

# The courage of their convictions

How purposeful companies can prosper in an uncertain world



tomorrow's  
company

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# Foreword

This study, on which Tomorrow's Company and Danone have collaborated, looks at the importance of a clear shared purpose, if companies are to survive and prosper in times of great uncertainty.

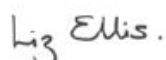
Tomorrow's Company exists to inspire and enable companies to be a force for good in society. This is particularly relevant to Danone because of its own history of pursuing a purpose beyond profit. Since it was founded, Danone has been led by a dual purpose to deliver social good alongside business success. As the needs of society and those of the business have evolved, so Danone has evolved and recommitted to this purpose. The Danone vision today is that the company can bring health through food to as many people as possible.

In many organisations people are becoming cynical about the emphasis on purpose beyond profit. Some people argue that a focus on a purpose beyond profit is an unaffordable luxury in these volatile and transactional times. Others, that a statement of such a purpose is mere words, lacking substance. We have talked to more than twenty organisations, some long-established, some recognised as being among the best of a rising generation of enterprises, who are working in different ways to bring purpose to life. In addition, we have drawn on the experience of other chairs and CEOs who have been involved in recent Tomorrow's Company dialogues. Our conclusion from all these sources is that a focus on purpose beyond profit has become more important than ever in an age of uncertainty and short-termism. For all their differences, there is a remarkable similarity of approach between the younger more disruptive enterprises, and long-established companies who continue to be faithful to the spirit, if not the letter, of their founder's purpose.

In the end, companies are about people, especially the people who commit their energies as partners, colleagues, managers or employees. It is through their efforts and attitudes that customers and other stakeholders form the impression that they have of a company. It is for this reason that – without ignoring the impact from and on all the other relationships – we have focused especially on workplace challenges.

We hope to encourage leaders of organisations, together with investors, business partners and other stakeholders, to understand why it matters that a business has purpose with which people can identify, and how this can add to its commercial potential. We conclude the report with a series of questions that leaders or investors or other stakeholders might like to ask themselves or their colleagues in assessing their own organisations. We hope that this agenda for action may be helpful to all their efforts to increase the commitment, engagement and fulfilment of those people. There is also an implicit challenge here for all those involved in communicating or teaching the essence of business and management. Do we accept that to be successful in the longer term, businesses need to have a purpose beyond profit? How well is that communicated or understood today? What may need to change in our approach to teaching business and management?

Finally, at a time of exceptional volatility here in the UK, we would argue that the purposeful approach to leadership that is described here is important for the economic performance of our companies and may have a wider significance. In the UK productivity and employee engagement have both been disappointing, and many people are feeling let down by an economic system and a democracy over which they feel they have too little influence. Purposeful companies which combine humanity with commercialism are a cause for hope, an example to follow, and a valuable catalyst for stimulating us to rediscover what it is to work together towards a worthwhile purpose.



**Liz Ellis**  
HR Director at Danone UK & Ireland



**Norman Pickavance**  
Tomorrow's Company

# Executive Summary

This report builds on conversations with, and insights from, over twenty companies who think it important to have a purpose beyond profit. Some of them are insurgents, taking advantage of the new opportunities that technology and global markets offer. Some have proved their resilience over decades or centuries.

There is abundant research evidence which tells us that the most successful companies over decades have been those with a clear and enduring purpose that combines financial success with outcomes that are important to human beings and the society in which they live. But what of the future? Companies are facing rapid change and great uncertainty. This turbulence is especially felt in their workplace relationships. Recent Gallup global engagement survey results show that employee engagement levels remain consistently low. This is disappointing and it appears to be linked to the failure of companies to deal effectively with new challenges and opportunities. These include the pace and disruptive effects of the digital world, threats and opportunities in the changing labour market, and short-termism and volatility from social, political religious and environmental forces. We wanted to explore the relationship between constancy of company purpose and the increasing inconstancy of the surrounding world. How could companies so rooted in purpose be sufficiently fast on their feet?

The examples described in this report demonstrate the greater resilience of companies which have a focus on purpose beyond profit and relationships permeated by clear values. A firm and enduring purpose beyond profit is, more than ever, the precondition for true agility in an age of uncertainty. Companies live or die by their relationships. The strength of those relationships is shaped by the decisions that leaders take about purpose and values. Companies with a purpose beyond profit enjoy four potential advantages in the face of change and uncertainty.

- First, their purpose and values become a source of **energy and commitment in workplace relationships** enabling them to attract and retain talent and engage and develop their own people better.
- Secondly, a clear purpose which people can naturally identify as a keel, gives **stability and resilience**. Strong values provide a clear basis for building trust.
- Thirdly, the benefits in terms of trust yield a **reputational return**, enhancing brands and accumulating external trust and goodwill. The licence to operate is enhanced.
- Fourth, as a result of the first three benefits there is a more compelling case to take to those investors who are interested in long-term performance. This in turn provides a basis for building greater **investor confidence** which is in turn a further source of stability.

There is also the potential for wider benefits to employees and society, in terms of wellbeing and health, including mental health, the chance to learn and adapt, and the way such companies cut across divides and bring together different parts of society around a shared purpose.

There are five stages which, in one way or another, the organisations we studied go through as they build from a strong purpose to a more agile and enduring organisation. First, they **define** the purpose in a way that gives the company real personality and makes the connection between the head, the heart, and the gut. Next, they bring it to life in the way that they **communicate** it. Thirdly, they **imbue** the purpose and values into the culture and behaviours of the company. The fourth stage is about the way companies **encourage** – rewarding, recognising and reinforcing the right behaviours, and thereby celebrating and further embedding the purpose and values. Finally, there is measurement and **review** – checking, auditing, revisiting and being open to feedback to avoid complacency.

The true energy generated by a living purpose flows across and between these different stages and permeates the relationships and processes of the business to the benefit of the bottom line. There is, of course, no scientific proof that this will count for so much in the future. Indeed, leadership has always been about doing the right thing long before you can prove that it will pay off. It's called having the courage of your convictions.

# Section 1

Why purpose, values and long-term relationships are the key to sustained company success

## The growing acknowledgement of business purpose

Thirty years ago, very few people in the Anglo-Saxon business world were talking about the importance of business purpose. However, within a few months of each other, in 1995, there were two very different reports published in the English language, one in the USA and one in the UK, which heralded a change. One drew on research about the past. The other gave a view of the future. In the USA two Stanford professors, Jim Collins and Jerry Porras, published *'Built to Last'*.<sup>1</sup> This was the result of deep academic study of the leadership characteristics of the most successful USA listed companies over a fifty-year period. Collins and Porras showed how companies which stayed true to what they called a 'core ideology' and 'preserving the core while stimulating progress' had outperformed the stock market average in the USA by 15 times over 50 years.

In the UK, the Royal Society for the encouragement of Arts, Manufactures and Commerce (RSA) published a report signed by the leaders of 20 UK-based businesses called *'Tomorrow's Company – the role of business in a changing world'*. It said that the companies that would sustain competitive success in the future would be those which focused less exclusively on shareholders and on financial measures of success, and instead included all their stakeholder relationships, and a broader range of measurements of performance in the way they thought about purpose and performance.<sup>2</sup>

The report was regarded as heresy by the old guard of British business, but welcomed by a younger generation of companies. Its impact led to the creation of Tomorrow's Company as an organisation. Of course, the idea of the importance of purpose in the leadership of successful businesses is not new. Since its foundation in 1996, Tomorrow's Company has become aware of a growing literature around the world, from Europe to Asia, which bears out the importance of company cultures grounded in a purpose and a set of values that emphasise people and relationships, especially relationships with a contribution to society as a whole, as opposed to one with an exclusive focus on shareholders. In spite of the attempt of Milton Friedman to suggest otherwise, it turns out that purpose beyond profit has been the foundation of business success for centuries. One can find well-known businesses like Stora, Tata, Toyota and Danone that have endured for a century or more and attributed their survival and success to having a clear purpose to which their people and their stakeholders and shareholders can stay loyal.<sup>3</sup>

These companies have never stood still. Over the last thirty years they have had to adapt to the pressures of globalisation, new technology and increased competition, combined in many cases with increased regulation and complexity. They have also had to cope with the effects of the global financial crisis and, in many cases, the increasing unaffordability of traditional company pension schemes. Some of the old paternalistic companies like Kodak maintained their values but failed to adapt. Some have been taken over. Others like Toyota have continued to innovate without sacrificing the core values of their founders. Today they are competing in a world in which artificial intelligence and robotics are advancing alongside the low-cost and often transactional approaches represented by the growth of the 'gig economy'. Many people who might previously have enjoyed secure jobs now find themselves working on zero-hour contracts. And yet at the same time, established companies have also experienced rising expectations about the part they are playing in tackling climate change, human rights and social inequality.

In the face of all these changes there is no doubt that the pendulum has swung. Since those two 1995 declarations of the importance of purpose to business success, there have been numerous studies published which have analysed the distinctive features of enduring and successful companies. New organisations and projects such as B Lab, and A Blueprint For Better Business and the Purposeful Company Project have been set up to encourage businesses to focus on their wider purpose and thereby be a force for good in the world.

## Common features in different studies of long-lived companies

### Japan

20,000 companies in Japan are over 100 years old; 600 are over 300 years old; 30 are over 500 years old; and five are over 1,000 years old. Their common features are:

- leadership driven by clear values, higher purpose beyond bottom line, continuous innovation;
- putting people first: education for employees; customer oriented; trust with consumers, business partners, employees and shareholders; and
- frugality and efficient use of natural resources: culture and legacy inspiring generations thereafter.

Haruo Funabashi, *Timeless Ventures* (2009)<sup>4</sup>

### Europe, USA, Japan

- conservatism in financing;
- sensitivity to the environment about them;
- a sense of cohesion and identity among employees about 'what this company stood for' or 'what this company was about'; and
- tolerance at the margin – full use of decentralised structures and delegated authorities.

Arie de Geus, *The Living Company* (1997)<sup>5</sup>

### USA

18 visionary companies – widely admired by their peers and having a long track record of making significant impact – which outperformed comparison companies by six times and the stock market by 15 times over 50 years.

- purpose beyond profit;
- relatively fixed 'core ideology' (beliefs and values); and
- clear vision and sense of direction.

James Collins and Jerry Porras,  
*Built to Last – Successful Habits of Visionary Companies* (1995)<sup>6</sup>

Alongside the psychological evidence, there have been many studies in different parts of the world looking at the factors driving long-term company success. Among other common characteristics, these studies suggest that if companies are to inspire their own people, their customers and other stakeholders with loyalty and achieve high levels of commitment, the purpose has to be one to which human beings can relate beyond simply making money for themselves or their owners. This is not instead of making money. It is as well as making money. Many companies who focus on purpose beyond profit clearly state their purpose in a ‘both/and’ way.

## **A purpose beyond profit and not just any purpose**

Today it has become fashionable to focus exclusively on purpose. Phrases like ‘purpose driven companies’ or ‘purpose driven culture’ now abound. But there is a danger of oversimplifying the importance of purpose, as it is not just any clear purpose that matters. A criminal gang can have a clear purpose.

There are long-lived companies in which purpose reaches parts that greed and financial self-interest can never reach. There is now a new generation of companies emerging to take advantage of disruptive technology and the changing expectations of employees, customers and society. These are often described as having a social purpose. Usually, however, it is more accurate to say that they have a dual purpose or, the term that will be used in this report, a purpose beyond profit. In most cases these are highly commercial businesses. They still intend to be successful by financial criteria. It is just that that is not what defines them. They want to do more than simply be profitable to the enrichment of their shareholders. They want to create value in a broader sense.

The companies with a purpose, which benefit most from making a real difference to performance, are those that inspire discretionary effort by appealing to shared human values. With that purpose tends to go an approach that treats people as ends, not means, creators of wealth, not factors of production. By ‘purpose beyond profit’ we mean an approach that sees business as a human activity with tangible benefits for people and planet as well as for profit.

