



MARS



**Economics
of Mutuality**

Responsible Business Forum

The Economics of Mutuality

Report 2019



SAID BUSINESS



The Economics of Mutuality



'How does one put responsible business into practice ... so that we can look forward to businesses that are not the source of growing inequality and social disquiet? That are not the cause of environmental degradation? And that are not at the bottom of the list of professions that people around the world trust? But that they are the solutions to inequality, the solutions to environmental degradation, and that they will be at the top of the list of professions that people trust.'

Colin Mayer

Peter Moores Professor of Management Studies,
Saïd Business School, University of Oxford



'I believe that we have all the answers to the challenges that we face, or at least most of them. We also have the Sustainable Development Goals: a plan for the next 50 years to eradicate poverty and to do so in the most sustainable and equitable way... [and] I do believe that most of the things that need to be done could be achieved today if we decided to do so. The most precious commodity that we are lacking today is willpower. That comes from leadership – courageous leadership, and at times uncomfortable leadership.'

Paul Polman

Chair, Saïd Business School, University of Oxford



'Purpose is not a vague word: it's not just something to put on a screen or on the wall of the company. Purpose drives strategy ... my hope from the Responsible Business Forum is that you will redefine what profit means in the delivery of purpose and that you will align the practice of your business with profit and with purpose. As business leaders we have a unique opportunity now to reframe business for the 21st century, to be part of a movement that is on the right side of history, and that will make history.'

Bruno Roche

Chief Economist, Mars, Incorporated and Mars Catalyst Managing Director

Executive Summary



Powerful messages, inspirational stories, and practical workshops characterised the fourth annual Responsible Business Forum, 'The Economics of Mutuality: Putting Purpose into Practice' at Saïd Business School, University of Oxford, on 17 May 2019.

Over 500 MBA students, business leaders, senior executives from foundations and NGOs, academics, investors, and government policymakers attended the Forum which was organised jointly by Oxford Saïd and Mars Catalyst, the thinktank of Mars, Incorporated, as part of their multi-year joint research programme.

More than 10 years after a 'giant boot had come down on the windpipe of the financial world,' the after-effects of the financial crash of 2008 are still with us, said Shelby Coffey in his scene-setting speech. And yet little so far has changed. Despite a growing enthusiasm for demonstrating a beneficial social impact, and a growing awareness of the urgency of action on climate change, business is still hampered by an obsession with financial capital: what Coffey called 'the oversold gospel of the bottom line.'

There is room for optimism, however, firstly in the changing nature of business itself. Whereas once assets were



tangible, and could be bought and owned, now 88% of the assets of SMP 500 companies are intangible – brands and reputation, intellectual capital, social capital, and natural assets. So these assets cannot actually be owned, but companies are increasingly dependent on them, and they increasingly impact on them. Secondly, as passionate speeches from MBA students demonstrated, there is a growing demand from young people and from consumers for businesses to demonstrate responsibility and purpose. 74% of Millennials are seeking meaningful jobs, and by that they expect more than a lofty description of corporate purpose that simply looks good on the website, or is enacted only in a Corporate Social Responsibility programme that operates at the periphery of the business. They demand purpose, but they demand to see it in practice.

Economics of Mutuality started life as an attempt to answer a question posed in 2007 by a Mars shareholder — ‘What is the right level of profit?’ Since then, it has evolved into a breakthrough management innovation and a new growth model that empowers business to adopt a more complete and mutual form of capitalism that is fairer and more efficient than the dominant profit-maximising business models of today.

It is based on four management principles: put purpose at the centre; embrace your ecosystem; financial capital is necessary but not sufficient; and the traditional profit contribution is misleading. In discussing how to put those principles into action, a number of key lessons emerged.

A corporate purpose must be defined and articulated as seeking to solve a meaningful challenge – a simple description of what the business does or a statement of its values is not enough. The people who are involved in or affected by this purpose define the boundaries of the ecosystem in which the business operates, which goes far beyond the traditional boundaries of the firm. Delivering the purpose will also draw on four different forms of capital, or types of resources: the land and environment (natural capital), skilled and knowledgeable men and women (human capital), communities (social capital), and money (financial capital). Understanding and valuing each of these capitals, and measuring their creation or depreciation can result in a fully mutual account of profit and loss.

