., 2019).

1.6



TECHNOLOGY FOR GOOD AT SCALE

FROM PROTOTYPING FOR DATA BUSINESS CASES TO HUMANIZING GLOBALIZATION 4.0



JOHN FALLON >
CEO, PEARSON



“THE COMBINATION OF TECHNOLOGICAL CHANGE AND INCREASING GLOBALIZATION MEANS THAT THE WORLD OF WORK HAS BEEN DISRUPTED AT A FASTER RATE THAN PROBABLY SINCE THE START OF THE INDUSTRIAL REVOLUTION. [...] THE JOBS THAT WILL BE CREATED REQUIRE PEOPLE TO BE RETRAINING AND RE-SKILLING. ”

Our research builds upon a growing body of work that shows how technology is now an enabler and exponential accelerator of innovation, communication and transparency. Technology enables us to see where the system is both succeeding and failing. According to the World Bank, there are now more than 4 billion people around the world using the Internet (World Bank Group, 2016). In Africa, the growth rate has been more than 20 per cent annually and these trends are expected to continue (Internet World Stats, 2019). Today, people have better access to the Internet and are better informed about business activities than ever before. Technology is enabling them to take a stand with their feedback, money, and talent. As Feike Sijbesma, CEO of DSM states:



“We have all kind of partnerships. Sometimes these will be joint ventures, sometimes alliances. We work with industry peers to create sustainability measures and we work with other parties to develop the latest technologies, such as using agricultural waste to create green energy. In today’s world, where technology and science play such an important role, you cannot do it all alone.”

Technology is also providing solutions for some of the most significant workflow issues that businesses face. It enables organizations to investigate and operate within pre-competitive spaces. It also helps to unleash available solutions and capabilities for the greater good at a scale that benefit the organization and build the capacity of employees.



KAAN TERZIOĞLU >
FORMER CEO, TURKCELL



“I THINK OUR INDUSTRY WILL FACE A BIG CHALLENGE AS WELL IF WE DON’T MAKE SURE THAT PEOPLE, [...] AROUND THE WORLD, UNDERSTAND THAT THESE TECHNOLOGIES ARE NOT ONLY FOR THE WEALTHY, BUT THEY ARE ESSENTIAL NEEDS FOR THE PEOPLE WHO ARE IN DEEP NEED. ”

Some key technology trends we identified in the context of this CEO Study include:

A) TRANSFORMING VALUE AND SUPPLY CHAIN

Talking about the global challenges in relation to business, opening up to the global arena creates enormous potential for prosperity beyond the domestic market. As Johan Torgeby, President and CEO of SEB, elaborates: “Another trend is that people care more and more about what they do with their money. We’ve developed a lot of products going in this direction. Green financing, green loans, green mortgages, green leasing are just a few examples. We started doing green bonds together with the World Bank ten years ago, and we just did the first blue bond, for clean water. We’re also setting up an innovation center to take these sustainable financial solutions to the next level. ”

Talking about the global challenges in relation to business, opening up to the global arena creates enormous potential for prosperity beyond the domestic market. Remi Eriksen the CEO of DNV GL elaborates:

→ “I think we will have a big impact on how the energy system is transforming and to provide more clarity to the industry we work in on how that energy transition could materialize. I also think that our company will be a much more digital company, more data-led than automated than what we have seen in the past. ”

B) GROWING GLOBAL MARKETS AND UNCOVERING NEW CUSTOMER BASES AND UNMET NEEDS

Globalization has come under scrutiny in recent years for many reasons. Its wide-ranging effects are both complex and politically charged. As with significant technological advances, globalization benefits society as a whole but has not done so equally. Yet, globalization has immense potential for far-reaching societal benefits. Procter & Gamble CEO David Taylor stresses the value of developing new technologies in order to secure competitive advantage and address societal problems. This is precisely what his company did when pioneering a new packaging technology and then sharing this innovation with consumers. The company’s scientists developed a recycling process they call PureCycle. This process separates color, odor and other contaminants from plastic waste feedstock to transform it into virgin-like material. The company has shared this process with others through making it available through a third party. Taylor concludes:

→ “Certainly, there will be an economic benefit to us because we invented it. This is one where instead of just keeping to a small portion of the available use, we’d rather make that available much more broadly. ”

Purpose-driven CEOs also promote consumer access to use existing technologies. As these technologies can bring broad benefits to society, they work on making them broadly available.

“One of the things I mentioned is the ageing population in the West. We have an entire strategy focused on ageing seniors using technology to help them live an independent life longer in their homes. We would not have gotten to that opportunity if we had thought of ourselves as a modern retailer selling TVs in



“WE ARE A SWEDISH HEADQUARTERED BANK BASED IN AN OPEN AND EXPORT-ORIENTED ECONOMY. EMBRACING THE WORLD RATHER THAN A COUNTRY IS VERY MUCH IN OUR CORE BELIEFS, AND IN HOW WE CREATE VALUE IN BUSINESS. THIS LEADS INTO THE CURRENT DEBATE, WHICH I THINK IS ABOUT THE DEMOCRATIZATION OF TRENDS GLOBALLY IN TERMS OF FREE MOVEMENT OF LABOR, FREE MOVEMENT OF CAPITAL, LEVEL PLAYING FIELD AMONGST INDUSTRIES. WE SEE A CLEAR WORRYING TREND OF MORE NATIONALISM, POPULISM, AND CLOSING BORDERS RATHER THAN OPENING THEM UP. THIS IS SOMETHING THAT WE AS A BANK ARE VERY ENGAGED IN.”

JOHAN TOREBY >
PRESIDENT & CEO, SEB

our stores. If you think about the population we serve and their underlying needs to health and this trend of an ageing population, then you can see how you can use technology.” Hubert Joly, former CEO Best Buy

C) ENHANCING AND SCALING TECHNOLOGY THROUGH BROADER AVAILABILITY OF SOLUTIONS

Frans van Houten, CEO of Philips, highlighted the complexity of creating new markets and innovating around social needs instead of one single customer need. This process fosters deeper collaborate engagement with stakeholders:



“IN THE EMERGING MARKETS, THE INNOVATION PIECE IS EVEN MORE DIFFICULT BECAUSE THERE IS NO SINGLE CUSTOMER. YOU HAVE TO DO SOCIAL RE-ENGINEERING TO LAND YOUR INNOVATIONS WELL. WE HAVE LEARNED OVER THE LAST FEW YEARS THAT WE NEED TO MAKE NGOS AND GOVERNMENT BODIES PART OF OUR CO-CREATION PROCESS TO GET TO THE RE-ENGINEERING OF THE BUSINESS MODEL. IT’S HARDER BECAUSE THERE IS NO ESTABLISHED MARKETPLACE YET FOR SOME OF THESE INNOVATIONS. “

FRANS VAN HOUTEN >
CEO, PHILIPS



II. PARTNERSHIPS FOR COLLECTIVE IMPACT

BY CHRISTA GYORI &
MAYA BRAHMAM

II. PARTNERSHIPS FOR COLLECTIVE IMPACT



“IN MY EXPERIENCE, PARTNERSHIPS ARE SUCCESSFUL BECAUSE THEY ARE WIN-WIN SITUATIONS. ONE OF OUR WIN-WIN PARTNERSHIPS AT SEB IS ABOUT MICROFINANCE FUNDS, WHERE SYMBIOTICS PROVIDES US WITH INVESTMENT ADVISORY SERVICES WITH REGARDS TO INVESTMENTS INTO THE MICROFINANCE SECTOR. TODAY, SEB IS ONE OF THE LARGEST MICROFINANCE INVESTMENT MANAGERS IN EUROPE, HAVING LAUNCHED SIX MICROFINANCE FUNDS SINCE 2013, AT A TOTAL VALUE OF MORE THAN SEK 7 BILLION, AND REACHING MORE THAN 23 MILLION ENTREPRENEURS IN OVER 40 DEVELOPING COUNTRIES.”

Many of today's societal, environmental, and business challenges are so complex that they can only be tackled by different sectors working together (Van Tulder & Keen, 2018). There is an increasing number of organizations joining forces and sharing resources to scale projects for sustainable impact (Auerbach, 2019). These partnerships have the potential to create opportunities for economic growth, improved quality of life, reduced poverty and enhanced trust between public and private sector partners (Senge et al., 2006). Last year's CEO study pointed to the increasing importance of purpose-aligned partnerships as a catalyst for innovation, knowledge creation, and large-scale sector-specific growth. It also uncovered some emerging models of cooperation. This year, we dove deeper and explored some of the best practices of successful partnerships, as well as some essential enabling factors that support productive long-term collaborations. Our research points to five attributes that, together, produce alignment and lead to successful partnerships:

1. Partner-Fit Organization
2. Shared Purpose
3. Value Alignment
4. Operational Alignment
5. Robust Communication

IS THE ORGANIZATION PARTNER-FIT?

In 2012, global carpet tile manufacturer Interface, Inc. and conservation charity the Zoological Society of London (ZSL) entered into a collaboration they called “Net-Works”. This partnership focused on tackling the growing environmental problem of fishing net waste in some of the world's most impoverished coastal communities. The initial goal of this collaboration was twofold. First, the partner organizations worked to establish an infrastructure in order to collect discarded nets. Next, they worked to substantially clean up beaches in four local communities near Danajon Bank, a threatened coral reef in the Philippines. However, the collaboration did not stop there. After the initial cleanup operations, nylon from the nets was used in carpet tiles. This move was both eco-friendly and a boon to the local economy. The project proved to be hugely successful in reducing the use of virgin raw materials, reducing pollution, and generating economic opportunities for native communities.

Since 2012, the Net-Works collaboration has expanded considerably. As of today, over 142 metric tons of waste nets have been collected for recycling, 1,500 families have received access to finance through community banks, and 62,000 people in 35 communities have benefited from a healthier environment

(Net-Works, 2019). Additionally, Interface has profited both financially and in terms of brand reputation. The project has won numerous awards for innovation and sustainability and has been featured in many publications and news stories. Investors are also applauding the efforts of the organizing partners. Since the project launch in 2015, Interface's initial one million dollar investment has generated over \$23.5 million in sales.

The Net-Works example is one of many innovative partnerships discussed in our CEO interviews. The opportunities that collaborative partnerships provide are becoming increasingly apparent, and purpose-driven organizations are increasingly adept at leveraging these advantages to achieve positive results for stakeholders. What distinguishes new partnership approaches from traditional collaboration is a long-term orientation and explicit win-win agreements. Having a clear understanding and appreciation of each partner's strengths and competitive advantages is at the core of high impact collaborations. This requires an institutional capability for partnering. When done well, organizations can benefit enormously from the leverage that partnerships can bring. Harnessing the core competencies of a network of partners can de-risk the innovation and development process, build shared learning, spread costs across multiple organizations, and shorten the lead-time of bringing innovations to market. The Interface example illustrates how a group of organizations can expedite the innovation process in a way that no single organization can, yielding benefits for all.