This approach to purpose beyond profit may sound idealistic. It is also profitable. As former P&G Global Marketing Officer Jim Stengel puts it in his study:

*“Companies (which put) ...ideals of improving people’s lives at the centre of all they do outperform the market by a huge margin, and frequently create both new businesses and entire new business sectors. An investment in the top 50 of these companies would have outperformed the stock market average over ten years by 400%.”<sup>7</sup>*

## **Leaders bring purpose to life through relationships**

Purpose describes the why of the business. Values describe the how. It is in the relationships of an organisation that purpose and values come to life. It is through the contribution of leaders that the whole character and personality of the company embodies that purpose and those values. As CIPD pointed out in the conclusions to its research on shared purpose:

*“The important point here is that purpose, values and goals are aligned for many people, regardless of the overall purpose of their organisation. Where there is such alignment, the research suggests that the impacts are very positive. Levels of engagement and satisfaction are increased and the perception of the organisation as one that outperforms is tangible. Arriving at this situation requires that people not only understand the purpose and values of the organisation but also see where they fit into it.”<sup>8</sup>*



## Having a human purpose makes good business sense

Former P&G Global Marketing Officer Jim Stengel conducted a ten-year study of 50,000 brands around the world.<sup>9</sup> He started when he was at P&G and developed it later with colleagues at UCLA. He wanted to learn from businesses that were growing faster than P&G, in whatever industry. The conclusions surprised him:

*“My expectation was that we would learn good tactical stuff about how the fastest growing businesses were allocating resources to digital media, balancing innovation with their core products and services, handling HR issues and so on. We did indeed get these kinds of insights. The unexpected thing that leapt out was much bigger, however. The study did not set out to highlight or test the business value of ideals. We went in looking strictly for financial growth, and only after that for whatever the top-ranked businesses were doing differently from the competition in their category. When we probed to that level, however, again and again we found that the world’s fastest growing enterprises were organised around ideals of improving people’s lives and activated those ideals throughout their business eco-systems.”*

The top 50 brands had grown three times as fast as their competitors and some, like Apple and Google, had grown 10 times faster. He developed the study when he left P&G. He assessed which brands had grown most in value over a ten-year period, which brands had made the strongest connection with people, and what this connection had been based on. “Companies (which put) ...ideals of improving people’s lives at the centre of all they do outperform the market by a huge margin, and frequently create both new businesses and entire new business sectors.” An investment in the top 50 of these companies would have outperformed the stock market average over ten years by 400%.

In the case of the 50 most successful brands, they had chosen to connect with ‘one of the five fields of fundamental human values: eliciting joy, enabling connection, inspiring exploration, evoking pride, and impacting society.’ Jim Stengel concluded that there are four simple questions to ask of a business:

- Who are the people most important to a business’s future?
- What does the business stand for in their eyes?
- What does the business want to stand for in their eyes?
- How is it bringing that to life?

Jim Stengel, *Grow* (2011)<sup>9</sup>

Trust, loyalty, engagement, reputation and ultimately brand value, productivity and profitability all depend on how people in all the company's key relationships identify with and apply its stated purpose and its values. Defining purpose and values is important but is only the first step. Leaders – all across the organisation and not just those at the top – communicate, embed, encourage, recognise, celebrate, reward and reinforce purpose and values everywhere.

Purpose can endure over decades or more. Vision is more time-based and action-focused. A vision is an inspiring portrait of the organisation's future, looking five or more years ahead, envisaging what it will become, and what it will have achieved. It will be challenging, exciting but realistically achievable.

Business performance is hugely dependent upon human motivation. According to a recent study by Aon Hewitt, a five-point increase in employee engagement is linked to a three-point increase in revenue growth in the subsequent year.<sup>10</sup> When engagement levels drop, the opposite happens: the study cites consequences such as higher staff turnover, steeper absenteeism, lower customer satisfaction, and ultimately, poor financial performance.

The focus upon purpose and values in a knowledge economy is clearly related to our psychological understanding of what motivates people to do the kind of work that they will increasingly be doing.

## The psychological evidence

In advanced economies repetitive work is increasingly more automated. In knowledge work, people achieve more when organisations and leaders appeal to their intrinsic motivations and focus less on extrinsic rewards. Recent research in fields such as positive psychology has shown that people are motivated by internal factors such as: our need to belong and fit in to the group; our desire for autonomy and to make our own choices; our preference for experiencing positive emotions; our impulse to improve, learn and progress; and our drive to contribute to something valuable and significant. When organisations build cultures that respond to these human needs they are more likely to benefit from the diversity of thought, capability and latent talent that exists within them.

Psychologist Mihaly Csikszentmihalyi pioneered the concept of 'flow' – the mental state of being completely absorbed in a task. He studied 'practitioners' from around the world, from artists and musicians, to software coders and professional sports players, to understand what they felt like when they were performing at their best. He found that people who experience 'flow' describe being totally focused and energised by the task in which they're engaged and deeply satisfied by their overall experience. Through his studies he established that a core motivation for human beings is their desire to get better at things, to learn and progress. Organisations that find ways of supporting their people to challenge themselves, learn and accomplish new things, will benefit from the high performance that is associated with being in a state of flow.<sup>12</sup>

*"The higher incentives led to the worst performance... This has been replicated...by psychologists, to some extent by sociologists, and by economists over and over and over again. For simple straightforward tasks those kind of incentives – if you do this then you get that – they're great... But when the task gets more complicated, when it requires some conceptual, creative thinking, those kind of motivators demonstrably don't work"*

*...The best use of money as a motivator is to pay people enough to take the issue of money off the table. Pay people enough so they're not thinking about money and they're thinking about the work. Once you do that, it turns out that there are three factors that the science shows lead to better performance, not to mention personal satisfaction: autonomy, mastery and purpose."*

**Daniel Pink** (speaking at the RSA June 2015)<sup>11</sup>

# How purpose and values have evolved over time

## Tata – improving the condition of the people of this country

*“With honest and straightforward business principles, close and careful attention to details and the ability to take advantage of favourable opportunities and circumstances, there is scope for success.”*

*“In a free enterprise, the community is not just another stakeholder in our businesses but is in fact the very purpose of its existence.”*

**Jamsetji N. Tata, Founder, Tata Group (1860)**<sup>13</sup>

*“To my father the acquisition of wealth was only a secondary object in life; it was always subordinate to the constant desire in his heart to improve the industrial and intellectual condition of the people of this country; and the various enterprises which he from time to time undertook in his lifetime had for their principal object the advancement of India in these important respects.”*

**Sir Dorab Tata, Chairman, on Jamsetji N. Tata (1920)**<sup>14</sup>

*“Every company has a special continuing responsibility towards the people of the area in which it is located and in which its employees and their families live. In every city, town or village, large or small, there is always a need for improvement, for help, for relief, for leadership and for guidance. I suggest that the most significant contribution organised industry can make is by identifying itself with the life and problems of the people of the community to which it belongs and by applying its resources, skills and talents, to the extent that it can reasonably spare them to serve and help them.”*

**J. R. D. Tata, Chairman (1969)**<sup>15</sup>

*“India is still a developing country, one burdened with enormous disparities. It is our duty to play whatever role we can, in whatever way we can, to diminish those disparities. This is the guiding principle for all of us at Tata.”*

**Ratan Tata, Chairman (2009)**<sup>16</sup>

## Danone – bringing health through food

*“The responsibility of a company does not stop at the factory gate or the office door. The jobs a business creates are central to the lives of employees, and the energy and raw materials we consume change the shape of our planet.... It is clear that growth should no longer be an end in itself, but rather a tool used to serve the quality of life without ever being detrimental to it.”*

**Antoine Riboud, Chairman (1972)**

*“Our mission is bringing health through food to as many people as possible.”*

**Franck Riboud, Chairman (2007)**

*“At Danone, we believe each time we eat and drink, we can vote for the world we want to live in. That’s the heart of the Alimentation Revolution, a movement which calls for the adoption of healthier and more sustainable ways of designing, producing and marketing food. We see our commitment to a radical transformation of our activities to be more local, environmentally-friendly, inclusive and transparent as a fundamental requirement to achieve our objective of profitable, strong, sustainable growth...”*

*“Being a leader doesn’t come only with the right to dominate – it comes with the duty to share, and a responsibility to protect.”*

**Emmanuel Faber, Chairman (2017)**

## The foundations for long-term success

In 1996, Tomorrow's Company defined tomorrow's company as one that:

- clearly defines its purpose and values, and communicates them in a consistent manner to all those important to the company's success;
- uses its stated purpose and values, and its understanding of the importance of each relationship to develop its own success model from which it can generate a meaningful framework for performance measurement;
- values reciprocal relationships, understanding that by focusing on and learning from all those who contribute to the business, it will best be able to improve returns to shareholders;
- works actively to build reciprocal relationships with customers, suppliers, and other key stakeholders through a partnership approach; and
- expects its relationships to overlap and acts, with others where necessary, to maintain a strong licence to operate.<sup>17</sup>

Twenty years later, in 2016, in the light of all the organisation's learning and experience in working with companies and investors, Tomorrow's Company report, *UK Business: What's Wrong? What's Next?* restated this as three principles. These are:

- a purpose beyond profit and a set of values that are lived through the behaviours of all employees to create a self-reinforcing culture;
- collaborative and reciprocal relationships with key stakeholders – a strong focus on customer satisfaction, employee engagement and, where possible, collaboration with suppliers, alongside working with society; and
- a long-term approach that embraces risk – investing long term and embracing disruptive innovation.<sup>18</sup>

But what of the future? Companies are facing rapid change and great uncertainty. The evidence is that this turbulence is especially felt in their workplace relationships. In the face of uncertainty employee engagement has started to decline according to the study by Aon Hewitt covering more than five million employees at over 1,000 organisations around the world. Less than 25% of employees are highly engaged and 39% are moderately engaged.<sup>10</sup> The study's author suggests that, alongside fear of technology-driven job losses, the reason may be the 'angst' that people are feeling in the light of uncertainty and the pressure created by populist organisations. In the UK, engagement scores are poor. This helps to explain why UK productivity has been 15% below G7 average.<sup>19</sup>

Gallup Worldwide suggests that 87% of employees worldwide are not engaged and describes this as 'a stunning amount of wasted potential', given business units in the top quartile of Gallup's global employee engagement database are 17% more productive and 21% more profitable than those in the bottom quartile. Gallup suggests that the explanation for this poor engagement is that organisations have often been slow to adapt to the transformative spread of information technology, the globalisation of markets for products and labour, the rise of the gig economy, and younger workers' unique expectations.

It is clear then that the challenges, as well as the opportunities that leaders face, include the pace and disruption of the digital world, threats and opportunities in the changing labour market, and short-termism and volatility from social, political religious and environmental forces. We wanted to explore the relationship between constancy of company purpose and the increasing inconstancy of the surrounding world. How could companies so rooted in purpose be sufficiently fast on their feet?

# Section 2

Purpose, values and  
long-term relationships in  
a short-term world

## Purpose beyond profit - four advantages

Companies with a purpose beyond profit enjoy four potential advantages in the face of change and uncertainty.

First, their purpose and values become a source of **energy in workplace relationships** enabling companies to attract and retain talent and engage and develop their own people better. This releases more discretionary effort, and makes it more natural for people in the company to be agile, enterprising and inventive. These advantages also extend to business partners.

Secondly, a clear purpose which people can naturally identify as a keel, giving **stability and resilience** whilst companies accelerate through the choppy waters of change. Strong values provide a clear basis for building trust between colleagues, business partners, customers and the community.

Thirdly, the benefits in terms of trust and reliability of behaviours serve as a form of **reputational return**, enhancing brands and accumulating external trust and goodwill which mitigates damage when the company does make mistakes. Employees, suppliers, customers and other stakeholders even become advocates and ambassadors for these companies. The licence to operate is enhanced, not just the formal licence provided by regulators but the informal one provided by stakeholders.

Fourth, as a result of the first three benefits there is a more compelling case to take to those investors who are interested in long-term performance. Talent, brand, reputation, and quality of management will influence their judgement of sustainable financial returns. This provides a basis for building greater **investor confidence** which is in turn a further source of stability.

There is also the potential for wider benefits to employees and society:

- Companies which treat people as ends, not means, give people more sense of control and even fulfilment and freedom in their work, rather than causing stress and making them ill;
- They are more likely to equip people to adapt to change and prepare them for uncertainty. Whilst this does not remove uncertainty, it does provide a clearer sense of direction through it;
- They give people of diverse backgrounds and attitudes the glue that helps them work together towards a common purpose – which is particularly important in a divided society; and
- Companies whose purpose and values emphasise the importance of human relationships add more value in the neighbourhoods in which they operate.