Putting purpose into practice will require new thinking, courage, boldness, and humility. But more than anything it will require knowledge. Mars’s decision, announced at the conference by Jean-Christophe Flatin, that it will be making the knowledge created by the Economics of Mutuality project freely accessible to all through the creation of a new foundation, will enable leaders to start ‘making decisions that finally reconcile the contradictions that have been in opposition for centuries.’



J'Accuse! The growing gap between purpose and achievement of purpose in business

Shelby Coffey

Vice Chair of Newseum; former Executive Vice President of ABC News in New York; former News Chief at CNN; former Editor of LA Times

'I was [in Oxford] on the day of the great crash of 2008 ... at a learned conference held in the dining hall of Christ Church, and a learned speaker was talking about his 24-point plan or 48-point plan for a better world tomorrow. And suddenly I hear the sound of cell phones going off and Blackberries buzzing.

'And I noticed then that three of the great and good walked from the hall very quickly. As the eminent speaker talked on I noticed more and more wild eyes looking underneath the table and I noticed the carotid artery of my lunching partner pulsing ... A giant boot had come down on the windpipe of the financial world. And it evaporated 40% of its value shortly afterwards.'

The effects of the financial crash of 2008 are with us still, said Shelby Coffey, not least in the 'thriving cottage industry of books about the ills of contemporary capitalism'. But until now 'the historical record of 250 years of capitalism [has been] enormously strong despite periodic needs for reform.' He asked, 'is late stage capitalism perched on a burning platform?' and took us on a short 'thrill ride through the cardinal sins of capitalism, remembering that for every failing there is a dream of reform.'

Sin #1: the oversold gospel of the bottom line

Milton Friedman's proposal that a company's only social responsibility was to profit became the guiding light for many CEOs throughout the 1970s and 1980s.

Can that gospel continue in the hyper-mediated world of 2019? Where the effects of economic catastrophe and inequalities glare? Where the rage of twitterstorms are an intense new phenomenon? Where every man and woman is a publisher and a broadcaster with instant access to the hive mind? The contradictions of late-stage capitalism are heightened and its institutions are thereby weakened worldwide.





Sin #2 Creative destruction

The virtue and vice of capitalism is creative destruction. Brilliant innovation creates new industries while venerable institutions are cast aside. Look at the rapid movement of people from agriculture to industry and, later, to the demise of firms such as Eastman and Kodak.

Now our economies are dominated by a small number of supersized technology companies, which are more valuable than the GDPs of whole countries. Technology has replaced some of the most boring and dangerous jobs once performed by humans. But the prospect of AI and robotics taking over most unskilled jobs is the source of much anxious analysis.

Sin #3 Inequality

Thomas Picketty's *Capital in the 21st Century* is a book 'more often purchased than read'. But it nevertheless introduced an important debate about the rise of the rich, the ultra-rich, and the rest.

In the current system capital is much better remunerated than labour. And globalisation, which has accelerated the circulation of money, has exacerbated inequality. This has led to disparate populist movements and a shared hostility to globalism and 'elites'. However, for every trend there is a counter trend: in the USA socialism is enjoying a renaissance, especially among millennials.

Sin #4 Crony capitalism

In Washington DC, 'the swamp is not drained yet'. Lobbying is a major industry – the rewards for companies can be spectacular returns on investment. 'What are a few millions spent on lobbyists when tax breaks can be worth billions?'

Sin #5 Moneyland worldwide

Laws often stop at nation borders. But thanks to instant money flows offshore accounts and money-laundering are flourishing. Look for example at the luxury real estate markets in London, New York, Miami, Vancouver – Chinese and Russian money is seeking haven. This is a shadow world, glimpsed in the Panama Papers, which were leaked to embarrassment and evasive behaviour all round.

Sin #6 The Hype of Conference World

Late-stage capitalism has seen the rise of a new species: Homo Conferençus, whose natural habitat is the slopes of Davos, and whose diet consists of fine wines and healthy hors d'oeuvres. Conferences of the rich are full of earnest passions and ideas, many of them good, which can become contagious.

But are they really taking part in some sort of PR Ponzi Scheme that forces them to announce ever more noble goals, that will only end in disillusion?