Our research indicates that collaborations can have clear long-term advantages, but to make them work each organization needs to be "partner-ready". Often this means that organizations need to rethink and, potentially redesign, some of their processes and approaches.

PayPal's EVP & Chief of Strategy, Growth and Data, Jonathan Auerbach elaborated:

"This starts by taking both an 'outside-in' (what is our market opportunity and what is the best way to maximize it?) and an 'inside out' (what are our strengths and weaknesses in today's market and how do we build on what makes us unique while filling the gaps in our business?) view of ourselves and our industries." It also forces a company to look at itself and ask: what do we stand for and why are we here? "

→ "What's going to drive the change we all need to see in the world is private companies working with other types of global organizations to create the change. It won't happen without this." David Taylor, CEO of Procter & Gamble



"WE NEED TO FIGURE OUT HOW DO WE PARTNER WITH OTHER COMPANIES IN THE ECOSYSTEM, INCLUDING BOTH THE PRIVATE SECTOR AND THE PUBLIC SECTOR, TO TAKE THE BEST OF THE ASSETS WE HAVE AND THE BEST OF THE ASSETS THAT A PARTNER COMPANY MIGHT HAVE AND PULL THEM TOGETHER INTO AN INTEGRATED VALUE PROPOSITION THAT NEITHER OF US COULD DEVELOP ALONE, BUT THAT TOGETHER IS A SUPERIOR VALUE PROPOSITION FOR THE CONSUMER. IT'S A SOPHISTICATED AND DIFFICULT CONCEPT. COMPANIES NEED TO THINK ABOUT PARTNERSHIPS VERY DIFFERENTLY."



AJAY BANGA >
CEO, MASTERCARD



“WHAT IT REQUIRES IS FOR THE PUBLIC SECTOR AND THE PRIVATE SECTOR TO TRUST EACH OTHER. THEY BRING DIFFERENT STRENGTHS TO THE PARTY. IF YOU WORK TOGETHER, AND YOU TRUST EACH OTHER, WHEN YOU TRUST EACH OTHER, YOU CAN MAKE A REAL DENT IN SOME OF THESE PROBLEMS.”

These can be difficult questions for partner-organizations to ask and to answer, but the potential reward is improved transparency and a sense of common purpose. Wrestling with these questions can also lead to meaningful discussions about the role of the partner-organizations today and in the future. Such talks can support a shift in mindset from one of competition to one of collaboration, which can unlock an enormous amount of potential. As Anand Mahindra, CEO of Mahindra & Mahindra points out:

→ “Customers will not buy products anymore. They will buy brands, which represent the values they espouse and the world they want to see. We began an exercise, which led to our Rise manifesto, and the whole credo of Rise was devised. Rise is a manifesto and a statement, but the three pillars of Rise are essentially we’re accepting no limits about thinking innovatively and driving positive change. ”

For organizations that have started the work of rethinking their role in society and aligning their core purpose to strategy, this process may be familiar. It is work that is continually being refined and adjusted as new information, new partnerships, and new opportunities arise.

→ “That mindset is very different from ‘get it right the first time,’ because real innovation is often making connections between areas you didn’t imagine before. It is a messy process. It’s an iterative process. You have to be curious and focus on solving the problem that you’re trying to solve. You have to believe that, together, we’re going to solve it. In doing that, you come up with breakthroughs. Often those breakthroughs are not what you initially thought (they) would be.” David Taylor, CEO P&G

IS THERE A SHARED PURPOSE?

For collaboration to reach its full potential, participants must have a shared vision for the outcome of the collaboration. They must also agree on the nature of a problem and have a common strategy for addressing it. Finally, they must possess an understanding of each partner’s unique role in implementing said solution. This requires leaders to approach the partnership with both a collaborative mindset and an output-focus. These are some foundational elements involved in building long-term partnerships, capacity, and trust. Arriving at all of these mutually beneficial understandings can be challenging, but the process can also yield highly positive results. As David Kohler, CEO of Kohler notes:

→ “I think all of our partnerships really have been treated more like a business relationship. We, together, want to achieve impact. We want to achieve an objective. Let’s define that and work together aggressively against milestones and a commitment to do that, and let’s measure ourselves. I think it’s been that mentality, getting all-in with the partner versus just writing a check. I think that’s really powerful as well. ”

Our study found that some of the most common problems in a partnership are caused by a lack of clarity and communication early in the process. This can result in collaborators having a slightly different definition of the problem, a different view of their roles and a different vision for the ultimate goal. This lack of clarity may not be evident when partners work independently on a specific aspect of the project, yet these differences can undermine the efforts and the impact of the partnership as a whole. For the collaboration to be successful, these differences need to be discussed and resolved. Some powerful tools such as facilitated foresight and back casting exercises can aid this alignment at the beginning of the process. This work will go a long way toward building trust across partners from different sectors. It will also help partners understand the alignment of their interests and the benefits of working together.

→ “There are a lot of companies when you move beyond commercial negotiations and talk about how do we all make a difference in the world, what can our legacy be, what can we do to inspire our employees so that they can make a difference every day. Those are the types of companies that we look to partner with in serving the literally billions of people around the world that are outside the system.” Dan Schulman, CEO Paypal

IS THERE VALUE ALIGNMENT?

When it comes to addressing industry level, regional and global challenges today, there is no shortage of potential partners. From trade associations to coalitions to multi-stakeholder alliances, the sheer number of configurations can seem overwhelming. So how do leaders decide which partnership is best suited to help them meet their goals?

Our findings indicate that collaborations that are value-aligned have the highest success rate. This means that each partner must have something unique to contribute and each organization must benefit in alignment with their stated purpose. Also, partnerships led by organizational champions with a clear and consistent agenda for change had the highest levels of success. Having this type of leadership from each organization enables faster decision making, allocation of appropriate resources, and organizational commitment.

→ “One of the things I really think about is the art and science of partnerships. You’re using data and analytics to try to surface what might be the right partner or the right stakeholder to partner with. Then a lot of it comes down to tone, personality, and culture. If it’s not a cultural fit, then often that is when there becomes a disconnect, and those partnerships don’t work. I think really spending the time getting to know each other, really getting under the hood sometimes is time well-spent.” Barri Rafferty, CEO Ketchum



LAURA KOHLER >
MEMBER BOD, KOHLER



“WE LEVERAGE OUR CAPABILITY, WHETHER IT’S OUR ENGINEERS IN THE POWER GROUP, WHETHER IT’S OUR WATER ENGINEERS IN THE PLUMBING ORGANIZATION. WE BRING OUR EXPERTISE TO THE TABLE WITH OUR PARTNER. WE ALSO TRY TO UNDERSTAND THEIR CAPABILITIES THAT ARE DIFFERENT FROM OURS. WE’RE VERY CAREFUL WITH THE PARTNERS WE CHOOSE IN TERMS OF THEIR INTEGRITY AND CAPABILITIES.”



REMI ERIKSON >
CEO, DNV GL



“WHEN IT COMES TO SOLVING THE CHALLENGES THAT WE HAVE IN FRONT OF US, NO ONE COMPANY CAN DO IT ALONE. YOU HAVE TO PARTNER, AND YOU HAVE TO WORK TOGETHER. WITH THE RAPID CHANGE WE NOW SEE IN TECHNOLOGY AND THE COMPLEXITY WE HAVE, IT’S EXPONENTIAL. YOU CANNOT HAVE ALL THE KNOWLEDGE IN ONE COMPANY. YOU NEED TO PARTNER UP.”

The leaders we spoke with also emphasized the importance of a non-competitive approach and high levels of executive support. It is essential that each partner explicitly defines an area of focus. Taking this step helps to ensure that collaborating organizations can feel confident that their core business is not compromised. Taking the time to define roles also helps to clarify the potential opportunities for each contributor. Kaan Terzioğlu, former CEO of Turkcell shared his views:

⇒ “We seek partnerships in every area that we have delivered something. For the blind people, for example, our partner was an organization called YGA, a Turkish international leadership development group where they recruited young people, and they committed their time for social impact. We saw the capabilities of this group, and we partnered with them to develop the application, and then we distributed that application throughout our network.”

IS THERE OPERATIONAL ALIGNMENT?

Collaborations for development depend on a diverse group of stakeholders working together, each contributing a unique and specific area of expertise. The power of these groups working together comes from the coordination of each partner’s particular activities through an agreed-upon strategic plan. Building an effective collaboration involves aligning structure and commitment. Partners must carefully define their individual roles, their common goals, and the critical steps necessary to achieve success. Additionally, dedicated staff, decision-making infrastructure, and resources are all essential. One of the most common reasons that collaborations fail is a lack of infrastructure. The complexity of a project should determine the amount of support and commitment required to achieve the desired outcome.

Regardless of the partnership structure, enlisting the help of dedicated staff is a vital consideration. Project leads can cherry-pick dedicated staff from each partner organization in order to form a joint leadership team. Also a practical and highly structured process for decision-making should be in place. Staff will plan, manage and support the initiative through ongoing facilitation, technology, and communications support. They should be responsible for logistics, administration, sales, data collection and reporting. This team should also ensure robust governance as well as effective facilitation and appropriate monitoring to ensure that the collaboration abides by legal requirements. Sometimes a “backbone organization” is best suited for this role. A sizeable multi-stakeholder partnership might involve partners setting up a completely separate organization with dedicated staff with a particular set of skills to serve as the backbone for the entire project in order to ensure the team’s success. For example, when BMW teamed up with mobility partners, including rival organization Daimler, last year to reimagine mobility for more sustainable cities, the group created the backbone entity, Your Now. This group of partnership coordinators is based in Berlin with offices across the globe aimed at ensuring the long-term viability of the project.

Whether the partnership decides to use a backbone organization or to create a dedicated in-house team, it will be responsible for supervising project development and capturing measures of success and key learnings along

the way. The CEOs we interviewed in 2018-19 stressed the importance of explicit measures of success that are connected to learning. Communication of learnings can be a powerful tool for connecting stakeholders and building momentum. At their best, a team managing partnerships should have the ability to engage people's attention and develop a sense of urgency, the skill to apply pressure to stakeholders without overwhelming them, the competence to frame issues in a way that presents opportunities as well as difficulties, and the strength to mediate conflict among stakeholders (Crespin & Moser, 2018).

IS THERE ROBUST COMMUNICATION?

Developing trust among organizations can be challenging at best. Even when all parties are working diligently to create a sustainable impact, the lack of a common language can lead to misunderstandings and slow progress. A framework for visualizing complex problems and a common language for talking about them can mean the difference between the successful execution of an innovation strategy and a frustrating, drawn-out program that yields few results. Developing and fostering a shared language is an essential element to enhance communication, trust and collaboration (Bates, 2013).

Partnerships involve a political will, an organizational will and a social will. Strong communications must be at the center of this process to ensure that there is alignment across organizations and teams. The strategy must focus on building a coalition of supporters over time so that the team can partner successfully.