In this section we describe the workplace challenges with which the companies to whom we spoke are dealing and describe how they are drawing on their sense of purpose beyond profit and their values to help them deal with these challenges.

*“Businesses that aren’t directly involved in artificial intelligence, machine learning and robotics have, until now, been passive observers. But the time is coming to build a strategy to cope with these changes. Business and global leaders have a responsibility to make sure that the gains we’re going to see through things like automation are spread equitably.”*

**Jason Stockwood, Founder and CEO Simply Business**



## Changing workplace, growing uncertainty, new strategies

Companies are facing rapid change and great uncertainty. This is especially true of their relationships with employees. There has been a tendency to emphasise the threats that this poses and these threats are real. Change and uncertainty can lead to a sense of insecurity, and a feeling of powerlessness. This in turn causes stress, as do some of the intrusive effects of connectedness and the inability to escape or have privacy in the digital world.

Equally, the new world is one of huge possibility. Boundaries are easier to cross. There has been a flourishing of entrepreneurial effort shown through examples like M-Pesa, a mobile phone-based money

transfer system first developed by Vodafone and its foundation in Kenya, where the technology has helped the empowerment of millions of women and the availability of micro-finance in Africa and India. Digital technology also makes a different kind of service possible. Customer expectations are rising as a result.

## Technology and its effects

### ...increased workforce transparency and connectivity from Black Box to Glass Box

Increased transparency puts the workforce and their leaders on public display. Future thinker David Mattin writes about the shift from businesses being black boxes on which they can paint their desired image to glass boxes that their customers can see straight through.<sup>20</sup>

Social media posts on Facebook achieve 50% of their global reach in only 30 minutes.<sup>21</sup> In 2017, United Airlines suffered when footage of one of their passengers being dragged off a plane was posted on Twitter and went viral. Glassdoor.com receives more than 48 million unique visitors per month: these visitors are able to see how employees rate their employers on a scale of 1.0 ('very dissatisfied') to 5.0 ('very satisfied').<sup>22</sup> When employees get upset they can go public quickly. A former engineer at Uber caused the replacement of the CEO when her blog post<sup>23</sup> about the culture of discrimination and sexual harassment she experienced during her time at the company sparked a massive backlash against the organisation.<sup>24</sup>

*"Increased transparency requires businesses to be more globally aligned than previously. Any discrepancy between what is available to employees or customers in one part of the world compared with another can now be identified and shared publicly."*

**Kate Wylie, Global Vice President of Sustainability, Mars**

It's one thing creating an attractive external image. It's quite another creating an internal culture and customer service proposition that lives up to the sales pitch. Companies which constantly seek to live their purpose and abide by their values, and audit and check to ensure that they are practising what they preach are not only doing what comes naturally to them because of their beliefs. They are also investing in the best possible way against these reputational risks.

### **...changing customer demand**

From self-service checkouts, automatic passport control gates, straight-to-room digital check-in experiences in hotels, to the future of driverless cars and chatbots, consumers are adapting to an automated landscape and raising their expectations accordingly. It is estimated that Artificial Intelligence could add an additional £630bn to the UK economy by 2035, increasing the annual growth rate of GVA from 2.5% to 3.9%.<sup>25</sup> This will change the way companies deal with customers and the way people work.

For instance, Centrica has found itself having to face new expectations. Many customers want online accounts where they can keep track of their energy usage and spending and deal with queries via online forms and chatbots. These customers no longer want to deal with the company by phone to set up new accounts, manage queries and make payments. But those who do continue to prefer the phone want to get answers from the first person they speak to, not be transferred to others. Centrica has decided that meeting the changing expectations of customers requires a huge change in its relationship with its employees. *“In an organisation as large and diverse as Centrica, companies need to empower their employees to meet their company purpose by aligning it to their own purpose for coming to work”*, says Craige Heaney, Head of L&D Group Operations at Centrica. For example, this means a huge investment in embedding the values of care, and reinforcing that investment through leadership by example and through ensuring that the performance management system also reflects those values. The importance of values to Centrica’s performance is reflected in the fact that the company conducted 2,000 employee interviews before settling on its values, and then ‘soft-launched’ them with over 16,000 of their employees.

There is also a growing proportion of consumers who are highly critical about the quality, the wholesomeness and the ethical integrity of the products they are buying.

### **...increasing pressure and the risk of stress**

Quick and easy communication and connection helps companies respond better. Yet it does increase the need to protect employees from the relentless demands that can follow. Employees currently receive on average 124 business emails a day.<sup>26</sup> Email activities take almost a quarter of their time.<sup>27</sup> Company intranets and social media tools like Yammer or Facebook Workplace add to the volume of information and communication. They can enhance teamwork and facilitate remote working. On the other hand, in 2015, a British Social Attitudes report concluded that 37% of workers feel stressed ‘always’ or ‘often’ at work, compared with 28% in 1989.<sup>28</sup>

At the same time there is a wider workplace challenge, as a recent report suggests:

*‘300,000 people with a long term mental health problem lose their jobs each year. Around 15% of people at work have symptoms of an existing mental health condition. The human cost is huge, with poor mental health having an impact on the lives of many individuals and those around them... There is a large annual cost to employers of between £33 billion and £42 billion (with over half of the cost coming from presenteeism – when individuals are less productive due to poor mental health in work) with additional costs from sickness absence and staff turnover.’<sup>29</sup>*

Unilever has made big efforts to address these issues after seeing noticeable increases in stress related illnesses and absence in the last ten years.

Sue Garrard, SVP Sustainable Business Development & Communications at Unilever, says: *“We educate everybody about the risks of never switching off and provide frameworks and guidance for local teams... We’ve introduced support for self-diagnosing stress, access to triage and services really early on.”*



## Atom Bank

Atom Bank is the first solely digital bank to have been given a banking licence and started to trade. It has raised more capital than all the other challengers put together. Its mission is to change banking for good. It has already influenced the use of biometrics in banking.

Stewart Bromley, COO, said *“When we started on this journey three years ago, we had no idea what the road map looked like. Our resilience and ability to bounce back has been tested beyond anything we could have anticipated but that has fuelled our pride in reaching the point we’re at today and gives us enormous confidence in our future.”*

*“Our cost base is tiny in comparison to any existing bank and the customer experience we deliver is exceptional. We’re also able to produce new features rapidly. Where major banks take 18 months to take a new digital product to market, we’re able to deliver in weeks. When we turned our mortgages on we were totally inundated. We have built a highly scalable system, and our growth is simply constrained by capital. We’re also constrained by our capacity (and slightly by capability) to deliver our backlog of ideas. The number of things we want to do far outstrips our immediately available capacity.”*

*“From the very beginning we defined a value system that shapes everything we do. We based this value system on our target customer group – building it around the psychological cravings of millennials. We hire for these values, manage performance based on these values and design our customer experience around these values.”*

**Atom Bank** has six guiding values. They are:

- **Respectful** – recognising that everyone’s an individual. We celebrate people’s differences. This value is reflected in our product that allows customers to have a personalised brand for their app.
- **Pioneering** – freedom for people to experiment with new ideas - six new patents registered already.
- **Courageous** – standing up for what’s right. Open and transparent about everything we do. Every month/6 weeks an ‘all hands’ company meeting is held sharing everything that’s going on, including all our finances. Transparency for customers with no hidden prices or surprises.
- **Energetic** – we work at pace. Despite having 300 employees now, we still have almost no bureaucracy. This allows people throughout the business to make big decisions every day.
- **Sharing** – this is our way of saying collaboration. For us sharing is important as it encourages people to both give and take when it comes to working with other people.
- **Joyful** – banking should be fun and exciting. People should enjoy working here. We’re not ‘happy-clappy’. Working at Atom Bank can be like working in a big pressure pot. We have tears every day but it’s because people really care.

*“Our vision is to be the first telepathic bank. In our view for banking to be useful it has to be predictive. We want to allow people to get more from their money and to pay less for borrowing it. So, if a customer tells us how much they’d like to save and by when, we’ll nudge them to make decisions that support their financial goals. For example, if they’re in Starbucks about to buy a coffee, we’ll remind them how much they’ve spent on coffee that month and how much of their savings target they’ve reached so far.*

*Already in a lab today people can control computers via brain waves (admittedly while wearing a funny brain scan cap that’s hooked up to a computer). Looking further ahead we think this technology will transform the way consumers interact with digital products in the next 10-15 years. We want to be the bank that’s at the forefront of using this technology.”*

*“Looking further ahead we think this technology will transform the way consumers interact with digital products in the next 10-15 years. We want to be the bank that’s at the forefront of using this technology.”*

### **...exacerbated by job uncertainty, but mitigated by learning**

One study of people working in the public sector in Greece showed that employees at risk of losing their jobs showed higher levels of perceived stress, anxiety, depression, and negative feelings and lower levels of positive feelings compared to employees not at risk of losing their jobs. 97% and 86% of the group at risk of joblessness were classified as clinical cases of anxiety and depression, respectively.<sup>30</sup> Another study in Russia found that the one thing that appears to lessen these effects is education.<sup>31</sup> Unipart deliberately engages people in a direct conversation about innovation and technology and stimulate colleagues to learn skills that enhance their capability to take on new roles. Companies with a purpose beyond profit are more likely to care about their employees' wellbeing and treat their employees as ends rather than means and invest in their education so that their employability is strengthened. A strongly shared sense of purpose and values frees colleagues up and gives them a greater sense of control.

## **Labour market feast and famine**

Two recent reports by Pearson & NESTA and Deloitte capture the balance of threats and opportunities.

*'Recent debates about the future of jobs have mainly focused on whether they are at risk from automation, and have tended to ignore other relevant trends, including globalisation, population ageing, urbanisation, and the rise of the green economy. We find that education, healthcare and wider public-sector occupations are likely to grow... Some low-skilled jobs, in fields like construction and agriculture, are less likely to suffer poor labour market outcomes than has been assumed in the past. Skills that are more likely to be in greater demand [include] interpersonal skills, higher-order cognitive skills, and systems skills.'*<sup>32</sup>

The authors of the Deloitte report looked at census data from 1871 onwards and concluded:

*'Machines will take on more repetitive and laborious tasks, but seem no closer to eliminating the need for human labour than at any time in the last 150 years.'*<sup>33</sup>

The report cites a 'profound shift', with labour switching from its historic role as a source of raw power, to the care, education and provision of services to others.

### **...skill and talent shortages – how purpose makes a difference**

The companies interviewed also see a future in which they offer fewer but better jobs.

AI and IT may be a current hot spot for talent shortages. But with Brexit looming, there may be other areas where companies have to work harder to attract people. Most of the companies to which we spoke were asking themselves "how can the organisation best serve and grow the talent we come into contact with?".

For Adnams the recruitment challenge is exacerbated by Brexit. In the face of competition from larger companies, it offers uniquely flexible working arrangements. HR Director Sadie Lofthouse explains: "Some employees only work school term times and others have a period of unpaid leave each year – we have a chef who loves to go snowboarding for a chunk of the winter season. As well as benefiting our employees by catering for the work/life balance they desire, we find this also helps us to attract talent in the face of industry-wide hiring challenges to which Brexit is a major contributing factor."

## Unipart – see, learn, do, teach, and coach

Unipart is a UK-based manufacturing, logistics and consultancy provider with international reach. It started as the parts supplier to the failing British Leyland carmaker. A privatisation buyout was led by John Neill for whom a philosophy of ‘shared destiny relationships’ and continuous learning were both central. Unipart offered employees the chance to own part of the company. Today the majority of the company is owned by Unipart employees. Unipart has grown, diversified and continuously improved the capability of its people and its internal ways of working using The Unipart Way, which John Neill describes as *“a designed system that enables people at every level of the organisation to learn, solve problems and to achieve more than their own expectations.”*

In its turnaround, Unipart concentrated first on meeting the needs of its customers. By trusting front line employees and inspiring and equipping them with knowledge and skills, Unipart believed that it could transform customer experiences and in turn improve the performance of their business. Its purpose was *‘to make the Unipart logo the mark of outstanding customer service’*.

