

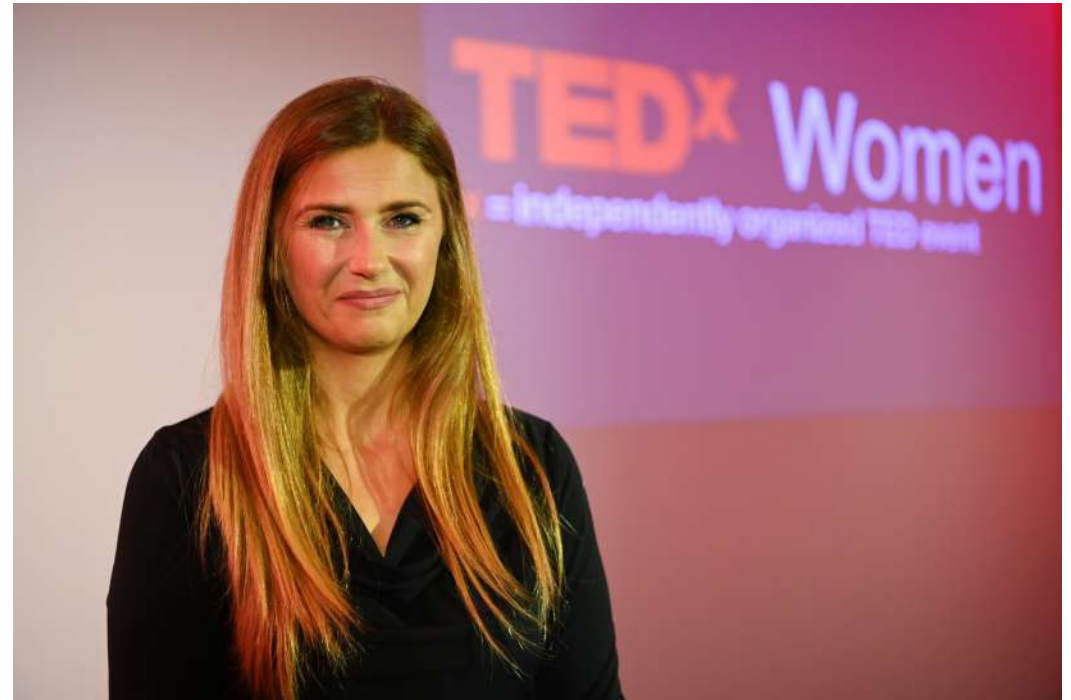
YOUR  
ESG  
PARTNER



**“Create a world where all business is  
used as a force for good”**

Dr Roberta Lepre

Who am I?



# What we are going to cover

**The Role of Business**

**Purpose & ESG**

**Benefits for Purpose-driven businesses**

# SHAREHOLDER vs STAKEHOLDER THEORY

# The role of business

## SHAREHOLDER THEORY

- Originated in the early 20th century, but most famously articulated by Milton Friedman in the 1970s.
- Argues that the primary responsibility of a business is to its shareholders.
- The main goal is to maximize shareholder wealth, under the assumption that doing so would efficiently allocate resources across the economy and benefit society as a whole.
- Emphasizes the importance of profit maximization within the bounds of the law and ethical custom

# The role of business

## STAKEHOLDER THEORY

- Began gaining prominence in the 1980s, with R. Edward Freeman's work being notably influential.
- Broadens the focus to include anyone affected by the actions of a business, not just its shareholders. This includes employees, customers, suppliers, communities, and even the environment.
- Argues that businesses have ethical and social responsibilities to all their stakeholders, not just economic responsibilities to shareholders.
- Suggests that long-term success and sustainability require balancing the interests of all stakeholders, rather than prioritizing shareholder profit above all else.

# The Business Case for Purpose

# The Business Case for Purpose

## Harvard Business Review

- "The Business Case for Purpose":
  - This report highlights that companies with a strong sense of purpose are able to achieve higher levels of innovation and employee satisfaction, leading to increased profitability and growth. The study emphasizes that a clear purpose can help companies navigate a rapidly changing business environment more effectively.