WHAT WE SEE

As the business community confronts the complex global challenges ahead, forward-thinking leaders will develop scalable solutions by forging strategic purpose-driven partnerships. Harnessing the capacities of a complementary network of aligned organizations is an effective way for partnerships to serve several important roles for all parties. Such affiliations can help with the co-creation of industry standards and indices, enable a safe space for organizations to explore pressing systemic business or societal issues, de-risk investment in R&D and build systemic capacity. When applied through a detailed, long-term strategic plan, these core elements (partner-fit organization, shared purpose, value alignment, operational alignment and robust communication), can enable cross-sector partnerships to address our most pressing societal challenges, while simultaneously creating lasting business opportunities. Effective partnerships can also enhance trust, accountability, and social interaction between business, governments and civil society.



“YOU CANNOT COMMUNICATE ENOUGH. I THINK YOU HAVE TO OVER-COMMUNICATE. PEOPLE HEAR THINGS DIFFERENTLY AND THEY DON'T ABSORB THE INFORMATION THE SAME WAY. YOU ALSO HAVE TO HAVE DIFFERENT FORMS OF COMMUNICATION TO GET PEOPLE ALIGNED ON WHERE YOU'RE GOING. THEN I THINK YOU HAVE TO GIVE THEM EXAMPLES. WHO IS MOVING THAT WAY? WHAT IS SUCCESSFUL? WHAT DOES SUCCESS LOOK LIKE?”

WHEN THE CEO AGENDA IS CHANGING: IT IS A STRATEGIC CALL AND WINDOW OF OPPORTUNITY FOR PUBLIC ORGANIZATIONS



THE PUBLIC STAKEHOLDER AGENDA

GRASP MOMENTUM OF NEW BUSINESS & INDUSTRY IMPERATIVES

FROM TWO WORLDS TO ONE WORLD

FROM STAKEHOLDER TO STRATEGIC PARTNER

FROM FUNDING TO INTEGRATIVE VALUE

REDEFINE PUBLIC SECTOR OPPORTUNITIES

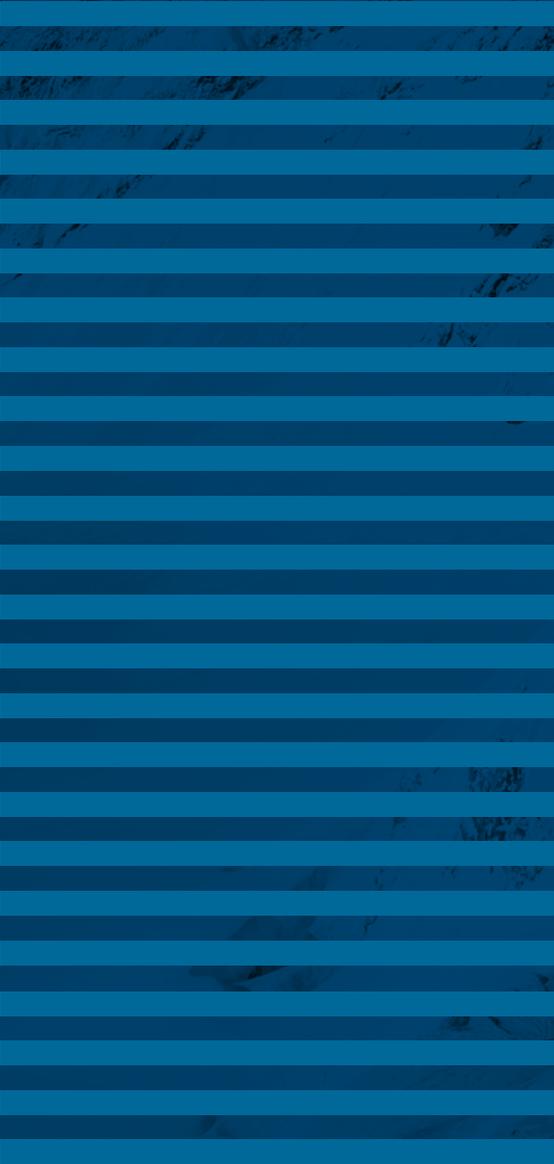
BUILD IMPACT ALLIANCES AROUND ALIGNED PURPOSE



III. FIT FOR THE FUTURE:

INTEGRATING PROFIT & PURPOSE AT SCALE

BY DR. CHRISTIAN BUSCH



**“WE TRAIN MANAGERS ON THE
FUTURE OF THE COMPANY... WE
NEED THEM ON THE JOURNEY
TO CHANGE.”**

HARALD KRUEGER >
CEO, BMW

III.



FIT FOR THE FUTURE

INTEGRATING PROFIT & PURPOSE AT SCALE

Societal challenges and the changing expectations of employees, customers, partners and (next generation) investors, increasingly push companies to justify their presence. This also means integrating profit and purpose at scale. Even more traditional companies are increasingly concerned with what Johan Torgeby, CEO of SEB, describes as “**what the capital is doing not only for me, but for the world.**” Increasingly, once peripheral CSR initiatives have become more strategically integrated approaches (Kramer & Porter, 2011; Crane et al., 2014; Eccles et al., 2014; Revelli & Viviani, 2015; Kazakova & Gyori, 2019).

In this section, we consider the ways in which successful purpose-driven leaders cope with these challenges and provide an environment that enables the scaling up of social, environmental and financial impact even as they are faced with short-term pressures. Our decade-long research on purpose-driven organizations, and in particular our 2018 LoP CEO study, point to key factors such as combining a long-term perspective with an adaptive strategy; codifying the desired behavior; measuring value; and highly transparent communication (Busch, 2012). Our CEO interviews this year substantiated many of those findings – and revealed intriguing patterns regarding how and why these CEOs enable their companies to navigate change in a volatile business climate. Using qualitative methodology including multi-step coding (Yin, 2011; Gioia et al., 2013), several major themes emerged on how 30 of the world’s top leaders navigate their organizations in an uncertain world.

Six approaches emerged from our study that can help increase impact and innovative capacity. These strategies enhance stakeholder motivation and build the capacity to cultivate serendipity in an uncertain world (Busch, 2020).

1. INSPIRING A SENSE OF DIRECTION

The CEOs in our study are deliberate about inspiring a purpose-driven sense of direction. From this articulation of how their organizations are both commercially and socially relevant, mission and goals follow.

If done well, inspiring this sense of direction allows employees and other stakeholders to see their individual values connect with the organization’s overall direction.

BMW’s outgoing CEO Harald Krueger is not alone in his assessment that especially “the young generation wants to do something meaningful. Only if they feel they do meaningful work are they loyal”. Across generations, those organizations that become habitats for meaning can potentially release the dormant energy of employees and other stakeholders. But how do leaders “find” this sense of direction?

In last year’s report, we discussed how the CEOs we interviewed leverage their company’s legacies linking them to global concerns, such as meeting United Nation’s Sustainable Development Goals (SDGs). MasterCard’s CEO Ajay Banga shared his vision of lifting hundreds of millions of people into the financial system, allowing people to know what they are working towards and why. In fact, the companies in that study often “looked at the SDG list and selected those that related to our innovation mission” (Frans van Houten, CEO Philips). This allowed them to “know where [they] are going” (Emmanuel Faber, CEO Danone).

The companies we studied this year often break this long-term direction down into short-term (e.g., monthly) review cycles to embed it into their company’s processes and collective mindset. But while the leaders we spoke to are driven by a strong sense of a value-oriented direction, they are acutely aware that much of the actual tactical outcomes emerge unexpectedly. This is particularly true for specific initiatives, for example, Kohler’s recent projects related to reducing their environmental footprint. Consequently, they do not focus on over-defining a particular path, but rather on giving people a broader sense of where they are going collectively, broad enough to allow for adaptation based on changing needs.



“What took us by surprise was the amount of engagement that our associates are totally energized by being part of stewardship and sustainability. We know it’s the right thing to do, but we did not calculate how powerful it is when you engage your employees in these efforts. It has a momentum all to itself now.”
Laura Kohler, Member BOD Kohler

2. SIGNPOSTING AND ROLE-MODELING

The CEOs in our study focus on developing practices that reinforce and make explicit lived values in order to provide an environment that will embrace rather than stonewall purpose-driven momentum. This is no easy task, but many of them have taken decisive steps in an effort to create this type of workplace. Mars' CEO Grant Reid highlighted how, at his company, the "Five Principles" (core values of quality, responsibility, mutuality, efficiency and freedom) are being used to guide decisions in meetings. At L'Oréal, Chief Ethics Officer Emmanuel Lulin, makes sure values such as transparency are integrated into their business model around the world. People who join the organization are being trained on the values and on the ethical code, and these principles are integrated across the organization via face-to-face and web-based conversations. Remi Eriksen, CEO of DNVGL, fosters the dissemination of values across the company by having people change roles frequently, a process he calls, "carrying the DNA". At companies such as BMW and IKEA, 360-degree performance reviews are used to talk not only about specific outcomes but also about how they were achieved. As a bonus, according to PayPal's CEO Dan Schulman, lived values can also help align to partnerships (Gyori et al., 2019; Busch & Barkema, 2019).

In addition, the CEOs in our study consciously model behavior in order to set the tone from the top of the organization. At Ketchum, where the maternity policy was reframed as a "family bonding policy" to include areas such as adoption, CEO Barri Rafferty "leaves loudly" (e.g. announcing that she is going to a daughter's volleyball game) to highlight the importance of work-life-integration and to increase adoption of the model.

In fact, many of the leaders in our study use what we call "signpost actions" in order to illustrate and embody values. This shift toward increased purpose involves more than a CEO practicing what she preaches; it also involves her preaching what she practices. This helps organizations to evolve towards what we call "impact organizations", that is to say businesses that are able to reconcile financial and social impact at scale.

3. APPRECIATING THE ESSENTIAL ROLE OF THE UNEXPECTED

Rather than pretending that they have it all figured out, the CEOs in our study acknowledge that in a fast-changing world, it is increasingly difficult to map everything. In fact, the unexpected plays a major role across all of the companies we surveyed. Peter Agnefjäll, IKEA's CEO from 2013-2017, told us how he would have laughed had we told him only a few years ago that IKEA would one day own wind farms and solar power installations. He adds "but when I look back, that's what we do now, right?"

Anand Mahindra, the CEO of Mahindra & Mahindra, explains that "there wasn't some grand Machiavellian plan that we had drawn up and everyone was told, like troops, to march down a certain road. Everything happened serendipitously". He then highlights an example related to waste-to-energy:



"WE HAD FOOD WASTE IN MAHINDRA WORLD CITY, AND THE R&D GUYS CREATED A MECHANISM FOR TRANSFORMING THAT WASTE ENERGY INTO FUEL, WHICH THEN WAS USED BY THE CARS IN THE CITY. IT WAS A SMALL PROJECT. WE ASKED THE POWER MINISTER AT THAT TIME TO COME IN AND INAUGURATE IT, AND WHEN HE WAS GIVING HIS SPEECH, HE SAID, "THIS IS FASCINATING, BUT IT'S TOO SMALL. WHY CAN'T YOU SCALE IT UP? THERE SHOULD BE A THOUSAND OF THESE AROUND INDIA." THAT WAS THE START OF THIS BUSINESS, AND TODAY WE ARE ONE OF THE LEADERS IN THIS. IF THAT DOESN'T DEFINE SERENDIPITY, I DON'T KNOW WHAT DOES."