But, Coffey concluded, 'What if there were a capitalism that measured the bottom line and beyond the bottom line? That measured the good or ill done to the communities served, measured the good or ill done to its workers, actually measured the good or ill done to the natural resources used?'

Those were the questions that would be addressed by the Responsible Business Forum.

Establishing a new status quo

Nick Andreou

MBA student

A few years ago I was working on a project in the Middle East, trying to increase market share for an alcoholic drinks distributor – not exactly your most responsible and purposeful project.

I woke up one night in a panic, knowing that I needed to do something more meaningful with my life. So I grabbed my laptop and I started googling. One search, another search, another search ... nothing. I then did something that no one ever does, because I was so desperate. I scrolled to the bottom of the page and I clicked the arrow to go to page 2. And again to page 3, and again to page 4. And that's where I found what I was looking for. And I spent the next three and a half years in East Africa, helping people in poverty start a business to generate income for themselves.

We are all searching for the next steps and in a sense we are all on Google. But Google is an algorithm that gives us what it thinks we want

to see, based on what is searched for the most and what is clicked on the most. Essentially it is regurgitating the status quo back to us. That is why on page one we get the banks, the consultancies, and big business, maintaining the status quo.

If we really want to create change we have to leave behind page one and go to page 4, because that's where the people who think differently are. And if enough people go to page 4 it will become page 1, and we will have established a new status quo.

Is any of this easy? No. It will hurt. We may have to carry some scars. But is it necessary? Absolutely. And if you're thinking that the battle between the status quo and a new way of thinking is too hard, it starts with a simple choice – which side are you on? What starts here as a sharing of ideas and perhaps a brave choice may indeed end up changing the world.



'If we really want to create change we have to leave behind page one and go to page 4, because that's where the people who think differently are'

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It is not enough just to create the solution: we have to make it work

Kanika Kumar

MBA student

If not now, when? We are the last generation who can shift the baseline and change paradigm. If not us, then who? As an Indian who has lived in an emerging market, it's scary to see how quickly the problems of those regions are becoming global. They are no longer the problems of others. They are ours, irrespective of geography, colour, race, and gender.

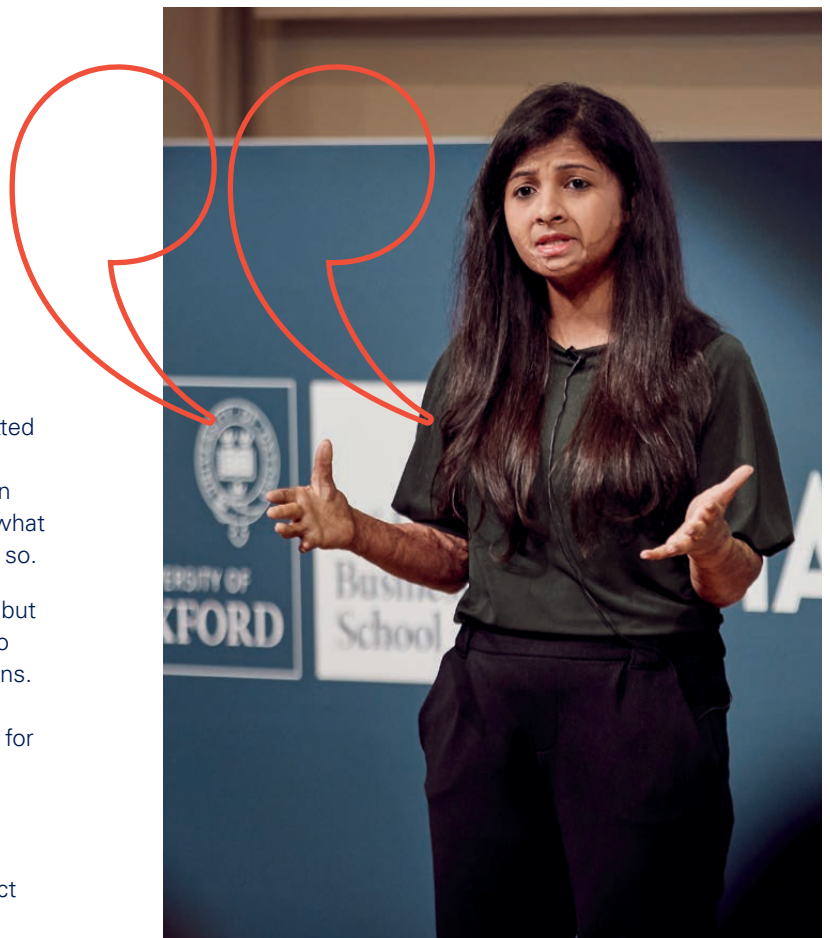
So the question is how? Through my work I have met numerous business leaders who have committed to the sustainable development goals. But is that enough? Is taking part enough? Is the side hustle in sustainability initiatives enough? Is doing more of what we do going to get us across the line? I don't think so.