# Other Studies

- **EY Beacon Institute and Harvard Business School - "The State of the Debate on Purpose in Business":**
  - This research found that companies that integrate a strong sense of purpose into their strategy and operations outperform their counterparts in the market. It also pointed out that purpose-driven companies tend to have more engaged employees and are better at innovation and transformational change.
- **Imperative and NYU's Workforce Purpose Index:**
  - The Workforce Purpose Index is the first empirical study of purpose at work, and it found that purpose-oriented employees tend to have higher levels of fulfillment in their work and are more likely to outperform their peers. This suggests that businesses that foster a purposeful work environment can benefit from higher productivity and profitability.
- **Porter, Kramer - "Creating Shared Value" (Harvard Business Review):**
  - Michael E. Porter and Mark R. Kramer introduced the concept of shared value, arguing that businesses can generate economic value by identifying and addressing social problems that intersect with their business. The research suggests that companies that focus on creating shared value can outperform competitors by opening up new market opportunities and driving sustainable growth.
- **Deloitte Insights - "Purpose-Driven Companies":**
  - Deloitte's research indicates that purpose-driven companies witness higher market share gains and grow three times faster on average than their competitors, all while achieving higher workforce and customer satisfaction.
- **The Stengel 50 Study:**
  - Conducted by former Procter & Gamble Chief Marketing Officer Jim Stengel, this study analyzed 50 of the fastest-growing brands over a decade and found that they all had a clear commitment to a purpose that contributed to society in a positive way. The study suggested a strong correlation between a

# How is ESG linked to Purpose?



Source : Kiplinger

# How is ESG linked to Purpose?

- Environmental, Social, and Governance (ESG) criteria and corporate purpose are closely linked, as both are centered around creating sustainable, ethical, and responsible business practices.
- While ESG provides a framework for evaluating the specific impact of a company in areas related to environmental stewardship, social responsibility, and governance practices, corporate purpose speaks to a company's core reason for being—beyond just making a profit.

# How is ESG linked to Purpose?

- This approach not only helps businesses manage risks and seize opportunities but also contributes to a positive social impact and long-term value creation.
- In essence, ESG provides a pathway for businesses to operationalize their purpose, ensuring that their core reason for being is reflected in their day-to-day activities and long-term strategy.

# How is ESG linked to Purpose?

## Environmental (E)

### Purpose Connection:

A company's purpose might include commitments to sustainability, conservation, and positive environmental impact. By setting ambitious environmental goals, businesses can align their operations with broader societal values, such as combating climate change and preserving natural resources.

# How is ESG linked to Purpose?

## Social (S)

### Purpose Connection:

This aspect focuses on the company's relationships with employees, suppliers, customers, and communities. A purpose-driven approach to social issues might involve improving labor practices, enhancing community engagement, and ensuring product safety. Companies with a strong social purpose seek to make a positive impact on society while building trust and loyalty among stakeholders.

# How is ESG linked to Purpose?

## Governance (G)

### Purpose Connection:

Governance covers the internal system of practices, controls, and procedures a company adopts to govern itself, make effective decisions, comply with the law, and meet the needs of external stakeholders. A clear corporate purpose that includes ethical leadership and accountability can guide governance practices, ensuring that they align with the company's values and contribute to its long-term success.

# Benefits of Purpose-Driven companies



Source : Kaizen Institute



# Benefits of Purpose-Driven companies

Purpose-driven companies outperformed the S&P 500 by

**10x**

between 1996 and 2011.<sup>1</sup>

<sup>1</sup> HBR, Tony Schwartz, (2012)

**90%**

of executives say a commitment to purpose-driven leadership produces long-term financial benefits.<sup>2</sup>

<sup>2</sup> Korn Ferry Hay Group Survey, 2016

Employees with a strong sense of purpose are at

least **4x**

more likely to be engaged in their jobs as other employees.<sup>3</sup>

<sup>3</sup> Gallup-Sharecare Well-Being Index

**84%**

of executives believe their business transformation efforts will have greater success if integrated with purpose.<sup>4</sup>