This view is in alignment to work in both the social and natural sciences which has shown that once we look at serendipity – unexpected encounters leading to positive outcomes – as a probabilistic problem, it is indeed possible to cultivate it. For example, the more potentially “random” interactions you prompt between interesting people, the more likely that some kind of positive outcome happens, even if you can of course not predict what exactly that outcome will be (Busch, 2020).

The CEOs in our study realize that once the importance of the unexpected is acknowledged, it can be an opportunity rather than a threat. Hubert Joly, Chairman of BestBuy remarks that “dealing with the unexpected and seizing those as moments of truth is a very powerful idea. It is in those [unexpected] moments that you can really make a difference”. In Best Buy’s case, one such unexpected event was Hurricane Maria. The company responded to this crisis by organizing private planes, flying in food and water, and offering to evacuate employees. This approach spoke volumes about their values. It also led to a positive impact on customer and employee loyalty, which, in turn, increased revenues.

Kaan Terzioğlu, CEO of Turkey’s leading telecom company Turkcell from 2014-2019, prepared his team for the unexpected based on a clear understanding of their values. In his context, an emerging market setting, the unexpected happens all the time. Then, based on core values, they connect the dots. For example, when a coup d’état happened in Turkey and turned increasingly violent, Kaan and his team made the internet free for a month, so people were able to communicate with those they cared about without worrying about bills. The company reacted similarly to other unexpected occurrences, such as earthquakes (e.g. directly sending drones to enable phone networks to work). Kaan told us that they do this:

→ “because it’s the right thing to do based on our values, and it also has the positive outcome of employees being proud to work for us, and customers being grateful.”

4. PLACING DIVERSE BETS AND SCALING THE MOST PROMISING ONES UP

In a world where it is often impossible to predict what will happen next, the approach of “letting a hundred flowers bloom to then spotting the right one” (Anand Mahindra, CEO Mahindra & Mahindra) becomes essential. Many of the organizations we studied have started sowing the seeds of purpose in myriad ways, including by setting up “incubation cells” (Remi Erikson, CEO DNVGL) or internal incubators (Joe Kaeser, CEO Siemens) or internal disruptors

(Johan Torgeby, CEO and President SEB). Haier, under the leadership of its CEO, Zhang Ruimin, have developed a “micro-enterprise” model in which they allow people within and beyond the company to leverage resources to spot and develop new ideas. An investment committee then bets on the most promising ones (including a potato washing machine, that emerged out of the observation that farmers often use washing machines to clean their crops).

Other companies in our study increasingly structure work in their large corporations so that employees, according to Pablo Isla, the CEO of Inditex “conceive [of] the company as if it was a small company” (Sharp, 2019). In other words, they encourage people to think and act entrepreneurially. According to AIG CEO Brian Duperreault, the more decentralized structures that companies like his are embracing help to prevent siloing and to increase agility (Sharp, 2019).

Johan Torgeby, CEO and President of SEB, thinks that this approach “is closely related to the realization that... you need belief rather than only trust Excel sheets in order to early-stage-bet on something that might become something great. You go wrong all the time. I’m programmed the other way. I’m programmed not to lose money, hence, it’s very difficult. I think in the world today, everyone needs to be taking in the tech investor’s mindset.”

“What is changing? Johan Torgeby, President and CEO of SEB, remarked:

→ “It is closely related to not being able to plan everything as a three-year project with a known IRR. It is closely related to the realization that... you need belief rather than to only trust Excel sheets in order to bet at an early stage on something that might become something great. You go wrong all the time. I’m programmed the other way. I’m programmed not to lose money. Hence, it’s very difficult. I think in the world today, everyone needs to be taking in the tech investors’ mindset.”

This willingness to embrace change often necessitates experimentation regarding ideas, products and even whole markets. ABInbev CEO Carlos Brito shared with us how the growth of a brand in a particular market is the customer telling them which one to bet on:

→ “You have to listen.”

But, as Dan Schulman, CEO of PayPal, reminds us:

→ “We also need to have the systems in place to say when it’s over and to learn from the outcomes.”

What are the potential filters that can help us do that? In addition to funneling approaches (e.g., brain trusts, go/no go approaches, etc.), technologies such as artificial intelligence can help identify, make sense of, and filter important ideas and information. But often, low-tech rather than high-tech is key to truly engaging people. At Ketchum, for example, simple Facebook groups are used for “things to take off quickly and to see what resonates” (Barri Rafferty, CEO).

5. CULTIVATING A QUESTIONING MIND, INDIVIDUALLY AND COLLECTIVELY

The leaders we interviewed all have questioning minds and attempt to instill a bias for curiosity across their organizations. Procter & Gamble’s CEO David Taylor told us:

→ “The idea is to train managers not to be in evaluation mode but in developing mode. To me, that whole mindset...is to create an environment where people are seeking to learn versus seeking to be right... If you don’t have to be right all the time... then it’s about making connections. Senior leaders shouldn’t try to know everything. They should try to learn from others, and then help others, and then make connections that lead to new and novel solutions to problems we couldn’t solve [earlier]... Often those breakthroughs are not what you initially thought they would be... If the things that don’t work inform something later on that does, then I’d consider that an investment in future innovation as opposed to a failure.”

Another approach comes from DSM where the development team hosts “project funerals”. At these regularly scheduled events, project managers present ideas that fell short of their intended aims. Highlighting and even celebrating missteps promotes a culture of invention where employees feel empowered to take risks. CEO Feike Sijbesma told us how this approach encourages employees to openly relate ideas that did not work and to learn from their mistakes. Also, it often becomes apparent that an idea that did not work in one context might actually prove quite effective in another.

One aspect of cultivating the questioning mindset involves embracing the unexpected. Outgoing BMW CEO Harald Krueger told us:

“WE ARE TRAINING THE PEOPLE ON WHAT WE CALL MANAGING UNCERTAINTY, MANAGING FLEXIBILITY, THE AMBIGUITY... YOU MANAGE WITH FULL CAPACITY ALWAYS TO MAINTAIN FLEXIBILITY AND VOLATILITY. THIS REQUIRES HAVING FLEXIBLE WORKING TIME MODELS. MOST IMPORTANTLY, BMW USES A TRAIN-THE-TRAINER APPROACH TO TRICKLE DOWN WHAT THAT EXACTLY MEANS.”

HARALD KRUEGER >
CEO, BMW

The questioning mindset also influences flexible working arrangements. For example, during the 2008 financial crisis, 25,000 BMW employees were shifted to part-time schedules. They were kept on board, and when the economy improved, their former workloads were reinstated.

6. FORMULATING CHALLENGES DIFFERENTLY

Traditional companies tend to be organized into business units focused on particular solutions or technologies. However, purpose-driven leaders such as Philips CEO Frans van Houten realize that this limits the scope for new ideas and solutions to emerge. Companies such as Philips are determined to change from being structured around particular technologies, to a more needs-based approach. For instance, a particular customer might require a precision diagnostic, but Phillips' tomography machine might not be the appropriate equipment for the job. Rather than promote tomography, they will instead flexibly arrive at a more effective solution to meet the client's needs.

This change means that challenges are formulated differently, informed as they are by a purpose-focused business model. Of course, as the CEOs in our study admit, this does not come easily. What might be easy for a startup is more difficult in large organizations in which you "cannot change structure too often, as people are creatures of habit", Frans van Houten, CEO Philips. Instead of restructuring, which tends to unsettle people, evolving incrementally through adaptation based on customer need is a route commonly taken by many CEOs in our study. This also relates more broadly to partnership conversations. A CEO shared with us how, in conversations at the UN, he pushes to not focus on "food shortage," but rather "nutrition shortage." This is because a focus on food prompts a one-sided design towards food, while a broader focus on nutrition allows for

more holistic and effective solutions to emerge. This could be said to be aligned to work on formulating problems and solutions differently (von Hippel & von Krogh, 2017).

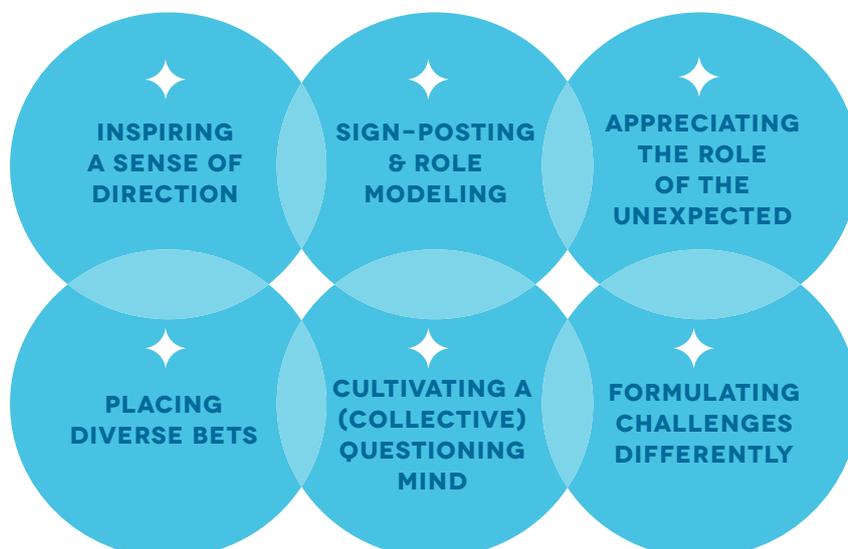
Our study found that the world's most successful purpose-driven leaders have developed, often subconsciously, an appreciation of the unexpected that helps them navigate successfully in an uncertain world. Effective solutions and necessary partnerships are often not known a priori, but recognized by individuals who are able to connect the dots at every level of the organization.

The leaders that we interviewed realize that complex problems require complex solutions. By being transparent about the emergence of unexpected events, they are able to be more realistic and truthful. Of course, this does not negate the importance of planning. In a regulated, hierarchical, and process-driven company like Novo Nordisk, considerable amounts of information need to be carefully structured in order to ensure that a drug will be approved. However, even in this context, employees often form informal networks that stimulate, confirm, and motivate innovation. As former CEO Lars Sorensen highlighted, the interplay between planning and the unpredictable often yields exciting and useful outcomes.

The leaders in our study enable employees to connect unexpected encounters to a broader purpose by inspiring a sense of direction and nurturing productive experimentation. Actively cultivating serendipity, they create the conditions for positive coincidences to occur. This is an active rather than a passive approach to leading in the face of uncertainty.

This turns the unexpected from a threat into an opportunity and helps to integrate profit and purpose in an uncertain world.