At the core of Unipart’s systemic approach to learning and improvement is a drum beat of ‘Communication Cell’ conversations that happen on a regular basis in every team. Communication Cells are visible displays of key information about people, performance and continuous improvement maintained by each team. The content of the Comm Cell displays varies but the structure remains the same. It’s easy for people to walk around and see the key issues going on in that team.

John Neill declared that he wanted everyone involved in the Unipart Way. Unipart established the Deans’ Group, a board of the company’s most senior managers who oversee the running of The Unipart U, the company’s in-house university. The Deans’ Group, which included Group HR Director John Greatrex and other members of the HR community, worked out how they could develop people to adopt The Unipart Way over time. They broke it down into five stages: see, learn, do, teach, and coach. This model helps them develop the capability of all their employees over time, and in true continuous improvement-style, they continue to review the best ways of bringing people up to each level by introducing online training to complement classroom teaching, giving people opportunities to experience other teams, assessing overall organisational capability gaps at a macro level and testing new ways of filling these gaps.

Unipart reinforces this systemic approach in two ways. First, they have an annual internal audit process whereby every site is visited and assessed on customer engagement, employee engagement, operational excellence and innovation and digital capability. Joining the Comm Cell conversations is a key part of this assessment as well as reviewing data submitted by the management team and interviewing team members and managers. The purpose of the audit process is less about catching people out and more about finding opportunities to help teams learn from each other.

Secondly, there is the Mark in Action programme which recognises and celebrates examples of individuals and teams in ‘going the extra mile’ to deliver outstanding customer service.

As Unipart faces the challenges of increasingly volatile and uncertain markets, the company continues its long-term strategy of developing the skills and capabilities of its people as a fundamental route to delivering high value, innovative products and services for its customers. The Unipart Way has become so well-known that many organisations around the world are now working with Unipart to take them on their own journey of employee engagement and productivity improvement.

*“The Unipart Way is a designed system that enables people at every level of the organisation to learn, solve problems and to achieve more than their own expectations.”*

Robert Metzke, Global Head of Sustainability and Chief of Staff, Innovation & Strategy at Philips, commented on how the purpose and values of Philips have helped to attract and retain talent. *“If you want to attract talent today, you need to offer something more than just salary. In transforming the company over the last seven years we have become much less hierarchical. We are seen as one of the best companies to work for globally and we aim to attract extremely smart and driven people. We put them on a ‘career accelerator’. We are also careful to choose people that share our values and then invest in them through continuous education, and also help them to see the bigger picture beyond the task at hand.”*

Novo Nordisk credits its dedication to ‘driving change to defeat diabetes and other serious chronic diseases’ with its success in attracting young people who wanted to make a difference in the world. Its graduate programme has up to 10,000 applicants for fewer than 100 open positions. This makes it possible to be selective both in terms of talent potential and matching the company culture, both of which are known to drive retention and performance. Likewise, Yogesh Chauhan, Director of Corporate Sustainability at Tata Consultancy Services, part of the Tata Group, observed that *“some individuals in Tata could potentially earn a higher salary elsewhere but they still choose to work there.”*

The battle to attract and keep talented people may mean changing time-honoured approaches to integration and teamwork. One company used to insist that every new management-level recruit must spend time in the stores. No more. *“Today, a data analyst would walk out if he or she had to spend time in the store”*, one senior manager in retail told us. Unipart created a separate technology and innovation business unit based in Cambridge rather than try to attract people with the required skills to their existing sites. Particularly in industries such as hospitality, Brexit has been a significant disruptive factor. The largest grower of strawberries in East Anglia has just planned a 15% reduction in output because of recruitment difficulties. According to Suffolk-based brewer Adnams, the uncertainty associated with Brexit is impacting the wellbeing of existing employees and the confidence of other stakeholders. In an industry in which margins are already very squeezed, employment costs are going up and putting further pressure on margins.

### **...workforce diversity**

Workforces are becoming increasingly diverse both in background, and in the variety of contractual arrangements they offer, not to mention the rapid turnover of job roles. It is now common to have five generations in the workplace. There is a return to apprenticeships, albeit for mature employees retraining into new skills as well as for the young. More women are rising to senior leadership roles and the types and diversity of roles in single organisations is increasing. There are many more loose networks of associates: the core workforce is shrinking.

*“Mars has seen a rise in the number of women in their senior leadership roles, which is fantastic news. These women are often part of dual career families with particular needs around flexible work.”* Kate Wylie, Global Vice President of Sustainability, explains that: *“Historically multi-national companies have required senior leaders to move frequently around the world to gain experience in different parts of the business. Although such a policy gives great experience these conditions aren’t as feasible to the same extent for dual career families. Global businesses need to adapt to this changing landscape and of course must provide equal opportunities and fair work environments. Mars takes this very seriously. One of the ways that Mars has responded to this, in the spirit of mutuality, is by bringing different business units on to the same site.”*

*“For the first time in history, there are five generations working alongside each other today. At Sage we take on around 100 apprentices every year. This gives us an amazing dynamic where you have 16-year-olds fresh out of school working alongside people who were born in the 50s. If we kept doing business the same way without listening to younger generations, then we would become irrelevant. So, let’s listen. We did a study last year into millennial entrepreneurs around the world, and what motivates them. The most interesting finding to me was that 62% said they see staying true to their values as more important than making a profit.”*

**Stephen Kelly, CEO, Sage**

## Green Light Pharmacy

Founded 18 years ago with their first pharmacy in Euston, Green Light is a pioneer of patient-centred healthcare and employee ownership structures within the healthcare industry. *"We have a 100-year business plan! We aspire to be 'the John Lewis' of the healthcare sector but even more radical!"*, says Partner Sanjay Ganvir.

*"We want to grow as a healthcare organisation but also inspire and influence the way people do business. We strive to create an organisation where our people are happy, we have a positive impact on the local community and we are economically sustainable. We aim to demonstrate a business paradigm where companies can be financially successful while also being socially responsible engines of change in local communities."*

*Green Light is patient-centred. We believe in engaging properly with people. 60% of medicines are not taken as prescribed. 8% of people end up being admitted to hospital as a result of issues with their medicines. Good pharmacy care can significantly impact on these stark statistics. We believe the starting point for good healthcare is to understand and respect our patients' own health beliefs and support them from there. Our role is to provide expert advice and care so they can make the best decisions about their own health."*

*"We have a 100-year business plan! We aspire to be the John Lewis of the healthcare sector" "but even more radical!"*

From the beginning, Green Light has been employee-owned and sought to instil a culture of *'this is your company'*. The founders read an Oxfam report that highlighted that 99% of the world's wealth is owned by just 1% of the world's population. They wanted to do something that would help people on moderate and low incomes to own assets and hence build up their own wealth. They wanted to be more than just good employers, but an engine for social change. Offering employees shares in the company seemed an obvious way to achieve this.

*"One of our first employees started putting £5 a week into our share scheme. Living in social housing and earning a moderate salary while supporting a family, this was all she could afford. However, she was determined to save something to invest in her children's future. While she appears disinterested in the actual monetary value of her shares, she was so excited to discover that the impact of the value of her shares is that she can now afford to pay for her daughters to go to university, something no one in her family has ever been able to do before."*

As the company grows, the challenge will be harder to ensure that everyone's voice is heard. Its culture may take time for new employees to adapt to. But it builds valuable loyalty.

*"Everyone is really excited about joining us, but the way we work can still be quite a culture shock for people. It usually takes a couple of months for people to settle in and embrace our flat structure and the fact that we value everyone's opinions equally. The change in mindset from being an employee to being an owner should not be underestimated."*

*If the NHS makes a change to our contract with them this can have a massive impact on our business. In 2008, like many others, we got wrapped up in the global financial troubles with loan interest rates rising dramatically. We had to sell a pharmacy and times were really tough. However, our strength through this time was our people. Employees rallied round the company. As owners of the company they were determined to see it succeed, as they believed in the underlying strength of the business. People invested to get us through a difficult time, often only small amounts, but what they could afford. As it happens, they have now seen really strong return on their investment."*

## Increasing uncertainty and short-termism

*“Short-termism is one of the most significant threats to the future of our economic order. The subordination of real progress to the whims of short-term profit is destructive and has to be curbed. Like every other business we have shareholders to satisfy, but that’s not our only or even our main priority. I’m particularly concerned with the longer-term prospects of the people who work here. The end of the job for life is one of the most pernicious results of this stage of our economic development, and I want to think about ways we can mitigate that through truly valuable career progression and by ensuring that all of our people feel like genuine stakeholders in the organisation they’re part of.”*

**Jason Stockwood, Founder and CEO, Simply Business**

Volatility, uncertainty and short-termism are a global phenomenon, but seem particularly acute in the UK. For example, chief executives at British companies move on faster than in any country apart from Brazil, Russia or India, according to a study of the world’s top 2,500 companies by PwC, the professional services firm. UK bosses are spending 4.8 years in the top job, down from 8.3 years in 2010. This seems a very short time to learn the business and then add value to it.<sup>34</sup>

Time horizons are shorter, too, for ordinary employees. A major retailer observed that 12% of current roles didn’t exist 10 years ago and in the next five years they expect 15% of their roles to be new again. Many younger employees are perceived as being less patient. They are not joining for a job for life. And their employers are no longer expecting them to stay. Graduates are not expecting to stay in a job more than four or five years. Companies aim, instead, to give them the best possible experience in the time that they remain. Between 2007 and 2016, the percentage of the UK workforce on zero-hour contracts had quadrupled from 0.6% to 2.8%.

Companies with an enduring sense of purpose and values have some protection against the adverse effects of CEO churn. At Marks & Spencer, Mike Barry, Director of Sustainability, commented that the ambitious Plan A has endured and progressed with support of three different CEOs, earning reputational benefits but also tangible rewards. This contrasts with earlier experience in 1990s when store managers were very much less engaged in the community.

Leaders who draw on a company’s strong legacy of purpose can also build a sense of constancy in the face of short term pressures. Unilever CEO Paul Polman also announced early in his tenure that he was abandoning earnings guidance – a concrete action and a highly symbolic message about Unilever’s priorities. Three years ago, the John Lewis Partnership set out on a journey toward ‘It’s your business 2028’. The premise was that, due to many of the challenges facing society, the workplace and the future of retail, if the organisation was going to be successful in 2028, then it needed to face into these pressures. At Danone, Emmanuel Faber has called for an ‘Alimentation Revolution’. He has drawn on Danone’s purpose in arguing that the food industry has to change in the light of changing consumer concerns about health.

*“We’re in a different era today, and the old days of strategic planning are over. The corporation that could be very ‘planful’ over the long term is a creature of the 20<sup>th</sup> century. We can’t predict how technology is going to change our world, or what the next geopolitical hotspot will be. This ongoing volatility means companies must be agile.*

*Yet you can’t become agile overnight. Agility requires you to retool how an organisation operates and ask fundamental questions: What sort of people do we hire? How do we organise them? Does our culture appropriately support and reward risk-taking? Do we penalise failure, or regard it as a learning opportunity? While creating an agile business takes time, it is a key goal to pursue and fundamental to future success. Today’s short term was yesterday’s long term.”*

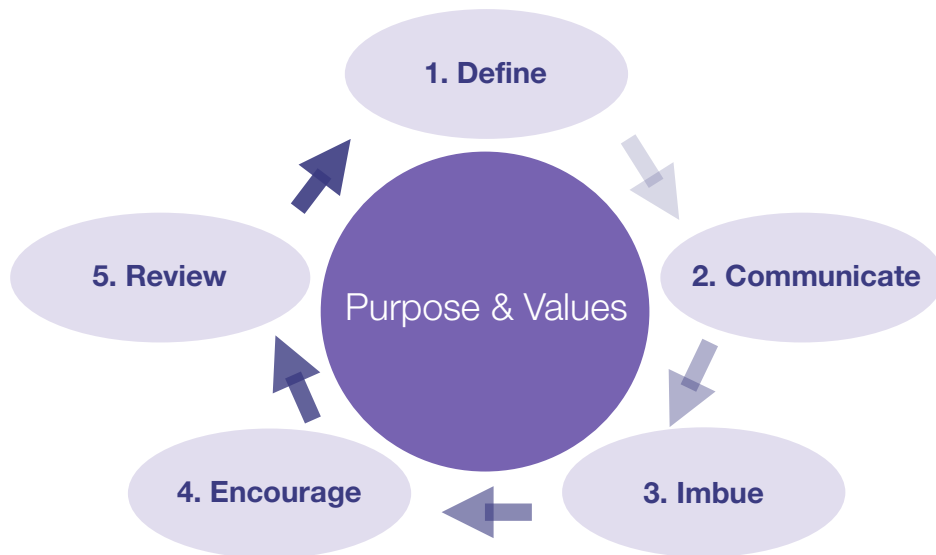
**Antony Jenkins, Founder and Executive Chairman, 10x Future Technologies Ltd and former CEO of Barclays**

# Section 3

Long-term mind set –  
agile responses:

How well-led companies  
draw on their purpose  
and values in the face  
of uncertainty





When Paul Polman joined Unilever in 2009 he sought to rediscover the company’s historic purpose. The new vision was expressed in the goals of the ‘Sustainable Living Plan’, a blueprint for growing the business while decoupling the environmental footprint from that growth, and increasing positive social impact, for example ‘Improved health and well-being for more than 1 billion people’. In doing so, he restored its pride and ambition at a time when business performance and employee engagement were both low.

