Is Business Going Far Enough, and Fast Enough, to Reboot Capitalism?

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"When I want to understand what is happening today, or try to decide what will happen tomorrow, I look back."

--Omar Kayyam, in The Rubaiyat

As we begin the "2020s," looking back over the last decade—even the last year—we have seen a tremendous ground swell of activity by diverse businesses across the world in the area of corporate "purpose." COVID-19 understandably has caused many companies to divert or redeploy just how they implement their purpose (for example, shifting to direct economic support of employees as opposed to perhaps supporting a program related to watershed management), but companies have "stepped up" in formidable numbers. For more detail, have a look at the COVID-19 Response Program microsite developed by the World Business Council for Sustainable Development (WBCSD), which includes many examples of company responses across sectors and across disciplines.

Before the pandemic turned the world upside down, arguably, one of the most potent catalysts for that increase in corporate commitments, campaigns, and strategy redesigns to align more fully with the company's purpose was the letter to CEOs issued by Blackrock CEO, Larry Fink. Admittedly, in the "carrot and stick metaphor," Fink wields a big "stick" to motivate companies, given that Blackrock reported just over $7.4 trillion in managed assets as of the last quarter of 2019. But this is about more than a big stick; the "carrot" is perhaps even more appealing—or should be—to companies. Purpose isn't about being punitive; it's quite genuinely about maximizing opportunities for long-term growth. Done properly, it will help provide an interconnected global environment in which businesses can flourish as *a part of* society—not *apart from it*. In both his 2019 letter, and then reinforced more strongly in his 2020 letter, Fink states:

> *"The importance of serving stakeholders and embracing purpose is becoming increasingly central to the way that companies understand their role in society. As I have written in past letters,* ***a company cannot achieve long-term profits without embracing purpose and considering the needs of a broad range of stakeholders…****a strong sense of purpose and a commitment to stakeholders helps a company connect more deeply to its customers and adjust to the changing demands of society. Ultimately,* ***purpose is the engine of long-term profitability****."*

If the myriad conversations, public pronouncements, and calls to action at the World Economic Forum's meeting earlier this year in Davos were any indication, the message of the value of corporate purpose—when authentic—is being heard, loudly and clearly. Whether that purpose is rolled up into reports about social responsibility; social impact; environmental, social, governance (ESG) reporting; philanthropy; or some other not-yet-coined term, there is one thing in common: purpose relates to the role of business as a positive force in society.

The British Academy, in their *Principles for Purposeful Business*, which they describe as an "agenda for business in the 2020s and beyond," suggest that:

> *"…**corporate purpose identifies how the company assists people, organisations, societies and nations to address the challenges they face**, while at the same time avoiding or **minimising problems companies might cause** and making them **more resilient in the process**…. In 2019, purposeful business has become more mainstream with commitments by leading investors and companies, and a campaign by the Financial Times. **Purposeful businesses will be essential contributors to solving the global challenges of the 21st century**, best expressed in an integrated way by the United Nations Sustainable Development Goals."*

The world is now five years into the 15-year timeline to achieve the Sustainable Development Goals (SDGs). Unlike their predecessors, the Millennium Development Goals, which were broadly viewed as an agenda *by* governments *for* governments, with little room for—or legitimate engagement of—the private sector, the SDGs have become a truly global platform upon which multiple stakeholders can meet and engage toward common targets. Just a few months ago, DEVEX published a report, *Leading the Charge on the SDGs: Best Practices for CEOs and Corporate Leaders*, wherein they describe the SDGs as follows:

> *"As the primary framework to connect business strategies and operations with development priorities, companies can leverage the SDGs to **capitalize on new business opportunities, create jobs, and make positive and demonstrable social and environmental contributions around the world**."*

In fact, the Business and Sustainable Development Commission, in their Better Business, Better World report, suggest that "achieving the SDGs opens up **US $12 trillion of market opportunities [and creates 380 million new jobs by 2030] in the four economic systems of food and agriculture, cities, energy and materials, and health and well-being,** which represent around 60 percent of the real economy….The total economic prize from implementing the SDGs could be 2-3 times bigger….**Achieving the single goal of gender equity could contribute up to US$28 trillion** to global GDP by 2025."

That same report crisply summarizes the business case for pursuing the SDGs, which is increasingly supported by many studies, as **opening new opportunities and significant efficiency gains, driving innovation, and enhancing reputations**. The latter, in turn, helps companies **attract and retain employees, consumers, B2B customers and investors, and secure their license to operate.**

All great news for business, and for society, but are we moving quickly enough, and are we being aggressive enough in our pursuit of corporate purpose?