UNLEASHING THE MINDSET



IV. LEADING ORGANIZATIONAL AGILITY AND FLOW TO DELIVER ON CORPORATE PURPOSE

BY LEITH SHARP



“WE USE LEADERSHIP TO BE THE CONNECTOR... LEADERSHIP MATTERS TO OUR SUCCESS MORE THAN JUST EXECUTION OF THE TASK.”

TOM LINEBARGER >
CEO, CUMMINS

IV.

LEADING ORGANIZATIONAL AGILITY AND FLOW TO DELIVER ON CORPORATE PURPOSE

The leaders we interviewed are juggling a lot of challenges simultaneously. They are responding to increasing global pressures. They are tracking day-to-day business operations. And they are pivoting toward the future. Effectively dealing with such complexities means ensuring that their organizations have the ability to dynamically and simultaneously engage in three types of change related to organizational design: continuous improvement, continuous innovation and disruptive change (Austin et al., 2012; Liu & de Rond, 2016; Bush, 2020).

The purpose-driven CEOs in our study are supporting all three types of change by enabling currents of information, creativity, ideas, capital and material to flow throughout their organizations and wider stakeholder ecosystems with increased agility, purpose and context sensitivity.

There is, at once, an enormous complexity and a discernible elegance in the leadership practices involved. To help discern the elegance in the complexity, our 2018 study validated a subset of building blocks or subsystems (Browning, 2001), consisting of adaptive networks and hierarchical networks that interact at multiple scales and in different ratios across all three types of change to improve flow.

This year's interviews, give further evidence for those findings and elaborate themes regarding:

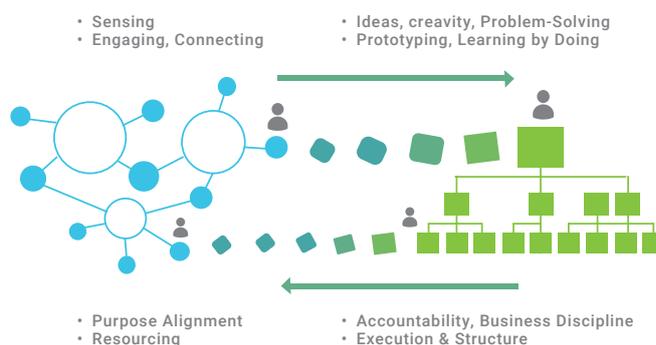
1. Improving adaptive and hierarchical network flow,
2. Increasing the flow of ideas from inception to scale
3. The emergence of business flow structures serving a corporate purpose.

1. IMPROVING ADAPTIVE HIERARCHICAL NETWORK FLOW

Leading adaptive and hierarchical networks is dynamic and depends upon the kind of change the organization needs.

Anand Mahindra (CEO, Mahindra & Mahindra) expresses a widely held view among the CEOs that “most organizations always have a combination of these two [adaptive and hierarchical networks] in some form or another.”

For continuous improvement and innovation, Barri Rafferty (CEO, Ketchum) explains that “you have to flex both somewhat equally”. For leading rapid innovation or disruptive change, CEOs emphasize the role of adaptive networks. Most important is having the agility to use adaptive and hierarchical network flow appropriately to suit the type of change you are promoting. This year, the CEOs we interviewed shed light on practices they use to improve adaptive and hierarchical network flow.



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STRENGTHENING ADAPTIVE NETWORKS

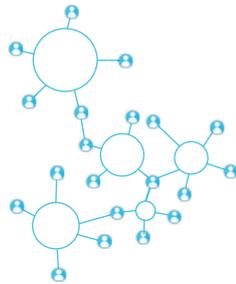
While CEOs understand the value of both types of networks and commonly deploy both, they use them in different ways to achieve different ends. For instance, many of the CEOs we interviewed emphasize the adaptive networks in order to engage the creativity of their employees. As outgoing BMW CEO Harald Krueger explains, “a very hierarchical, very central organization is not fast enough.” More traditional leaders tend to kill off new ideas too fast and stifle creativity. In contrast, purpose-driven leaders create enough latitude to support a trial and error development process. Procter & Gamble’s CEO David Taylor states that:

 “Successful companies going forward will be certainly able to execute, but they will have a strengthened muscle in the adaptive network and [in terms of] leaders that understand how to create the environment for people to be creative and still get things done.”

ADAPTIVE AND HIERARCHICAL NETWORKS: THE BUILDING BLOCKS OF AGILITY AND FLOW

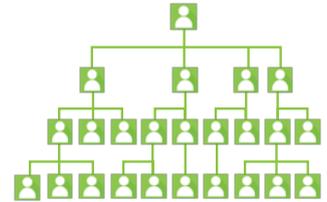
ADAPTIVE NETWORKS

Adaptive networks consist of connections between people that are non-hierarchical and that organize in service of shared purpose (Strogatz, 2001; Heifetz, 2009). These networks enable the flow of information, energy and resources to follow emergent possibilities in more fluid, collaborative and responsive ways in order to advance their purpose. Adaptive networks can be deliberately curated to engage in ideation; sensing, the process of perceiving emergent signals; sense-making, the process of making sense of emergent signals; social-learning, the process of peer to peer learning. Adaptive networks activate intrinsic engagement and creativity in order to bring new ideas to life, ideas that solve problems, lead to incremental improvements, innovation or disruption.



HIERARCHICAL NETWORKS

Hierarchical networks link people together in structured and procedural ways (Child, 2019). These formations have hard-wired directionality and connections. They also have fixed priorities and rhythms in the flow of information, energy, and resources. Hierarchical networks optimize the execution and scaling of routines and tasks, ensuring accountability, efficiency, consistency and success. They are designed to handle predictable and recurring inputs/outputs. They hold the memories of actions that facilitate success versus those that do not, providing guardrails for the focus and behaviors of the organization.



The CEOs in this study care about the motivation, engagement and collective intelligence (Woolley et al., 2010) of their employees. David Kohler (CEO, Kohler) explains:

→ “We look at measurements overall as a company, and regionally, and by business, but the greatest success is when the associates in an organization are driving the agenda on a self-directed passionate basis.... We’ve learned a lot about organizational change, and you can’t mandate this. The power is in the passion of the enterprise. People genuinely want to do good things.”

Purpose-driven CEOs are also engaging vast adaptive networks of employees and customers in sensing processes that involve gathering inputs and signals for the purpose of perceiving emergent trends, context changes, risks or opportunities. They are doing things like utilizing new technologies and platforms to crowdsource company values from employees and SDG priorities from customers, and to create tighter feedback loops on employee engagement. Improved sensing and feedback loops help CEOs strengthen adaptive networks.

→ “We have some engagement survey that we do every year among all 86,000 employees around the world. What’s very positive and encouraging is that the questions for which the rate of positive answer are the highest are about ethics.” Jean-Paul Agon, CEO L’Oreal

The CEOs we interviewed are transforming the values of their company to increase psychological safety and trust (Edmondson, 2018). They are doing this because they want employees to voice their ideas freely and to be able to fail forward, turning failures into benefits for the future. This requires having support to make mistakes without losing status, and to be heard and treated with respect. As Anand Mahindra, CEO Mahindra & Mahindra explains, “[We] want to “create an atmosphere where people feel encouraged that no matter how much our ideas are out of our normal line of work, it will be encouraged, not frowned on”.



JOE KAESER >
CEO, SIEMENS



“ADAPTIVE ORGANIZATIONS IN MY VIEW ARE THE MINIMUM REQUIREMENTS TO DEAL WITH A FUTURE WHICH IS FULL OF PARADIGM SHIFTS, WHICH MEANS THAT INCUMBENTS GO AWAY... THAT FUTURE IS UNCERTAIN. IT’S PRETTY FAST IN THE WAY IT CHANGES SO WE’VE GOT TO CREATE AN ADAPTIVE MINDSET. AND THIS ADAPTABILITY IS ACTUALLY THE RIGHT ELEMENT TO FOSTER CHANGE ACTIVELY.”

MODELLING ADAPTIVE NETWORK LEADERSHIP

Typically, employees think CEOs lead via hierarchy. The CEOs in our study, however, increasingly lead in their adaptive role. They model being in a learning mode, where listening and curiosity take the place of being right and in control. Hubert Joly, CEO of BestBuy from 2012-2019, and now its Chairman, explained, “If you believe your role as a leader is to be the smartest person in the room and be smarter than anyone around you, that’s a mistake. Unfortunately, that’s how many of us grew up.”

Purpose-driven CEOs often avoid pushing agendas opting for the pull of shared purpose. When Anand Mahindra, CEO of Mahindra & Mahindra, gathers his leadership team each year, this is how they interact. He explains “I don’t give one strategy for everybody, but I throw out ideas.” Mahindra avoids mandating his agenda. Instead, he listens for genuine resonance and alignment within his leadership team and invites early adopters to self-select, bringing with them more curiosity and grit, that is, a tendency to determinedly focus on a particular dilemma. As David Taylor, the CEO of Procter & Gamble explains, purpose-driven CEOs create conditions for people to “fall in love with the problem.” He adds that “in doing so, you just keep working and working and working, saying I’m going to solve it.” This is the kind of tenacity and creativity that CEOs in this study are working to unleash in their employees.

When CEOs walk the talk by modelling adaptive leadership roles, their employees gain more confidence and trust, accepting CEO invitations to learn and to move new ideas forward.

IMPROVING ADAPTIVE FITNESS IN LEADERSHIP TEAMS

The CEOs in this study strive to lead with agility across adaptive and hierarchical networks. As David Taylor, the CEO of Procter & Gamble, explains:

→ “The network, the organization around that, needs to be much more agile going forward. It needs to be one that adjusts to whatever the business environment is. To me, that is rapidly changing. I say, yes, both exist for sure, but I’d say clearly I want even in the hierarchical side, much more [of] a – I’ll use a term that Stanley McCrystal was using – a ‘team of teams’, empowered groups of people that are much more agile and adaptive even in the performance engine.”

An approach used by our CEO interviewees to improve the adaptive leadership capabilities of their teams is to deliberately move employees out of their comfort zones. Harald Krueger, Outgoing CEO of BMW does this by moving employees around the company, which prompts them to do what he calls “lead via questions”. This means, posing the naive inquiries of a novice, a tendency that often uncovers opportunities for improvement within rote practices and so-called “common sense” beliefs. He also encourages employees to “lead via a situation where you’re not knowing every detail”. This engages their adaptive leadership skills by putting aside hierarchical control reflexes and engaging in sensing, learning and adapting to uncertain situations.

Another approach the CEOs we spoke to use is changing the way that their leadership teams are evaluated. According to Harald Krueger, at BMW:

→ “If you are not good in living out our core values in leadership, it will have an impact, even if you have good business results. There are two independent directions which we measure independently”.

Evaluating leadership teams both on their business performance and their ability to embody company purpose and values is a challenging but productive process.