Geoff McDonald spent many years as Unilever’s VP HR Marketing, Communications and Sustainability. Working closely with Keith Weed and Paul Polman, its CEO, to reinvigorate the organisation through rediscovering its sense of purpose “over the period that I supported this transformation (2009-2014), the organisation went from the 70<sup>th</sup> to the 3<sup>rd</sup> best company to work for and the share price went from £11 to £30”.

Reflecting at a recent Tomorrow’s Company dialogue, he described some of the levers that needed to be engaged for purpose to be transformational and not simply empty words:

- The purpose needs to be authentic and audacious; people love an audacious challenge.
- Progress towards achieving this purpose needs to be measurable.
- Leadership development needs to be re-engineered with the purpose in mind.
- Systems, strategy, policies and processes need to be re-engineered with purpose at their core.
- Partners to help achieve the purpose need to be identified (government, NGOs, civil society, other businesses).

The benefits from this approach cannot be isolated to any one relationship.

The true energy generated by a living purpose flows across and between relationships and processes of the business to the benefit of their agility, their energy, and ultimately their bottom line performance. Our interviewees testify that a clear and living purpose is an anchor or a keel that gives their people confidence in an uncertain world, and without it they could not achieve the agility required. There are five interdependent stages to which, in one way or another, all the organisations interviewed keep coming back as they seek to make purpose live.

*“Fundamentally there are three types of business purpose. At least in retail companies. One is ‘I will be on you, the customer’s, side to save you money’. One is ‘I will be your innovation champion’. And one is purpose beyond profit, where the company says, ‘I will always be on your side’, but beyond that, there is a human and emotional side, built on a belief in making a better life for customers, employees and community.”*

**Mike Barry, Director of Sustainability, Marks & Spencer**



## Define

Leaders start by defining or reaffirming purpose and values in a way that incorporates but goes beyond profit, and resonates with human values. This usually means treating people as ends and not means and therefore generating positive energy and adaptability in key relationships and leading to healthier workplaces. A growing number of companies are using the UN's Sustainable Development Goals for this purpose.

No company is perfect and methods vary. In its own way every company defines both what it aims to achieve (the purpose and the vision) and what it stands for and how it will go about the task (the values and the behaviours). There are different approaches to values. Some companies set out the values in full and seize every opportunity to repeat them. Others have become wary of the 'tablets of stone' approach. They prefer to see less talk and more action. They want leaders to set an example and see deeds, not words, as the main way to communicate values.

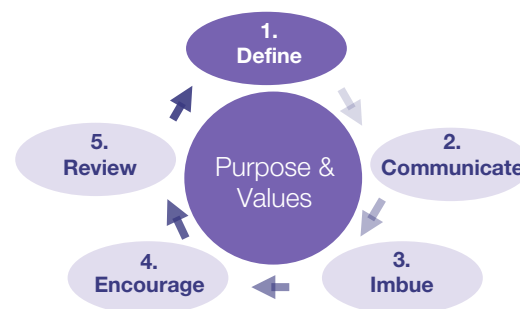
### Young companies

The young companies in this study were notable for the distinctiveness and ambition of their purpose, often imaginatively expressed as a vision. Atom Bank was founded 'to change banking for good'. Green Light Pharmacies decided to have a 100-year plan, 'to be the John Lewis of the healthcare sector but even more radically... to grow as a healthcare organisation but also inspire and influence the way people do business'. At the First Mile purpose is to be found in the simple belief that 'we believe in a world where you can recycle everything'.

### Established organisations

For many organisations, purpose was set a hundred years ago. As the context has changed, so has the way purpose is described, and applied. Dualistic or 'Both...and' statements of purpose are very common in companies with a strong sense of purpose beyond profit. The Crown Estate recently restated its purpose as *Brilliant places through conscious commercialism*, and its three values are *Commercialism*, *Integrity*, and *Stewardship*. Mars was founded in 1911. In 1947 Forrest E Mars Senior wrote a letter that is still a crucial reference point today for Mars employees. He set out the company's objective as being 'the manufacture and distribution of food products in such a manner as to promote a mutuality of services and benefits among all stakeholders'.

Many organisations have deliberately made the generation of their purpose and or their values a participative process. That way they feel they will get more ownership and energy from their people. When Ian Cheshire became CEO of the 80,000 people retail group, Kingfisher, he worked with colleagues to dig deeper into purpose. He explained how they got beyond what B&Q or Screwfix sold, to the human needs that they met, and so ended up with a purpose statement that connected to customers' dreams of having a better home. And he made the point that the very process of involving colleagues in the generation of the statement of purpose increased its meaning to them and their commitment to achieving it.



*"There is a lot of soul-searching at the moment about the purpose of the company. People want companies that have a more sustainable future. The SDGs are very cogent. They describe a world people want to live in. The way companies show that they have values is not so much in written statements as in living examples."*

**Richard Ellis, VP of CSR, Walgreens Boots Alliance**

*"Our purpose is freedom. Beyond that we're not very prescriptive about the purpose people choose to pursue or how they frame their purpose at TTP."*

**Peter Taylor, Chairman, TTP Group**

## Philips – Purpose and vision

Philips is guided by its vision and purpose to make the world healthier and more sustainable through innovation, with a goal to improve 3 billion lives per year by 2025. The commitment to improving lives goes back to the founders of what was then a family business and has endured for over 126 years. Gerard Philips was the inventor. Anton, his younger brother, was the commercial influence. Anton's son Frits was with Philips throughout his life, which lasted past 100 years. He had his office in Eindhoven. He was passionate about social issues and the wellbeing and development of the community in Eindhoven. When the company noticed that opportunistic shopkeepers were putting up prices there, the company intervened and started its own grocery stores (ETOS, now part of Ahold).

This was partly altruistic but it was enlightened self-interest. Being deeply rooted in the community made the company much more resilient. Frans van Houten, who became CEO in 2011, has built on these values and is passionate about transforming healthcare in a sustainable way where adopting circular economy principles plays an important role.

Philips also aspires *“to be the best place to work for people who share our passion, and through this to create superior value for our customers and shareholders together”*, says Robert Metzke, Head of Sustainability and Chief of Staff, Innovation & Strategy at Philips.

*“But of course, if you have a clear purpose that goes beyond profit to improving peoples’ lives you also need to have a business model that captures customer value and generates a positive cash flow. So, you go to your shareholders to get the support and the capital needed to achieve what your vision involves. The company is based around its purpose. The purpose and the values are the heart of the company identity.”*

In line with its purpose, Philips’ strategy was recently renewed with a focus on becoming a sustainable health technology leader, working across the continuum of care with a focus on selected health spaces, such as cardiology and oncology developing integrated solutions. The vision has resulted in one integrated operating company. The company has sold its lighting division. It sees huge potential for connected care and health informatics solutions to provide better care to more people at lower cost. *“Some companies are keen on a series of values expressed in bullet points. I believe that if you have to preach about values you have not internalised these values yet. We are a values-led company and you see this in our behaviours, and also through what our brand stands for. Caring is important to us. So is innovation and the best use of technology to improve peoples’ lives.”*

## Arup and The Key Speech

Arup Group, the well-known design engineering firm was founded by Ove Arup in 1946 and it was in 1970 that the founder gave what became known as ‘The Key Speech’ and it remains required reading for each person who joins Arup.

In 1970, Sir Ove Arup<sup>35</sup> spoke at a meeting with his partners from around the world. He said *“Our aims are the only thing which holds us together, and because it is not enough to approve them, we must work for them – and the leaders must be prepared to make sacrifices for them:*

- *We must strive for quality in what we do;*
- *We should act honourably in our dealings with our own and other people;*
- *We must aim for prosperity for all our members.”*

*“But of course, if you have a clear purpose that goes beyond profit to meeting human needs you do need to have a related business model that generates the cash flow.”*

## Communicate

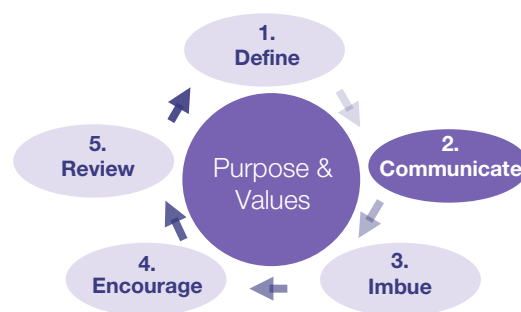
Having defined clear purpose and values, the best leaders bring both to life by varied communication and engagement. People remember stories. Sometimes there is a pivotal moment where the founder or leader sets out the refreshed vision. Danone looks back to a landmark speech made in Marseille in 1972 by Antoine Rimbaud, and his vision has recently been renewed by Emmanuel Faber. On taking up the role of CEO in 2014, Faber set the company on a path to rejuvenate its vision in a way that speaks to current reality – where business can play a larger role in improving nutrition and health as well as reducing its environmental footprint.

Reflecting on this journey, Liz Ellis, HR Director for UK & Ireland, says "The development of our 'One Planet, One Health' vision has given our employees the opportunity to become engaged in collaborative thinking partnerships on the 'how' of our roadmap to deliver our ambition. We were early adopters of Facebook's Workplace platform and this has allowed us to encourage and foster conversations across all levels of our organisation, from CEO to factory. We've also live-streamed our annual Danone Day to connect the 100,000 Danoners around the globe with leaders to share our ambitions for the future."

Europe's largest cinema chain ODEON Cinemas Group has been on a journey to become a values-based organisation in the last three years. The leadership team met to align their ambitions for the company. They agreed a shared set of values and then launched these across the organisation. Fifty managers were recruited as ambassadors. They brought the values to life with the support of training, roll-out events, manager briefing packs, competitions and challenges, and a Google+ community. Although the initial launch was exceptional, the vision and values have remained central to ODEON's group-wide communications across Europe. Every spring the Group holds a 'vision and values' month during which stories are shared and everyone is reminded of the values at the heart of the organisation – having fun being key. Group Chief People Officer Kathryn Pritchard, described the ways in which they have celebrated these months: "In 2016 we sent a giant advent calendar on tour round all our cinemas. Behind each door was an exciting activity for every cinema team that was linked to our business strategy. This year colleagues enjoyed Vision and Values Fest 2017 with the tagline 'Turn it up'. Activities included things like a lip sync battle which was promptly shared across our Google+ community!"

How a company communicates can itself send a message. The founders of Green Light pharmacy chain were determined to break from the tradition whereby the pharmacist is in charge and everything they say goes. They have a five-minute huddle everyday involving the whole store team. Everyone is encouraged to contribute and suggest how to do things differently – even including how the day is going to run. Each day they review what's working well and how they can improve.

Sadie Lofthouse, HR Director at Adnams, describes an unusual way of getting further attention for employee communication. "Three or four years ago, an employee engagement survey showed we could do better on our internal communications. Whilst we were brainstorming how to widen readership of our internal bulletins, someone had the idea of putting them on the back of toilet cubicle doors. It was so effective when we trialed it that we haven't looked back. We now habitually post company news on the back of toilet doors, whether it's announcing our latest employee engagement action plan or recognising a team's success at an awards event."