We know that the UN Secretary General, in his progress report for the SDGs, opined that:

> *"It is abundantly clear that a much* ***deeper, faster and more ambitious response is needed*** *to unleash the social and economic transformation needed to achieve our 2030 goals. From our advances,* ***we know what works...financing; resilience; sustainable and inclusive economies; more effective institutions; local action; better use of data; and harnessing science, technology and innovation*** *with a greater focus on digital transformation."*

Business can bring its expertise to bear in virtually all these areas. But, how, without further fragmenting existing efforts in an already *volatile, uncertain, complex, and ambiguous* (VUCA) world.

How can CEOs use the power of their respective companies to take active stands, not only in advocacy and communications—though these are critically important—but by embedding increasingly granular, measurable, and transparently reportable metrics into their core business strategies and actions?

The Business Roundtable (BRT), in 2019, published their Statement on the Purpose of a Corporation, signed by 181 CEOs who committed to lead their companies for the benefit of all stakeholders—customers, employees, suppliers, communities and shareholders. In that Statement (see box to right), those CEO endorsers have aligned, intentionally or not, with "what works" as described by the Secretary General. Make no mistake, this is a significant step for the private sector. **Words matter**. **Commitments matter**. But commitments, alone, are not enough, just as CEOs taking stands on issues of social importance are crucial, but which, alone, are not enough.

From the BRT Statement on the Purpose of a Corporation:

While each of our individual companies serves its own corporate purpose, we share a fundamental commitment to all of our stakeholders. We commit to:

- **Delivering value to our customers**. We will further the tradition of American companies leading the way in meeting or exceeding customer expectations.
- **Investing in our employees**. This starts with compensating them fairly and providing important benefits. It also includes supporting them through training and education that help develop new skills for a rapidly changing world. We foster diversity and inclusion, dignity and respect.
- **Dealing fairly and ethically with our suppliers.** We are dedicated to serving as good partners to the other companies, large and small, that help us meet our missions.
- **Supporting the communities in which we work.** We respect the people in our communities and protect the environment by embracing sustainable practices across our businesses.
- **Generating long-term value for shareholders**, who provide the capital that allows companies to invest, grow and innovate.
- We are committed to transparency and effective engagement with shareholders.

The BRT statement, along with the Roundtable's supplemental Policy Perspectives, provide a powerful framework upon which to build. For some, however, the BRT statement is viewed as interesting commitments, but lacking the "teeth" (that is, metrics and tangible impact) to demonstrate compliance to those commitments.

A contextual baseline for BRT companies was published in December 2019 by the Governance and Accountability Institute in their Analysis of the Business Roundtable Companies' ESG Reporting Practices, asking if BRT companies are "walking the talk." The top-line insights from their inaugural report were as follows:

- 93% of BRT member companies' CEOs (181 of 193) are signatories to the updated statement of corporate purpose (at time of research in November 2019)
- 93% of CEOs of public company members (150 of 160) signed on
- 94% of CEOs of privately-owned company members (31 of 33) signed on
- 85% of CEO signatories' companies (154 of 181) publish sustainability/ESG reports
- 15% of companies are signatories (27 of 181)--but not yet publishing reports

This is a positive result, but one which is largely qualitative. The BRT Statement was reviewed by Tim Mohin, Chief Executive of the Global Reporting Initiative (GRI), developer of the world's most widely used sustainability reporting standards. In his OpEd, Mohin suggests the following:

> *"…[**for the BRT Statement] to become reality, more companies must join in a global effort to reboot capitalism.** A starting point is full transparency. Like financial statements, companies must publicly state their impacts on people and on the planet. **Without full transparency, we cannot align capital to sustainable business practices nor hold companies accountable**. Most major companies–such as those in the Business Roundtable–disclose their sustainability impacts. Indeed, 93 per cent of the top 250 global companies by revenue report on sustainability, of which three quarters use the Global Reporting Initiative (GRI) framework. Yet, with the acute problems faced by the world, **we need more and better reporting of impacts, from all businesses**. Only with universal and high-quality disclosure will we be able to turn words into actions."*

Reinforcing the need for better reporting, the DEVEX report cited earlier included this statement, "**Understanding today's emphasis on data and analytics to drive business success, CEOs should implement systems and metrics to track their…social impact performance.**"

After all, there is wisdom in the old maxim, "you cannot manage what you do not measure." Many organizations over the past several years have suggested various indicators, the Global Reporting Initiative (GRI) being top among them. Myriad measurement and rating schemes exist for a variety of wide-ranging content areas. Many of these, today, have been framed in metrics around Environmental, Social, and Governance practices.

The commitments in the Business Roundtable Statement can easily align with many indicators found in the *2019 Consolidated Set of GRI Sustainability Reporting Standards*. The list within GRI will look daunting to many, and the intent is not to expect every BRT signatory company to immediately begin communicating these indicators in a fully transparent way. However, these indicators do provide a solid framework which, over time, should see increasingly rigorous reporting by companies to all their myriad stakeholder groups.

The road is not without its challenges—some painful—but the destination of a legitimate, authentic, and lasting reboot of the role of a thriving business as a force for good in society will be well worth the challenges.