→ “The team is critical to our success. They represent SAP and serve as the face of the company in their every interaction. We want everyone excited and motivated.”
Bill McDermott, CEO SAP

CHANGING THE ROLE OF HIERARCHICAL NETWORKS

As CEOs strengthen shared purpose, psychological safety and their adaptive networks, culture starts to reinforce behavior more effectively. This, in turn, reduces the need for hierarchical networks to drive accountability and enforce controls. When Ketchum’s CEO Barri Rafferty introduced flexible work hours across the organization, there was some concern in the management team about having to police employee behaviors from the top-down. This turned out to be unnecessary because the young and the middle staff levels started self-policing. When someone in their office was taking advantage, they actually went and talked to the person and self-policed it because they didn’t want the flexibility to be taken away for the organization. They all appreciated it, so they didn’t want people on their teams to take advantage of it.

Hubert Joly, Executive Chairman and former CEO of BestBuy, directly challenged managers to be less focused on pleasing their bosses and more focused on being in service to the organization’s purpose, adaptive networks and employees:

→ “If you believe you’re serving yourself, your boss, or me, the CEO – I tell our officers, our leaders – it’s okay if you believe that, but you shouldn’t work here. If, on the other hand, you believe your role, as it is, is to serve – who you serve is, the servants, meaning people on the frontline and your role is to help them be successful – then you’re on track.”

The emphasis of the hierarchical network is evolving from administering control over the organization, to being in service to organizational purpose, adaptive networks and employees.

DECENTRALIZING HIERARCHICAL NETWORKS

The leaders in our study:

→ “Are increasingly moving towards a more decentralized structure.” Brian Duperreault, CEO AIG.

Driving the decentralizing of hierarchical networks is the speed at which information flows inward from the boundaries of the organization. CEOs need employees to be sensing, sense-making and seizing (Day & Schoemaker, 2016) at the local level, responding to information from the region, customers and other stakeholders. Harald Krueger, BMW’s outgoing CEO, challenged his team to engage in more “direct dialogue across the globe and not be slow by going through headquarters.” CEO Jean-Paul Agon ties his company’s success to the fact that:

→ “L’Oréal is not a very centralized, process-driven, hierarchical organization. It’s a much more decentralized, biological organization.”

Another driver is engaging and empowering employees. Hubert Joly, Executive Chairman and former CEO of BestBuy, put it succinctly: “if we don’t have some autonomy, we don’t flourish”.

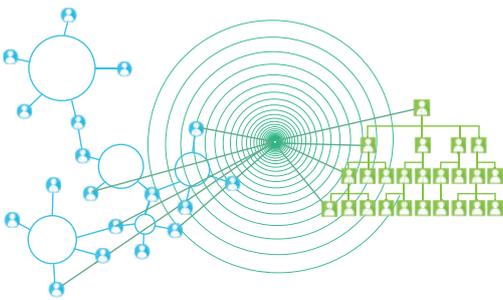
Hierarchical networks require careful structuring and ongoing transformation to remain conducive to engagement and empowerment. Anand Mahindra, the CEO of Mahindra & Mahindra describes a long journey of structuring in order to empower:

→ “We are a federation. Empowerment was at the core of this federation. I began by walking the talk and not running any individual business. The whole idea of self-generated networks in Mahindra begins with this history of the federation.”

In the businesses we studied, the CEOs are continuously transforming hierarchical structures to optimize information flow and employee empowerment. This state of perpetual transformation goes beyond periodic restructuring. As Philips CEO Frans van Houten explains, “I would also not call it restructuring because I believe that an organization needs to be transforming itself all the time”. The agility to transform hierarchical networks is particularly important in handling the speed and scale of structural change that follows disruptive change.

POSITIONING PURPOSE AS THE ALIGNING FORCE

A clear purpose helps organizations to align adaptive and hierarchical network flow. When leadership is purpose-driven, it positions adaptive and hierarchical networks to work synergistically to translate purpose into impact. The power of purpose to align network flow can only be realized if employees are engaged with that purpose. By routinely asking their employees how they feel about the company's purpose, CEOs in this study, adjust and align the purpose of their company with the purpose of employees, bringing purpose to life. Remi Eriksen, the CEO of DNVGL, has been so successful in connecting employees and purpose so that "more than 90% of our employees feel that purpose has a meaning in the day-to-day work. They believe in this purpose and in our vision of having a global impact for a safe and sustainable future".



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2. IDEA FLOW

Idea flow refers to the journey of ideas through time, from inception to scale inside an organization (Leaders on Purpose CEO Study, 2018). Transforming purpose into impact requires healthy idea flow that can ensure continuous improvement, innovation and disruptive change.

Purpose-driven businesses function as platforms for people to find meaning, to contribute to the greater good and to feel genuinely inspired and proud. According to David Taylor, the CEO of Procter & Gamble, this is a way to "unlock tremendous human capital." As purpose-driven CEOs succeed in unlocking this human capital, they find themselves in a race to transform organizational structures to channel the energy and ideas of their workforce to productive ends. It's a great problem to have but it comes with significant risk. If employees find that nothing happens after contributing their ideas, they learn very quickly not to bother. As Anand Mahindra, CEO Mahindra & Mahindra puts it, "you need to build an ecosystem along with these people where these ideas can get picked up, and you find resources to implement them". In addition to the risk of losing engagement, CEOs are battling against the clock. Hubert Joly, Executive Chairman

and former CEO of BestBuy, explains that by the time a new idea is ready to scale, often "you have something completely irrelevant because the world has changed in the meantime".

IT'S A JOURNEY

Getting employees to generate ideas is one thing. Taking the best ideas to scale is a different leadership challenge altogether. As Barri Rafferty, the CEO of Ketchum, explains, CEOs want employees engaged in "sensing and letting things bubble up". That, however, is just the beginning. Barri Rafferty is quick to add that it can be a long journey to:

→ "take something and scale it efficiently globally and get buy-in".

For the CEOs in this study, the scaling challenge is significant. Remi Eriksen, the CEO of DNVGL, explains:

We are pretty good at idea generation and establishing good products but then how do you monetize and how do you actually scale these good products or services? I think that's where the challenges will be going forward and I think it will take some time before this is self-regulated or self-managed.

SEQUENCING

Taking a new purpose-driven idea from inception to scale requires the dynamic sequencing of adaptive and hierarchical networks. This is not a linear journey. David Kohler, the CEO of Kohler, reflects that "when you're moving through the life of an idea, or [a] product innovation, or your own life, there's ups and downs, highs and lows, backtracking, going forward".

Many of the CEOs we interviewed agree with David Taylor the CEO of Procter & Gamble who explains that the journey of a new idea "is messy, nonlinear, but frankly more exciting because you're tapping into the creativity and curiosity of your people."

ENGAGEMENT

To improve engagement, the CEOs we interviewed are eschewing traditional hierarchical planning. Instead, they are activating the energy of employees in adaptive networks by promoting locally attuned vision, direction, shared purpose and psychological safety. David Taylor, the CEO of Procter & Gamble explains that CEOs want "to have every employee thinking about how they can improve what they do. That mindset is more biased toward the adaptive network because it requires people to constantly be thinking versus executing a task". CEOs also use purpose to attract early

adopters and advocates willing to invest the emotional labor of championing ideas in the early stages, when uncertainty is high and support may be low. As Philips CEO Frans van Houten explains, “The co-ownership of the people is very much part of that where they can come with their ideas and insights”.

→ “Completely unleashing the humanity of organizations I think is what I’m the most passionate about.” Hubert Joly, Executive Chairman and former CEO BestBuy

LEARNING BY DOING

Because taking an idea from inception to scale involves many unexpected twists and turns, a culture that supports experimentation and failing forward is key. As Dan Schulman, the CEO of PayPal, puts it, “having that culture and that willingness to experiment within the context of what you’re trying to do, and who we are as a company, is extraordinarily important”. What this looks like on the ground was explained by Procter & Gamble’s CEO, David Taylor:

“[We] have small, empowered teams. Let them iterate rapidly. Give them a lot of latitude. Have empowered small groups of people that really obsess on the problem to solve... and give them the license to go learn and recognize the only failure is an absence of learning that’s applied to an even bigger idea going forward.”

RIGHT GUARDRAILS

As Hubert Joly, the Executive Chairman and former CEO of Best Buy explains, empowering adaptive networks to move new ideas forward sometimes “challenges the role of senior management because senior management is not there in the room when the decisions get made”.

Hierarchical networks still play a role in service to purpose and the adaptive networks, providing guardrails, incentives and resourcing. Frans van Houten, the CEO of Philips explains:

“You need the guardrails and the insight, of the hierarchical networks in the organization, and allow the creativity of the adaptive networks (to work) in a collaborative manner of multi-disciplinary teams to deliver an outcome to a customer.”

Philips adds that this ensures that creativity and ideas are “leading to innovations that we can sell. I’m less interested in creativity that leads to 35 different ways to send a credit note”.



BRIAN DUPERREULT >
CEO, AIG

“LAST YEAR, WE COMMISSIONED A SUSTAINABILITY TASK FORCE TO DEVELOP A MORE COHESIVE, STRATEGIC APPROACH TO SUSTAINABILITY AND IDENTIFY AREAS OF OPPORTUNITY FOR AIG TO ENHANCE OUR EFFORTS. THE OUTGROWTH OF THIS WORK LED TO THE RECENT CREATION OF A CHIEF SUSTAINABILITY OFFICER POSITION AND CROSS-FUNCTIONAL TEAM WITH ACCOUNTABILITY FOR IMPLEMENTING AIG’S SUSTAINABILITY STRATEGY, A PRIORITY FOR US, TO BEST POSITION OUR COMPANY, OUR PEOPLE, AND OUR CLIENTS FOR LONG-TERM, PROFITABLE GROWTH.”

CEOs also see purpose playing an important role in filtering and scaling the right ideas because, as Remi Eriksen, the CEO of DNVGL notes:

→ “You can very early screen out whether this idea is supporting your purpose or not.”

GETTING TO SCALABILITY

As an idea matures, the task shifts to getting to a threshold of scalability within the hierarchical network. Timing is key when getting the hierarchical network involved in the life of new ideas. As David Kohler, the CEO of Kohler, explains:

→ “The moment you put any of these bigger ideas inside – too far inside a hierarchy or treat it like a hierarchy within one – they’ll die”.

CEOs want hierarchical networks to provide alignment, cohesion and business model integration without killing ideas off too early in their life cycles. This requires an iterative process, allowing the adaptive network to fail safely the first time and then go back and forth, de-risking in alignment with the hierarchical network until a threshold of readiness is met. Importantly, this back and forth allows both networks to reconcile what to conserve and what to change in service of the new idea (Heifetz, Grashow & Linsky, 2009).



ZHANG RUIMIN >
CEO, HAIER



“AN IDEA OR A PARTICULAR EVENT HAS TO GO THROUGH ALL THE LAYERS AND GO THROUGH APPROVALS ON THE WAY, AND IT CAN HAPPEN THAT AN IDEA CAN GO BACK AND FORTH THROUGH THESE LAYERS. THAT OBVIOUSLY WASTES A LOT OF TIME.”