*"I may feel as though I've said the same thing 300 times. The colleagues I am speaking to may only have heard it three times."*

**Sir Ian Cheshire, former CEO Kingfisher and Chairman, Barclays UK and Debenhams**

*"Historically we've been quite a private organisation. Now we're much more open, proactively sharing our ambitions, such as the Sustainable in a Generation plan and further information about our culture and operations with the outside world. The role of the CEO has changed to become much more of a spokesperson. We feel it is important to open up and share more on our culture, including Mars' guiding 'Five Principles'."*

**Kate Wylie, Global Vice President of Sustainability, Mars**

## Danone – ‘living our cause’

Danone is a global food and drink company that was formed when BSN and Gervais Danone came together in 1972. In the same year Antoine Riboud, its first Chairman and CEO, set out his leadership vision in a ground-breaking speech about the human purposes of business. He argued that “the responsibility of a company does not stop at the factory gates or the office door”. He called for a broader business perspective. “There is only one Earth. We only live once.”

A dual approach to business purpose has been at the core of Danone and its brands ever since. Danone’s purpose is to bring health through food to as many people as possible. In what it calls its ‘dual project’ it looks past purely economic success to the impact that its products and programmes can have on people’s health. It has continuously improved the nutritional profile of its products and undertaken extensive community investment programmes.

In 2017, spurred by the need to tackle changing health needs and what Danone’s current CEO Emmanuel Faber calls “a global industrial food system stretched to its limits”, the company has gone further. It now aims to use its relationship with the 900 million people who buy its brands to be a force for good. Inspired by the principles of its founders, Danone has re-articulated its ambitions under the rallying cry ‘One Planet. One Health’. Danone sees food as the crucial link between the health of the planet and the health of the people who inhabit it. The new vision brings together mission, values, brands and social initiatives under one simple but powerful idea that is intended to galvanise all stakeholders. The company has set out its manifesto and roadmap for being a catalyst for change towards healthier and more sustainable eating and drinking habits. It’s about life-changing nutrition, but it’s also about creating business agility and resilience.

Emmanuel Faber says:

*“We see our commitment to a radical transformation of our activities to be more local, environmentally-friendly, inclusive and transparent as a fundamental requirement to achieve our objective of profitable, strong, sustainable growth. Recognising our responsibility as a global food company, and knowing we’re not perfect and there’s still a lot of work to be done, we call on partners across the agriculture and food ecosystems to join us in our efforts for a healthy future. We equally invite consumers to be mindful of their consumption decisions,”.*

For Danone employees, this represents evolution rather than revolution. Danone’s approach has always been to start with its own people and to lead by example. Danone people call this ‘living our cause’. Danone in the UK has placed considerable emphasis on immersing teams in the customer’s perspective and exposing them to the wider business context so that they can grasp the difference they can make.

Picking up on this theme, Liz Ellis explains “ Last year, over 300 people visited either our Research Centre in Utrecht or our factory in Wexford, Ireland. This is a significant investment in terms of time away from the day job but one that we feel is invaluable in terms of the reward. Proximity with our tenets of nutrition, health and the environment, whether through seeing our life science laboratories or our innovative biomass boiler that provides heat to our factory, is a hugely energising experience that allowed us to connect our people with our purpose in a meaningful and memorable way.”

The company also believes in fully engaging ‘Danoners’, as they are known, in decision-making. Danone’s 2020 Manifesto, the start of the Alimentation Revolution, was the culmination of a collaborative, global effort of employees which encouraged people at every level in every part of the business to reflect on how the business’s performance and purpose were connected.

## Imbue

Visit a company that has embedded its purpose and values and you will be struck by the sense of conviction and direction. This equips the organisation to be fast on its feet. The most powerful leadership is leadership by example. Values are best embedded when the organisation practises what it preaches even when there is an immediate financial cost.

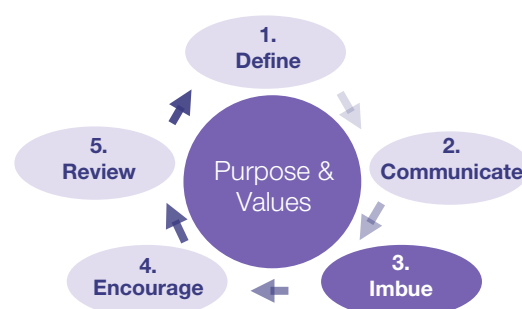
Well-led organisations also equip their people to be enterprising leaders; recruit people and partners who match their values; design governance and decision-making in line with their purpose and values; and reflect the same in the systems, the outreach, and even the physical architecture of their organisation. Treat employees as valued individuals with a will to learn and improve, and they will reflect this in how they deal with customers and other stakeholders.

### Equipping people to be leaders

At Atom Bank performance management is termed 'My Adventure'. Chief Operating Officer, Stewart Bromley, talks about their radically different approach to performance management from the rest of the banking industry: *"Individuals keep a scrap book of their Atom journey. This forms the starting point for their conversations with their coaches (we call all line managers coaches). We care about both what people have done and how they've done it and these hold equal weight. Everyone gets two weeks a year for their personal development and training. All employees get £250 a year to spend on a passion or something new they want to learn e.g. learning a language, musical instrument, dance lessons etc. We talk about work/life integration rather than work/life balance as this is what our people tell us they want – the ability to bring home into work and vice versa. And finally, in a big departure from banking norms, we offer no cash bonuses. We give equity bonuses instead as we believe this encourages behaviours that are in the long term best interest of Atom."*

*"Philips uses experience maps to explain what the opportunities for people are to progress", says Robert Metzke, "We are encouraging our senior managers and leaders to share their personal career journey. We encourage mobility within the company. This helps to ensure career paths are not dependent on vertical silos. Our mantra has always been 'Your career is in your hands' to encourage people to take ownership and follow their passion. Obviously, you need caring and coaching line managers for this to work."*

*"We inspire the leader in everyone", says Liz Ellis of Danone. "Danone is a people business and we believe our people are investors. Their time, skills, expertise and energy are invested day-to-day in building and growing our organisation. Offering opportunities to learn and develop for everyone is at the core of our values and beliefs. For us learning is a fundamental growth business driver. Everyone has the opportunity to invest their time in a minimum of 24 learning hours each year, designed around meeting their current and future needs".*



*"Learning about purpose is transformational. We can empower people to take responsibility once they see how our business activity fits into a greater context."*

*It's all very well talking about values (in the abstract). Values become tangible and meaningful if you talk about the next generation of MRI scanner, and e.g. the dramatic improvements in survival rates for patients that our work makes possible. I've interviewed hundreds of people who say to me 'It would be great to work for your company because it has a purpose I can relate to (i.e. improving people's lives) ... What resonates is social purpose, innovation, the power to reinvent yourself, working for a leading health technology company."*

**Robert Metzke, Global Head of Sustainability and Chief of Staff, Innovation & Strategy, Philips**

*"We're thinking big here – we're taking those gains (from technology) and we're passing them directly onto our people. In the next few years we're going to harness the benefits of AI and use them to cut the working week for all of our contact centre staff, while keeping them on full pay."*

**Jason Stockwood, Founder and CEO Simply Business**



## Culture, governance and decision-making in two employee-owned businesses

### Getting and growing the right people - TTP Group

Peter Taylor, Chairman, says *“The business goes where the people take it... We have a flat structure with mainly project based work. Leaders arise out of projects but they won't necessarily be a leader on the next project they work on.”*

TTP Group starts by seeking people who share their values and will enjoy the culture of their company. To avoid hiring misfits, Chairman Peter Taylor says, *“We've started marketing to the 'pinch point' via lectures, prizes, sponsoring competitions and third year graduates. We're looking for people who self-select as being interested in us. We quite like recruiting people who've experienced life at other firms – let them experience three years in a corporate machine and come out screaming for a different kind of workplace! During interviews we're looking for people who are self-motivated, curious, commercially aware, have interpersonal skills and are scientists and engineers...because of this we're conscious of how high we set the bar! We don't want to raise the bar too high that we can't recruit at all. We need to use our judgement to get this just right.”*

TTP Group Chairman Peter Taylor meets every new hire after they've been in the business for about a month. He says, *“by this point most people 'get' what TTP is like as a place to work, however some people take much longer to settle in to our culture and we give them this time. It can feel quite scary for people – they feel exposed. We give them lots of encouragement. For some people it goes the other way – they can be over ambitious too quickly and this leads to mistakes. We don't mind this as long as people learn. I would say it takes 1-2 years for people to be fully inducted into the business, for their networks to really establish to the point of being able to make the most of the environment.”*

### It's your Business 2028 - John Lewis Partnership

The John Lewis Partnership embodies democratic vitality in its business decision-making. The unique co-owned structure of the Partnership means that management is held to account for the decisions they make via a Council of elected Partners from across the trading Divisions, John Lewis and Waitrose, as well as Group functions. Three years ago, the John Lewis Partnership set out on a journey toward 'It's your business 2028'. The premise was that, due to many of the challenges facing society, the workplace and the future of retail, if the organisation was going to be successful in 2028, then it needed to face these pressures.

Since launching 'It's your business 2028', the Partnership has begun an ongoing conversation with its partners about how the company needs to change. For the Partnership, the concept of co-ownership includes sharing detailed knowledge about business performance, so that partners understand all aspects of performance, including why profits or bonus' might be up or down. The business is committed to increasing Democratic Vitality in the organisation and sharing knowledge is crucial to this.

Director, Corporate Responsibility, Benet Northcote, describes the nature of the John Lewis Partnership's governance: *“Empowerment at the John Lewis Partnership means individuals feeling like they can express an opinion and give firm views about what decision they think is best. Management really are held to account for the performance of the business. While we certainly don't consult on everything – you could never run a business like that – managers do tend to consider Partner opinion in all that they do. Because Partners understand how decisions impact operations, their challenges can feel very real, so managers must consider changes very carefully. I honestly believe this challenge drives better decision making, because leaders know there is no hiding place if they get it wrong.”*

*“The business goes where the people take it... Leaders arise out of projects but they won't necessarily be a leader on the next project they work on.”*

*“Empowerment at the John Lewis Partnership means individuals feeling like they can express an opinion and give firm views about what decision they think is best.”*

## Engagement of employees and partners in line with the values

At Mars all new hires go through an 'essence of Mars' course, where new Associates hear about the company's culture and how the '5 principles' are woven through everything they do. Kate Wylie, Global Vice President of Sustainability, says: *"The question of whether an action or business strategy we are planning is a win-win for Mars and its stakeholders has always been a question that could be heard as part of everyday decision-making in the office. It's absolutely embedded into our culture. Mutuality of benefit is intended to be part of everything we do and reflected in all parts of the business' activity, including the way we communicate how we work to future employees, suppliers, shareholders and government."*

At ODEON UK the induction process is designed to reflect the company's value of 'fun' and ends with a board game that new hires play together.

Drinks manufacturer, Diageo believes in applying its values up and down the value chain. When choosing suppliers, it evaluates them on non-financial performance, including supply chain standards, not just on price. This same framework is used to review suppliers regularly. With key suppliers, there are strong programmes on carbon and water, while the human rights agenda embraces supply chain and downstream partners. Diageo also extends its programmes externally to reach stakeholders and, through its brands, consumers; for example, emphasising diversity and inclusion in Smirnoff advertising.

Of all the recruitment decisions, that of the CEO is perhaps the most pivotal. As one chairman observed, it takes five to 10 years to truly change the DNA of an organisation, but the average tenure of a CEO in large companies is four years. One interviewee for this study looked back over 15 years of experience and noted with approval the fact that the company's journey of change had been fully supported by three successive CEOs.