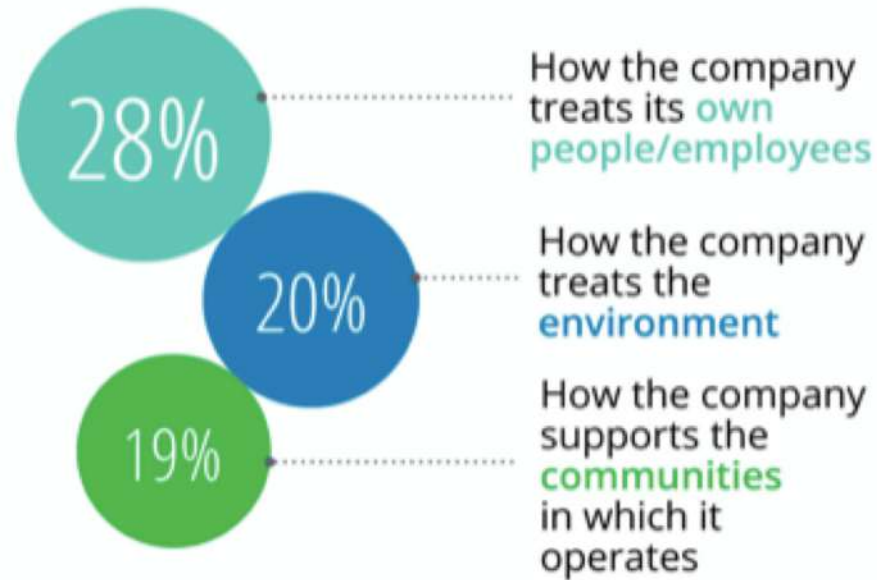
<sup>4</sup> EY & Harvard Business Review, 2016



# Benefits of Purpose-Driven companies

## Top issues consumers identify with while making decisions about brands

Percentage of respondents



Source: Deloitte 2019 Consumer Pulsing Survey in the United States, United Kingdom, China, and Brazil.

Deloitte Insights | [deloitte.com/insights](https://deloitte.com/insights)

# Integrating ESG with Purpose

- **Strategic Alignment:** Companies can integrate ESG into their business model by aligning their strategic goals with their purpose. This involves identifying areas where their business operations can make the most significant positive impact and aligning their ESG initiatives accordingly.
- **Stakeholder Engagement:** Engaging with stakeholders to understand their values and concerns can help businesses refine their purpose and ensure their ESG efforts are focused on areas of highest impact and importance to their stakeholders
- **Transparency and Reporting:** Transparently reporting on ESG performance can reinforce a company's commitment to its purpose. This includes disclosing both successes and areas for improvement, which can build trust and credibility with stakeholders.
- **Innovation and Sustainability:** Companies can use their purpose as a driver for innovation, developing new products, services, or processes that address ESG issues. This not only helps to mitigate risks but can also open up new market opportunities.



# Integrating Purpose into your Business Model

## Define Your Purpose

- **Identify Your Why:** Start by asking why your business exists beyond making a profit. Consider the problems you are passionate about solving and how your business can contribute to society.
- **Align with Core Values:** Ensure your purpose aligns with your personal values and those of your team. This authenticity is crucial for it to resonate with your stakeholders.

# Integrating Purpose into your Business Model

## Involvement Stakeholders in the Process

- **Engage Your Team:** Involve your employees in the process of defining your purpose. This can increase their engagement and commitment to your business.
- **Listen to Your Customers:** Understand the values and needs of your customers. This can provide insights into how your business can better serve them and the broader community.

# Integrating Purpose into your Business Model

## Embed Purpose into Your Operations

- **Align Products and Services:** Review your offerings to ensure they reflect your purpose. Consider adjustments or new offerings that more closely align with your defined purpose.
- **Sustainable Practices:** Implement sustainable and ethical practices in your operations, sourcing, and supply chain to reflect a commitment to your purpose.

# Integrating Purpose into your Business Model

## Communicate Your Purpose

- **Tell Your Story:** Clearly communicate your purpose through all your marketing and communication channels. Let your customers know why you do what you do and how they are contributing by choosing your business.
- **Transparency:** Be open about your successes and challenges in living up to your purpose. This builds trust with your customers and other stakeholders.

# Integrating Purpose into your Business Model

## Measure and Report Impact

- **Set Clear Goals:** Define what success looks like in relation to your purpose and set measurable goals.
- **Track Progress:** Regularly measure and report on your progress towards these goals. This could include social, environmental, and economic impacts.



# Integrating Purpose into your Business Model

## Foster a Purpose-Driven Culture

- **Lead by Example:** Demonstrate your commitment to your purpose in your decision-making and leadership.
- **Encourage Participation:** Create opportunities for your employees to contribute to the purpose, such as volunteering, community engagement, or innovation programs.

# Integrating Purpose into your Business Model

## Adapt and Iterate

- **Seek Feedback:** Regularly seek feedback from your stakeholders on how well you are achieving your purpose and where you can improve.
- **Be Willing to Pivot:** Be prepared to make adjustments to your operations, products, or services to better align with your purpose as you learn more about what works and what doesn't.

QUESTIONS???