FEIKE SIJBESMA >
CEO, DSM



“THE MOTIVATION, PURPOSE, ENGAGEMENT TO HAVE FUN, TO LOVE A CERTAIN BUSINESS, THOSE KINDS OF THINGS YOU CANNOT ENFORCE TOP-DOWN... THE WHOLE PURPOSING ALIGNS THE TWO [ORGANIZATIONAL SYSTEMS] AND MAKES THE ORGANIZATION MORE CREATIVE.”

TELLING THE REAL STORY

The stories we tell about how new ideas go to scale tend to be linear narratives, but in terms of lived experience, the actual development process is not at all linear. As Laura Kohler, the SVP of Kohler attests, “that squiggle story is important”. This is because the nonlinear narrative contains crucial lessons and highlights contributions often unseen. John Fallon, the CEO of Pearson, notes that:

➡ “Trying to get the original plan and the official story more aligned with actual experience is potentially a very liberating and empowering thing to do. Hard, though, but it’s the right approach.”

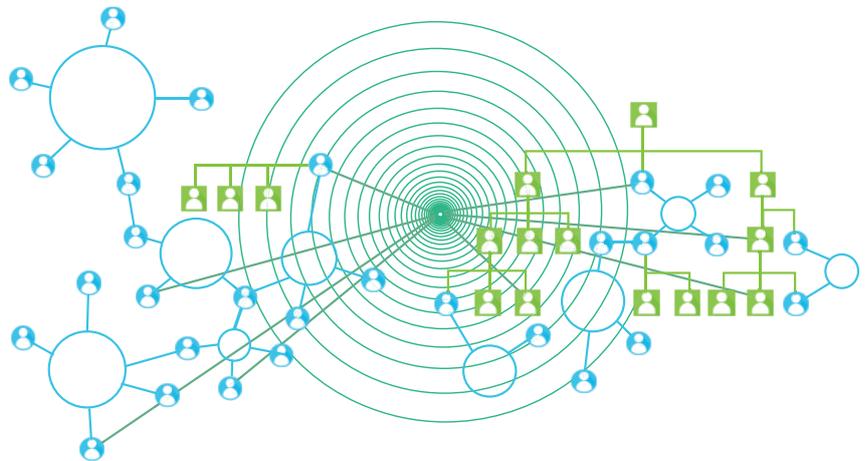
Because formulating and comprehending nonlinear narratives is challenging, Barri Rafferty, the CEO of Ketchum, proposes that

“We’re going to have to find that happy medium for this generation. What kind of stories and information are you going to communicate succinctly and where can you bring people in for learning and as you say, passing along the behavioral lore, of what it actually took to get there?”

Getting better at telling the real story of how new ideas go from inception to scale will be crucial for improving idea flow.

THE EMERGENCE OF “BUSINESS FLOW STRUCTURES”

Many leaders in this study are evolving their organizations into what we call “business flow structures” (Reis, 2009). These are agile, self-regulating systems, consisting of empowered employees working in a fluid state of adaptive and hierarchical network flow. Business flow structures are organized around shared purpose and values to move currents of information, ideas, energy, capital and material in ever-improving ways. This helps companies to deliver on purpose by generating value that matters to diverse stakeholder ecosystems.



“Business Flow Structure” by Leith Sharp and adapted for Leaders on Purpose is licensed for open sharing and adapting under Creative Commons CC-BY-SA 4.0

3. FOUR EMERGING PROPERTIES OF BUSINESS FLOW STRUCTURES

PROCESS AS EMERGENT PROPERTY OF FLOW

→ In business flow structures, process is an emergent property of whatever an idea or problem needs. Joe Kaeser, the CEO of Siemens, expresses this succinctly in stating that “innovation today is about, ‘I want a problem to be solved, not a process to adhere to.’”

In a business flow structure, each new purpose-driven idea moves through an emergent process. Ideally, this involves a dynamic interplay between adaptive and hierarchical networks to support piloting cycles, decision-making iterations, customer and stakeholder feedback loops and also involve what we call “threshold sensitivities”. These are signs that an idea is ripe for scaling into the hierarchical networks. By tapping the strengths of both networks, businesses are able to promote productive collaboration and open up flows of information, creativity, ideas, energy, capital and materials responsive to internal purpose and external context.

NESTED SCALES OF ALIGNMENT

Business flow structures activate flows of information, ideas, energy and capital across nested scales. Such scales include individuals, teams, organizations, sectors and society. The full power of purpose is realized when it can generate value at the system level right down to the level of individual employees. Paramount to unleashing flow across nested scales is clarity and consistency at all levels.

SELF-REGULATING, SELF-BALANCING

Context and timing determine which network should be deployed. Because of this, identifying and empowering stakeholders who are able to effectively negotiate transitions between networks at key junctures will radically increase organizational agility at all scales. Our findings suggest that purpose-driven CEOs often create the right conditions for employees to self-regulate and work in a fluid state of network flow. These innovative business leaders are working to reduce friction points and to increase self-regulating and self-balancing capabilities of employees. This will open the way for more co-creation of ideas and processes. What’s more, business flow structures of the future will likely accommodate much more flexibility regarding job structures. This will afford employees increased levels of self-determination regarding their roles and contributions.



HUBERT JOLY >
CEO, BEST BUY



“TO SUMMARIZE THE FRAMEWORK AROUND PURPOSEFUL ORGANIZATIONS: IT COMBINES THIS NOTION OF CONNECTING WHAT DRIVES PEOPLE WITH THE PURPOSE OF THE COMPANY. THEN YOU ADD HUMAN CONNECTIONS, BUILDING HUMAN CONNECTIONS WITHIN THE COMPANY AND BETWEEN THE COMPANY AND ITS STAKEHOLDERS. IT COMBINES AUTONOMY. I THINK AS HUMAN BEINGS, IF WE DON’T HAVE SOME AUTONOMY, WE DON’T FLOURISH. IT COMBINES MASTERY, MEANING THE MASTERY OF SKILLS. THEN THE FIFTH ONE IS A GROWTH ENVIRONMENT WHERE YOU CAN GROW AS AN INDIVIDUAL AND THE COMPANY ALSO GROWS. IF YOU HAVE THESE FIVE INGREDIENTS TOGETHER, I THINK YOU TEND TO SEE MAGIC HAPPENING...A STRATEGY DOCUMENT, OR AN OLD CHART WITH LEVELS DOESN’T QUITE CAPTURE IT, DOES IT?”

ECONOMIC MUTUALISM

As leaders evolve their organizations into business flow structures, they increase their capacity to partner in new ways across industries, value chains, regions and sectors (Iansiti, 2004). This means adopting a new mindset from a zero-sum, winner-takes-all view of competition, toward what could be termed economic mutualism. This is a more win-win view of business development, the idea that even competing organizations exist in the same business ecosystem and, in a sense, are mutually dependent. This means that all parties are supported to survive and, ideally, thrive as they achieve collective impact.

Transitioning from a traditional transactional partnership into economic mutualism is a challenging process. It does not generate immediate returns and requires enormous agility. However, many CEOs in our study consider this approach as an important avenue for future-proofing business performance. As Philips CEO Frans van Houten explains, "once you start tying it all together, you have a more complex business model, but one that is much more sticky and leads to better retention of your customers".

Successful economic mutualism can open new markets, catalyze public/private financing, innovate new products and services and achieve collective impact on shared problems. It requires a shared purpose to attract and align partnerships for the long term. It also entails a context and time-sensitive mix of adaptive and hierarchical reflexes. There must be high levels of trust and psychological safety within the workforce. Further, a commitment to mutual benefit for all parties is essential. Finally, economic mutualism requires flexibility and agility at all scales, especially when business networks are faced with the unexpected. This allows them to respond with shared authenticity, transparency and consistency.

3.2 TWO ENABLERS OF BUSINESS FLOW STRUCTURES

SHARED LITERACY

Not every employee is immediately able to move between the two networks with agility. This requires absorbing new skill sets as well as new perspectives on leadership and self-determination. As David Taylor, the CEO, Procter & Gamble, explains "the ability of some people to move from one to the other is high. The ability broadly for most people to move one to the other is probably not nearly as much". When there is not enough shared understanding and literacy, frustrations, misunderstandings and friction can be experienced across the organization. This creates a leadership burden to constantly sense and address these sources of friction. Our findings suggest that advancing a shared literacy of adaptive and hierarchical networks will increase employee engagement in the day-to-day work of activating the right network at the right time.

L'Oréal CEO Jean-Paul Agon emphasises that "today, tomorrow, and the next ten or twenty years will really be about the co-construction, the cooperation, the collaboration". As companies empower employees with a shared understanding of adaptive and hierarchical networks, collaboration and communication improve.

TECHNOLOGY

Many CEOs in this study are hopeful that the effective integration of AI, machine learning and various other technologies, will free humanity up to focus on its deeper interests: purpose, creativity, ideas and collaboration. L'Oréal CEO Jean-Paul Agon shares this perspective:

"I think all the new tools in terms of communication, in terms of connectivity, artificial intelligence...new progress on all communication tools will probably allow us to create a new type of company, a new type of organization in the next five, ten, twenty years, where really I think it's going to be even easier to really unleash the creativity, the energy, all the talents of the people. "

Kaan Terzioğlu, the CEO of Turkcell from 2014-2019, foreshadows the role of technology ahead:

→ "Organizational design and organization is a function of the speed of communication... [Once] everybody in the organization can share that information, everything can happen discontinuously...All that flow of taking an organization from A to Point B becomes actually much faster, much more agile, and more transparent. "

As organizations integrate the powers of AI and machine learning with increased effectiveness, it is likely that they will become more data-driven, benefiting from shorter feedback loops with stakeholders and their wider context. This may further reduce friction in the movement of new ideas from inception to scale.

"I think it's really important when you digitalize the company's vision that employees have to feel it. The best way of making it felt is to change the way they work. " Kaan Terzioğlu, the former CEO of Turkcell

The stage is set for technology to be a critical enabler for transitioning organizations into business flow structures by improving information flow and communication and expanding the span of control. As information flow improves, decision-making can become more decentralized and responsive to emergent properties in local contexts.

LOOKING FORWARD

The purpose-driven CEOs in this study are transforming their organizations into business flow structures which are organized around shared purpose and values. This is improving the flow of information, ideas, energy, capital and material in ways that better serve their stakeholders and the global context. In this regard, the leadership reflexes of the CEOs in this study are intriguingly resonant with the Constructal Law which states "For a finite-size system to persist in time (to live), it must evolve in such a way that it provides easier access to the imposed currents that flow through it" (Bejan & Lorente, 2011). In terms of purpose-driven leadership, the Constructal Law, which "accounts for the phenomenon of evolution (configuration, form, design) throughout nature, inanimate flow systems and animate systems together" (Bejan & Lorente, 2011), suggests a way in which the leadership reflexes of the CEOs in this study might continue to evolve in the years to come.