Actions speak louder than words. Richard Ellis of Walgreens Boots Alliance, whose purpose is 'to help people lead happier and healthier lives', gives this example. *"One day Alec Gourlay, CEO of Walgreens, saw a reference to Red Nose Day and invited me to come and present the benefits to his team. Within 3 years we had raised \$100m but more than that, it had served to cement relationships with Mars and Coca-Cola. WBA had set Coca-Cola a challenge – can you raise \$5m for Red Nose day? They made it. They used their marketing abilities and brought them into the Walgreens stores. This kind of success then spills over into the other parts of a business relationship. Collaboration around a common purpose has the benefit of helping partners overcome other difficulties by just getting senior people talking and working together. Apparently big problems can be easily overcome."*

## Performance Management and Appraisal

Performance management is another important process in instilling an organisation's values and encouraging employees to live these values in their day to day behaviours. Many of the organisations we spoke to considered both the 'what' and the 'how' in their employee appraisals. Sadie Lofthouse, HR Director at Adnams describes their approach: *"Our appraisal process gives equal weighting to the 'what' and 'how' of an employee's performance. This enables it to reflect not just whether an employee performs well, but performs well in line with our values".* Danone not only separates the 'what' and the 'how' of performance, but has also de-coupled the appraisal and reward process from conversations about employees' future growth and development. *'Splitting these processes has allowed line managers the time to have meaningful development conversations with their teams',* says Liz Ellis. *"We want to ensure that everyone has the opportunity to explore their aspirations, balanced with Danone's needs and then to build a sustainable plan to go from their current to desired reality. To deliver this, we invested in developing the coaching skills of over 200 line managers in the UK"*

Centrica is over 200 years old, and has recently revisited its values so that they can flourish in the digital age and influence a new level of customer responsiveness to demanding customers who want to receive their services effortlessly. This has meant a new emphasis on how services are delivered. In turn managers have to understand that if they fail to live up to the same high standards of care in their relationships and conversations, then they are falling short.

## The Crown Estate – ‘brilliant places through conscious commercialism’

The Crown Estate is a specialist real estate business. Its portfolio covers commercial property in central London, prime retail sites across the country, a rural and coastal portfolio, and the seabed around England, Wales and Northern Ireland. Claudine Blamey, Head of Sustainability at The Crown Estate, explains:

*“At a time of uncertainty and low public trust in business and institutions, it is ever more essential that we hold true to our values-led approach and long-term perspective. Our purpose – creating brilliant places through conscious commercialism – sits at the heart of everything we do. The commercial rationale is simple: the successful brands we want to attract to our space, and the global partners we work with, share our belief in doing business in the right way to deliver long-term sustainable outperformance. The communities in which we operate expect us to make a positive difference.”*

*“We believe that a brilliant space is one that is not only inspiring and fit for purpose, but also that it enables people to be at their best.”*

There was also an opportunity to embed the company purpose when relocating the head office team. The move was designed to deliver more collaborative and innovative ways of working. Claudine Blamey says *“We wanted to create a space that contributed to the health and wellbeing of our people. We believe that a brilliant space is one that is not only inspiring and fit for purpose, but also that it enables people to be at their best. We decided to fit out our new offices in accordance with the International WELL Standard, covering everything from air quality, to comfort, nourishment, fitness and mind.”*

## NG Bailey – giving people opportunities they wouldn’t otherwise get

Family-owned NG Bailey is the largest independent engineering, construction and services company in the UK. It describes its core values of passion, integrity and excellence, as ‘the heartbeat for everything we do’. It has continued to invest in apprenticeship training, even during the recession, because it is the right thing to do. For shareholder and recently retired Group Sustainability Director Cal Bailey, apprenticeships are one of the core ways in which the company believes they enhance longevity and ‘give back’ to the industry. *“We continue to train apprentices even if we’re not certain it’s economic. There’s a universal belief within the company that apprenticeships are ‘a good thing’. They are about our common future and giving people opportunities that they might not otherwise get.”*

The company is proud of delivering the highest quality electrical and mechanical engineering apprenticeship training available and giving their apprentices qualifications that allow them to work anywhere in the world. Through the ‘Inspire’ programme the aim is that *“by 2018 for every person we employ, we will have helped two more young people into a sustainable career... Despite the fact that our competitors often nick our well-trained apprenticeship graduates by offering them much higher salaries, we’ll continue to train them. Our trainees receive both technical training as well as coaching which often covers basic life skills. We see developing rounded, capable people as our responsibility. We get hugely positive feedback, particularly from apprentices’ parents. We hear gratitude from mums, ‘you’ve looked after him really well’, and respect from dads, ‘I knew nothing about construction and I’ve been so impressed listening to everything he’s learned’. The pass rate for our apprenticeship programme is typically 30% higher than the industry average.”*

*“There’s a universal belief within the company that apprenticeships are ‘a good thing’. They are about our common future and giving people opportunities that they might not otherwise get.”*



## Encourage

Having defined, communicated and embedded purpose, the best led organisations take every opportunity to encourage these behaviours to become habitual. They reinforce them through recognition and reward. They are careful around financial rewards as these can easily be manipulated. Sometimes it is the smallest, symbolic actions by a CEO that can be most motivational.

## Recognition and promotion

Unipart (see p.17) developed the Mark in Action awards for outstanding customer service. Over 2,600 awards have been made in the 27 years since, and CEO John Neill has not missed a single ceremony. At Tata, for instance, when senior managers' performance is assessed for bonuses and promotion, equal weight is given to how they have delivered on its values, how they have performed their duties, how committed they have been to self-development, team development and how they have collaborated with others.

Adnams prides itself on nurturing talent. Karen Hester, Chief Operating Officer, started at the company as a part-time cleaner and Neil Griffin, Head of Retail, was initially an Adnams bar supervisor. As Sadie Lofthouse, Adnams' HR Director, notes, this helps to reinforce an informal and supportive company culture: "It means that our employees feel comfortable about calling us out on anything that doesn't seem right. They know that many of us started in the positions that they are in and so are happy being frank with us about what they're happy with and what they're not." Often it is in the small things that leaders communicate what the company stands for and reinforce their impact. At Adnams the CEO, Andy Wood, will from time to time send a handwritten postcard to an employee who has achieved something notable or passed a particular milestone.

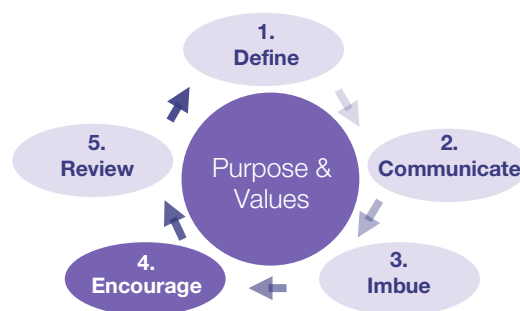
## Reward

Remuneration has become a symbol of everything that people see as being wrong in large companies. Pay has become more unequal, leading many people to conclude that greed has triumphed. This impression is reinforced when those defending high pay appear to assume that money is the only motivator.

Yet many of those interviewed for this study described reasons other than money which attracted people to work for them – flexibility, personal learning and growth, a sense of making a difference. Often it is the symbolic aspects of remuneration that have the most impact.

Among the more established companies, shared ownership or profit sharing is a common thread. John Lewis and TTP are entirely employee-owned. Adnams and Unipart have strong elements of employee ownership. 75% of each Tata Group company is owned by Tata and Sons, with the balance usually being held by external shareholders on public listings. Two thirds of Tata & Sons, the holding company, is in turn owned by charitable foundations. In this way Tata's core value of 'giving back' is embedded in its distribution of rewards for success.

Among the younger generation of purposeful companies, there is a clear desire to build shared reward. TTP's rewards for successful developments are not distributed on an 'eat what you kill' basis. They are equitably shared. When a successful spin-off of TTP's communications company was achieved through a flotation, all employees, and not just those involved in the floated subsidiary, enjoyed the benefits. Green Light (p.19) has been employee-owned from the beginning.



*"The irony is that in industries like retail where there is constant pressure and retailers are the ultimate goldfish who are just worried by yesterday's sales and tomorrow's sales, the value of purpose is more pronounced because it is the only anchor you have got to stop being consumed by the short term. The sense of framing that a really good purpose gives you and the sense of continuity and the perspective is essential because otherwise you would be atomized by the daily grind of it."*

**Sir Ian Cheshire chairman of Debenhams and Barclays UK talking about his experiences as CEO of Kingfisher**

## Novo Nordisk – the importance of feedback and review

Novo Nordisk describes itself as purpose-driven and values-led. It has been consistently profitable, but never considered itself ‘for profit only’. It was founded in 1923 ‘to provide medical treatment to people with diabetes’, and to this day, this remains at the core of the company’s purpose statement. Today, it is expressed as ‘driving change to defeat diabetes and other serious diseases’. Being a health care company, Novo Nordisk was, so to speak, ‘born’ with a social purpose, and therefore has not had to ‘reinvent’ itself to define a social purpose. And the company defies the distinction between profit and purpose, arguing that profit is merely a means to achieve the purpose, not the end goal. That is why the Board adopted an important addition in the company bylaws: ‘The Company’s objects are to carry out research and development and to manufacture and commercialise pharmaceutical, medical and technical products and services as well as any other activity related thereto as determined by the Board of Directors. The Company strives to conduct its activities in a financially, environmentally, and socially responsible way.’ This guides decision-making and aims to ensure a balance between responsibility and profitability.

*“We stick with our purpose, but revisit the wording of our purpose statement from time to time to make sure it reflects our current business and resonates with stakeholders.”*

Susanne Stormer, Vice President of Corporate Sustainability in Novo Nordisk, says: “We stick with our purpose, but revisit the wording of our purpose statement from time to time to make sure it reflects our current business and resonates with stakeholders. For example, the current wording emphasises that it takes more than medicine to defeat diabetes – and that we see our role not just as a provider of medicine, but as a catalyst for necessary change in healthcare systems and in wider society. Similarly, whereas we remain focused on diabetes care, we are expanding into other chronic disease areas, such as obesity, which is only about to be recognised as a disease.”

### Auditing feedback

In the mid-90s Novo Nordisk experienced a situation where the company was found to be non-compliant with FDA requirements, and which could have cost dearly. Basically, this was a matter of license to operate. Management was disappointed to learn that no colleagues had spoken up about problems that were known in the organisation, but not carried forward to the top. This prompted a revisit of company procedures and led to the formulation of the Novo Nordisk Way of Management, which codified company values, policies and management principles. Novo Nordisk also instituted an audit process to ensure that the values were put into action and that all units were managed in accordance with the Novo Nordisk Way of Management. This function has proven its value over time, and continues to be an integral part of the company’s assurance. Findings and conclusions are reported to management and the board on an annual basis.

In 2010, the Novo Nordisk Way of Management was updated and shortened – both in contents and in name. It became the Novo Nordisk Way, indicating that it was indeed not for managers only to comply with, but for all employees. The shorter version was made to cater for the fact that the company had grown and globalised, and with more than 4,000 new colleagues being on boarded on an annual basis, the description of the company identity, purpose and values had to be short and clear. Importantly, the Novo Nordisk Way describes behaviours that all employees are expected to be guided by at work. In 2017, again it was updated, this time with few, but principled changes.

*“The Novo Nordisk Way spells out who we are, where we want to go, and the values that characterise our company.”*

Susanne Stormer adds: “The Novo Nordisk Way spells out who we are, where we want to go, and the values that characterise our company. It is consistent with the essence of the bylaws. The Novo Nordisk Way may be tweaked and updated by management, but the bylaws can only be changed by a shareholder majority vote – so we will remain true to the why, what and how we do business.”

## Review

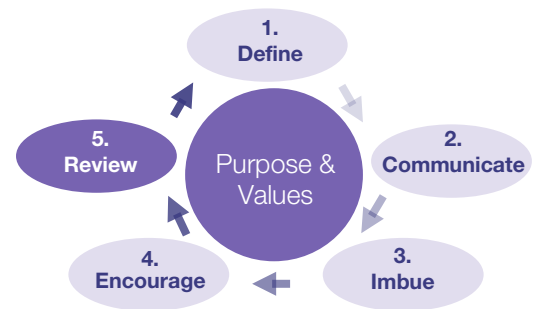
The best leaders are never complacent. They measure their progress; they build in feedback, listen and adapt; they audit culture and behaviours alongside audit of numbers. They learn from this process and this may sometimes cause them to redefine purpose, thus starting the cycle all over again.