LEADERSHIP SKILLS FOR THE 21ST CENTURY CHECKLIST

LINKING TO THE GLOBAL AGENDA

- Willingness to embrace ambiguity & risk
- Comprehending a holistic perspective
- Dexterity in balancing short-term & long-term goals
- Bold passion for advocacy
- Conviction for empowerment

UNLEASHING FULL ORGANIZATIONAL POTENTIAL

- Modeling by example
- Changing the role of hierarchy
- Positioning purpose as aligning force
- Telling the real story
- Setting guardrails for scalability

LEADERSHIP AT THE PERIPHERY

LEADERSHIP AT THE MIDDLE

CONCLUSION

Our 2019 CEO study has looked at purpose-driven leadership from four distinct angles. We have zoomed in to examine its core components, focusing on the six pillars of the “New Business Logic”. We have pulled back and considered how purpose-driven leaders partner with one another in the larger business ecosystem. We have glimpsed how purpose-led CEOs harness the unexpected to find greater agility and innovation. We’ve looked at the trajectory of purpose-driven leadership through time: from its roots in corporate social responsibility, to its current place at the heart of corporate strategy and core to purpose-led businesses, and to its potential to harness the opportunities of an uncertain future. And finally, we have juxtaposed two dynamically counterpoised perspectives: the bottom-up influence of ground-level stakeholders and the top-down influence of purpose-driven CEOs.

No single vantage gives us the whole picture, but as we move among these distinct perspectives, the contours of an immense purpose-led ecology come into sharper and sharper relief. This vast organism has the potential to address many of our planet’s most pressing concerns, to heal its ravaged environment while creating greater equality and social justice for those suffering in poverty. But like all living things, it needs light and oxygen to survive. We will continue to study this frontier over the coming years and are hopeful that this bit of illumination will help it to continue to grow.



METHODOLOGY

APPROACH AND PURPOSE OF: THE MULTI-YEAR LEADERS ON PURPOSE CEO STUDY TOWARDS 2030

In this CEO study, started 2017 and designed for a ten-year-period, we explore the new practices of global CEOs who are at the forefront of re-defining the role of business in society. These CEOs are strategically transitioning their businesses' operations toward a purpose-driven approach. This process involves embedding corporate purpose at the core of the company's business strategy by integrating profit and purpose at scale for future fitness and positive growth (Mir & Watson, 2000; Hengst, Jarzabkowski, Hoegl, & Muethel, 2019).

Each year, in order to understand the phenomenon of purpose-driven leadership and discover what these CEOs are actually doing in their corporate strategy as well as their day-to-day operating and sense-making, we focus on a selected group of global CEOs.

These leaders must meet our stringent sampling criteria. These are:

- **TOP FINANCIAL 50% RANKING FOR THE SECTOR (HBR METRICS/ DUNN AND BRADSTREET)**
- **TOP 50% IN ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) RANKINGS (CSRHUB DATA/ VETTING)**
- **OPERATIONS/SUPPLY CHAIN REACH > 20 COUNTRIES**
- **QUALITATIVE EVIDENCE SUCH AS CEO-ATTRIBUTED QUOTES (E.G., ARE THESE CEOS ADVOCATING BUSINESS WITH A SOCIAL AND/OR ENVIRONMENTAL IMPACT?)**

These criteria crystalize CEOs leading at the forefront of what we argue is the "New Business Logic*." This mind-set links the corporate agenda with a global agenda related to promoting a more just and sustainable world (HBR, 2015; Pettigrew, 1990).

Taking a qualitative research perspective allows us to gain a deeper understanding of what it actually means to be a purpose-driven leader and to uncover the mechanisms of corporate purpose. It also helps us shed light on patterns that could constitute the new role of business in society. This view is informed by descriptive management research around strategy practices (Whittington, 2003).

We are experiencing a paradigm shift regarding the understanding of capitalism in and for society, a phenomenon that is hard to comprehend in its full complexity. We acknowledge this complexity by adapting our criteria over time and considering this multi-year study a learning journey. Going forward, an important factor we are addressing is the representation of a broader diversity of leaders in our sample set. As there is still a lack of diversity at the top of the world's biggest businesses, this has presented a challenge. However, we are determined to locate and listen to a more diverse group of CEOs from around the world that meet our criteria

Over the course of two years (2017-2019), our researchers from Harvard University, the London School of Economics, The World Bank and the Leaders on Purpose executive team gathered the first and second batch of qualitative data. This information was captured via semi-structured interviews of 60-90 minutes with 30 purpose-driven CEOs. Each CEO responded to four blocks of questions focused on global challenges in relation to their business and strategies, global partnerships, purpose and profit integrations and organizational designs.

Aiming to identify and analyze new purpose-driven business trends, our researchers used state of the art qualitative data analyzing techniques (Gioia & Chittipeddi, 1991). 960 pages of interview content were analyzed, and coded (employing MAXQDA), to de-individualize the data and grasp emergent themes. We then iterated between the codes and the researchers, which allowed for theme and researcher triangulation to establish more objective analysis. We also examined archival data, reports, and other primary and secondary sources, and aggregated the emerging patterns into themes of practices or concepts (Yin, 2016).

Our results contribute to society and businesses in the following three ways:

- 1. Highlighting how key purpose-driven CEOs and their businesses positively impact society, and also identifying areas where there is room for growth and improvement in terms of transitioning to the new purpose-driven business logic.**
- 2. Identifying best practices related to purpose-driven businesses, including a modified focus on corporate strategy, partnerships, operations, organizational designs and stakeholder engagement. This means focusing on methods for successfully integrating purpose into practice and re-calibrating the business growth-model beyond profit and shareholder interests.**
- 3. Helping mobilize other leaders across sectors, and their stakeholders, to join this growing movement. By sharing and amplifying purpose-driven best practices, we mean to help businesses establish future fitness as they simultaneously promote the Sustainable Development Goals in line with the 2030 target date.**

This is a learning journey, and we invite the world's leading researchers to join us in developing related concepts for management research regarding the role of business in society. A key objective of our work is to support both the leaders of today and tomorrow, starting in the classroom.

Most importantly, we invite global business leaders with proven track records to become part of this exciting journey and to join our Leaders on Purpose community.

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LEADERS ON PURPOSE

A COMMUNITY OF LEADERS AT THE FOREFRONT OF THE CORPORATE PURPOSE DRIVEN ECONOMY

ABOUT US

Founded as a research collaboration between leaders, practitioners and experts from Harvard University, Unilever, The World Bank and The London School of Economics, the Leaders on Purpose team connects the CEO agenda with the Global agenda through corporate purpose and corporate strategy. Our team has over 20 years of expertise in the fields of purpose driven leadership, corporate strategy and cross-sectorial partnerships. We provide leaders with insights, solutions and a global community to support their ambition to anchor corporate purpose into corporate strategy. Our team specializes in three areas: research, convening and consulting.

RESEARCH

The annual Leaders on Purpose CEO Study is based on interviews with top purpose-driven global CEOs. We identify and research global leaders at the forefront of the growing movement of purpose led enterprises to understand how they act upon challenges and leverage purpose in shaping their corporate strategy, organizational objectives and structures. We then identify what it takes for businesses to address global challenges and how organizations can harness the power of purpose to unleash their full potential. These insights are published annually in our longitudinal CEO Study on Leadership for the 21st Century and Beyond.

CONVENING

Created by leaders for leaders, the annual Leaders on Purpose Global Conference welcomes top purpose-driven leaders to world-class venues in order to deepen the impact of our thriving peer-to-peer community. Through action driven agendas and CEO workshops participants learn from visionary leaders and unconventional thinkers, connect with an unsurpassed peer network, discuss international topics and build new partnerships. In addition to the conference, our community continues to thrive year round as we curate the Leaders on Purpose Global Network, a collection of peers and cross-sectorial executives. This group convenes both virtually and in person at local settings, in order to exchange ideas, share perspectives and engage in collaborative problem solving.

CONSULTING

Our team 's unique corporate strategy and corporate purpose systems based approach gives us a complete and complex understanding of how organizations identify, activate and embed authentic purpose at the heart of their corporate strategies. We partner with cross-sectorial executives and translate innovative ideas into actions at speed and scale. Also, in order to help organizations and people thrive in a rapidly changing world, we build capabilities and develop excellence in execution in order to ensure that actions translate into measurable and impactful outcomes, quickly and sustainably.

THE FUTURE IS NOW

Capitalism has entered a new phase. The planet's future is under threat and today's consumers and employees are demanding responsible leadership, so the rules of engagement have changed. In order for your business to do well, it must also do good. This requires a new leadership paradigm and a different business logic. It also opens up tremendous opportunities for businesses to re-define their long-term strategies. Negotiating such a transformation is challenging, but for businesses that embark upon the journey swiftly and effectively, the benefits can include: leading edge innovation, employee attraction, increase client loyalty and industry-leading performance. Leaders on Purpose invites you to learn how solving humanity's most pressing challenges is both the right thing to do and an unprecedented business opportunity. Connect with us and discover how to make the best possible decisions for your organization and for a thriving, just and sustainable world.

YOU CAN FIND LEADERS ON PURPOSE ON SOCIAL MEDIA:

Facebook, Twitter (as @Lead_on_Purpose)

LinkedIn and Instagram (as @leadersonpurpose)

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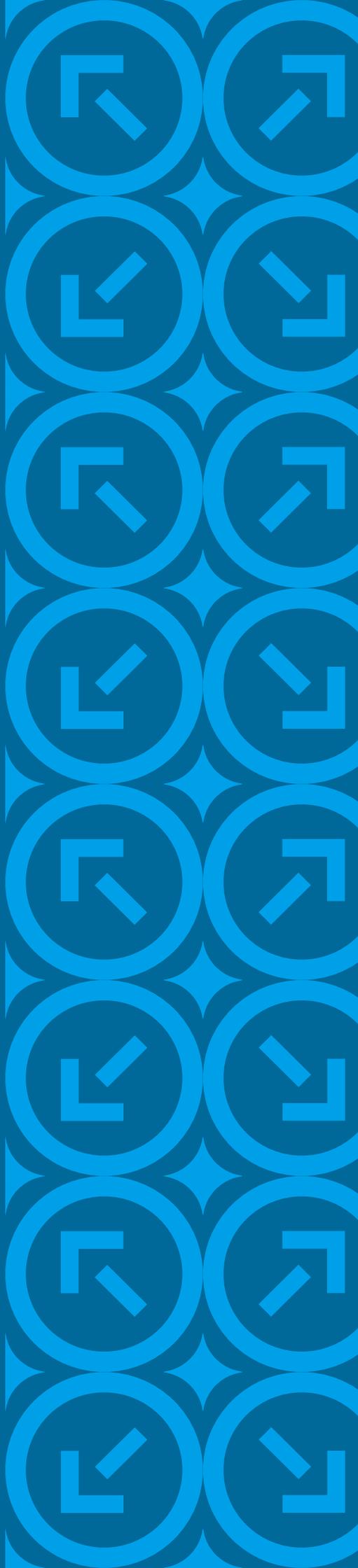
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