The Crown Estate has introduced a pioneering framework for measuring the wider value of what they create. This is based on the concept of 'total contribution'. A set of metrics range across all the areas that have been traditionally measured, but go further in terms of how well the company is delivering value to society. Explains Head of Sustainability Claudine Blamey:

*"Our purpose requires us to do business in a way which is responsible, building a reputation for excellence and ensuring that we build an even stronger business for future generations. We know in order to achieve this we have to create a positive impact on all the capitals our business depends on. We draw upon six capitals in the management of our business model. Beyond meeting our income and total return targets we also consider the wider value we deliver against each capital by using a method called Total Contribution."*

One company shared with Tomorrow's Company its approach to feedback from their teams, both through direct and digital channels. The CEO uses 'YamJams' on Yammer to get a real-time view of what is on the minds of their teams. Now having completed their third cycle, these sessions are very popular. Through direct feedback to the Learning & Development team, the company also picked up a concern among store managers about the way some area managers were 'jumping on' particular stores because they were top of the list for non-attendance on health and safety programmes. It was pointed out to the Learning & Development team that the so-called worst offenders were always going to be the largest stores because they had the most employees. This feedback was acted upon by leadership and the ranking of stores was stopped and replaced by an alphabetical list of stores as a result. This dramatically changed Area Manager behaviour and was the result of responding to employee feedback.

Each Tata Group company has been benchmarked on how it is doing against its purpose. The work was done by a semi-independent group known as the Tata Business Excellence team. It covered how each company was doing on its 'purpose journey' covering products, services, governance structure and physical environment.



*"If you want to know what leaders' priorities are, look at their diaries."*

**Sir Anthony Cleaver, former Chairman IBM UK**

*"We should lead our companies as much with our hearts as our heads, and we should not forget that while the energy resources of the world are finite those of Man are infinite if he finds the motivation."*

**Antoine Riboud, former Chairman and CEO, Danone**

Jorgen Madsen, the Chief Executive of the Danish-led multinational, Grundfos, made a practice of meeting several times a year with managers from all levels to review the philosophies of the company and see how far the company was living up to them: *“Are we being true to our core beliefs? What are we discovering about what the beliefs mean in the current market and society? Do we need to update any of our objectives and values?”*<sup>36</sup>

Marks & Spencer has faithfully measured the impact of its Plan A programme from the start and obtained new insights into the benefits, explains Director of Sustainability, Mike Barry: *“We have worked hard to have granular control of what we do and spend on Plan A. We have learned a lot from this. For example, we know that those of our stores which perform best on volunteering have best employee engagement metrics.”*

Unipart tests the progress of the Unipart Way with an annual site-by-site audit process covering customer and employee engagement, operational excellence, innovation and digital progress.

At least every two years Danone undertakes a comprehensive employee engagement ‘health check’ through its people survey. With a focus on understanding both the levels of employee engagement and what lies behind it, the People Survey is seen as a key management tool and call to action for leadership. Liz Mason, HR Director for Nutricia, the medical nutrition division, recalls how the organisation went about addressing a recently identified difference between the high level of employee engagement towards their vision and purpose and a less satisfactory score in terms of employee energy.

*“The people dimension of our business is critical for our success. The annual People Survey is a vitally important source of insight to continually evolve and engage our organisation. Through the survey our employees reported that, whilst levels of engagement in our vision and purpose remained high when compared with our previous survey, the level of energy in the business had noticeably declined. Our people were telling us that it was getting harder in their daily work to deliver our business model in the face of an increasingly challenging and tough external environment, coupled with the pace of change internally.*

*“As a leadership team we recognised that to be successful in a sustainable way, we needed our people to be happy, healthy, engaged and energised - and this was a real catalyst for change. Over the last 18 months we have actively committed to supporting everyone in the organisation to make more informed choices about their well-being, where to focus their efforts and how to work smarter. Our employees go the extra mile for the healthcare professionals and patients that we serve and we wanted to give something back to our employees. We’ve started to measure the gap between employee engagement and their energy and to focus on reducing that gap. We are seeing good results and are being very open with our employees about how important this is. In fact focus on employee well-being is a key enabler of our long-term business ambition.”*

In the future, it will become natural for companies to measure their overall progress towards the human purpose to which they are committed. This is not instead of measuring financial performance; it will be interwoven with the traditional measurements.

# Section 4:

## Agenda for action

## Agenda for action

Purpose, values and relationships have always been at the heart of business success. Today they matter more than ever. Even if people feel insecure about their jobs, they will suffer less stress in companies which treat them as ends, not means. They will find more fulfilment in companies whose purposes resonate with their values. And, even if they no longer expect long careers with the company, they will feel more confidence if they know that whilst they work there, their skills and capabilities are growing and the work they are doing is making a difference.

The purposeful approach to leadership that is described here is not only important for the economic performance of our companies. At a time when productivity and employee engagement have been disappointing, and many people are feeling let down by a capitalism over which they have no control, the contribution offered to us all by better business, better conducted, is a cause for hope and an example for all to follow.

Readers are invited to test their own organisation against the following questions.

### Why are we here? (Purpose and vision)

- Do we have a clear statement of purpose? Is it as ambitious as we would like? Does it have the potential to attract talented people from diverse backgrounds?
- Does it need refreshing? Is there an opportunity to involve our people and our stakeholders in developing it?
- What is success? How will we measure it? Is it simply financial? What's the relationship between the way our organisation defines and communicates its purpose, and its chances of future success with the next generation?
- Do we also need to declare a vision – an inspiring yet realistic portrait of the difference that we want the organisation to have achieved in a given time? How broad do we want to go? Is it enough to compete in the world that's around us – or is part of our vision to help change that world for something better and more sustainable?
- How does it reconcile the need to make a profit and deliver returns to owners and shareholders with the ambition to do something more significant?
- Does our strategy fit with our purpose?

### What do we stand for? (Values and behaviours)

- Are we clear about our core beliefs and are we communicating them?
- Looking back, have we been true to the heritage of our organisation?
- Looking ahead, do we need to update any of our objectives or our values in the light of the changes around us?
- Have we communicated our values and are we living them? Or are they just words? Do colleagues refer to them in making decisions? Have we defined the mind set and the behaviours and the way of working through which our relationships will be shaped by all our people? Do we have a culture of challenge: is it OK to give each other feedback?
- How effectively are we embedding our values into all our systems and processes?
- Do our systems of recognition and reward promote the behaviours that we say we want?
- Looking at our Annual Report and our communications with investors, are we being consistent in communicating what we stand for, or are there different messages for different audiences?

## How far do we live our purpose and values in all key relationships?

### Leaders

- What is our role? Are we tenants or stewards? Is it enough simply to operate the system under the current rules? Or does leadership mean that we get out and shape the world around us?
- If I am an investor or in financial services, how can I better align finance to the future needs of my clients and the society around them?
- How can I apply my concern for human values and societal wellbeing in the way I use technology?
- Looking at the way the CEO and senior leaders allocate their time, are they living the purpose and the values? Do we practice what we preach?
- How do we equip all our colleagues to be leaders and ambassadors of the organisation? What have we done to develop their talent and get the benefits of diversity?
- How do we listen? Are we isolated as leaders or do we really make it easy for people to give us feedback?

### Key relationships

- Who are the people most important to this company's future?
- What does the company stand for in their eyes?
- What does the company want to stand for in their eyes?

## How are we bringing purpose and values to life in our relationships with:

- **Employees;** in the way we tackle workplace challenges; in the way we engage with them; do we face up to the realities of the situation? Do we 'tell it as it is'?
- Do our employees share *emotionally* as well as in material terms in the organisation's success. How do we celebrate success?
- **Customers;** how easy is it for our customers or clients to tell us what they are thinking?
- **Suppliers and business partners;** do we actively seek business partners who share our values and assess how far they do so?
- **Shareholders and financial partners;** do we actively seek shareholders who support our purpose and values and seek a mandate from them to pursue it?
- **Our community and wider society;** tomorrow's as well as today's?

## What is our licence to operate? Whose trust do we have? Whose trust do we lack? How might we earn more of that trust in a connected, confusing world?

- How do we stay resilient and make the right decisions even in the face of uncertainty and rapid change?
- Have we got a vision for our future workplace and workforce? How diverse are our people? How will we define talent in the future? What new kinds of talent will our organisation need to enable it to succeed? What do we need to do to discover, unlock and harness the latent talent inside and outside our organisation? How can we make the most of a diverse team?
- What about the multi-generational workforce? Are we learning from the perspectives of each generation, from 16-year-old apprentices through to 68-year-olds?
- Are we practising what we preach (for example, in areas like diversity, talent, remuneration policy and prompt payment of suppliers)? If not, who will tell us? Do we have a culture where challenge is allowed? Do we trust our people to communicate what they feel about the company on social media? Do we learn from what they say?

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**Mark Goyder**  
Trustee and lead report author  
Tomorrow's Company



**Norman Pickavance**  
Tomorrow's Company



## **Interviewees**

Benet Northcote, Director, Corporate Responsibility at The John Lewis Partnership  
Bruce Bratley, MD & Founder at The First Mile  
Cal Bailey, Shareholder and recently retired Group Sustainability Director at NG Bailey  
Claudine Blamey, Head of Sustainability at The Crown Estate  
Craig Heaney, Head of L&D Group Operations at Centrica  
David Croft, Sustainability Director at Diageo  
John Greatrex, Group HR Director at Unipart  
Kate Wylie, Global Vice President of Sustainability at Mars  
Kathryn Pritchard, Group Chief People Officer at ODEON Cinemas Group  
Liz Ellis, HR Director at Danone UK & Ireland  
Liz Mason, HR Director, at Nutricia (a division of Danone)  
Mike Barry, Director of Sustainability at Marks & Spencer  
Peter Taylor, Chairman at TTP Group  
Phil Pratt, Regional General Secretary Europe, and General Secretary, UK and Ireland, at Danone  
Richard Ellis, VP of CSR at Walgreens Boots Alliance  
Robert Metzke, Global Head of Sustainability and Chief of Staff, Innovation & Strategy at Philips  
Sadie Lofthouse, HR Director at Adnams  
Sanjay Ganvir, Partner at Green Light Pharmacy  
Stewart Bromley, COO at Atom Bank  
Stuart Comer, Head of Group L&D at Sainsbury's  
Sue Garrard, SVP Sustainable Business Development & Communications at Unilever  
Susanne Stormer, Vice President of Corporate Sustainability at Novo Nordisk  
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Simon Soffe, ODEON Cinemas Group  
Sir Anthony Cleaver  
Sir Ian Cheshire, Barclays UK and Debenhams  
Stephen Kelly, The Sage Group plc

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# About us

## Danone UK & Ireland

Dedicated to bringing health through food to as many people as possible, Danone is a leading food company built on four business lines: Fresh Dairy Products, Early Life Nutrition, Waters and Medical Nutrition. Through its mission and dual commitment to business success and social progress, the company aims to build a healthier future, thanks to better health, better lives and a better world, for all its stakeholders. In the UK & Ireland this includes 1,900 employees as well as consumers, customers, suppliers, shareholders and all the communities with which the company engages.

Danone spans seven sites in the UK & Ireland, generating sales of more than €1.3bn and touching the lives of more than 17.5 million UK & Irish consumers. Danone's brand portfolio includes Activia, evian, Aptamil and Neocate.

Danone UK & Ireland is a part of Danone Ltd and is listed on Euronext Paris and on the OTCQX market via an ADR (American Depositary Receipt) program. Danone is a component stock of leading social responsibility indexes including the Dow Jones Sustainability Indexes, Vigeo, the Ethical Sustainability Index and the FTSE4Good Index.

## Tomorrow's Company

Tomorrow's Company is an independent non-profit think tank that exists to inspire and enable companies to be a force for good. It believes business can create more value for shareholders and society by adopting an approach that focuses on purpose, values, relationships and the long term. It succeeds in its goal by convening business leaders, investors, policymakers and NGOs to develop practical solutions. Tomorrow's Company was founded in 1996 following the RSA inquiry into the role of business in a changing world.

Please contact us if you have your own story to tell, or if you would like to compare experiences with other companies who are on a similar journey.

Work with us to inspire and enable  
business to be a force for good by  
joining our community at:  
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