We need a mindset that's urgent in the short term but patient over the long term. We need to be willing to fail. We need to be willing to ask the tough questions. The Mars team asked the question about the right level of profit eleven years ago. It's taken until now for the Economics of Mutuality concept to get this far.

We need to be humbly brave, to beg forgiveness rather than ask permission. We need to be brave enough to act, but humble enough to course correct and humble enough to challenge ourselves.

We need to learn to work together because no one person or organisation can solve these problems alone.

For it is not enough to create the solution: it's more important to make it work, and to fix it in the context that it needs to be fixed in. For that, we need to find partners who can help us clean more teeth and not just make more toothbrushes. For while the world needs dreamers and doers, what it really needs are dreamers that can do.



‘We need a mindset that’s urgent in the short term but patient over the long term’

NELSON MANDELA LECTURE THE

Q/A

<https://www.sli.do>
#EoMOxford19

Valerie Aguiar and Richard Johanson
Masters of Ceremonies



Responsible Business Forum:
The Economics of Mutuality
Putting Purpose into Practice



Global perspectives on the key forces shaping business in the 21st century

Key themes emerging from a panel discussion

Wu Chen

Editorial Director, The Economist Global Business Review

Arunma Oteh

Executive in Residence, Said Business School, University of Oxford, and former Treasurer and Vice President, World Bank

Andy Rubin

Chair, Pentland Brands

Moderated by Ben Jackson

Managing Consultant, Freud Communications

Sustainable Development Goals (SDGs)

'The SDGs are successors to the previous goals [Millennium Development Goals] that were focused on developing countries. These are global goals – a shared agenda,' said Arunma Oteh. This makes sense because 'the world is so interconnected. Poverty in one place is poverty everywhere. Injustice in one place is injustice everywhere.'

However, many companies are struggling to translate the SDGs into something that is meaningful for them. Investors who want to pursue more responsible investment programmes imagine that the SDGs can be a good guide when they are assessing companies. But if companies can't work out how to make them meaningful, how can investors?

Andy Rubin explained that his company (which is family-owned) had made the decision to align their strategy to the SDGs, though focusing on only seven, where they had the most impact. They did this by aligning the corporate responsibility strategy to the core business strategy, and ensuring that corporate responsibility was 'everybody's job'. For example, he said, they would look at how to make products using less water, so that they could contribute to water scarcity being less of an issue.

Technology

Wu Chen described how technology can create 'amazing solutions' to societal problems. For example, Ali Baba is helping small and medium sized businesses in China to use QR codes to facilitate transactions – in a country where many people no longer carry cash. These QR codes also allow Ali Baba to track transactions, so that they can identify small businesses that they could help by providing finance. 'Such a suggestion relies on data, relies on trust,' he said. 'It allows Ali Baba to feel comfortable taking a risk on these merchants, and gives the merchants the incentive to grow their business.'

However, a negative side effect of these innovations is that the rise of e-commerce has also led to a rise in the number of young men acting as delivery drivers for Deliveroo and similar companies. 'Delivery is a dead-end job,' said Chen. China's spectacular growth has been at the country-level; if it is to move beyond being a low- to middle-income country (on a per capita basis) 'it needs to create jobs, and good jobs'.



Non-financial measures

'You can only be a responsible business if your ownership allows it,' said Andy Rubin. 'It's one of the biggest challenges we have today. Owners have to encourage, motivate, and reward responsible behaviour. In public markets this includes institutional investors who are only just waking up to non-financial measures.'

Arunma Oteh agreed that the measurement and reporting of impact was a 'journey' that no one has quite finished yet. But, 'My wish is that, because of the work of the people in this room, success can be redefined, not in monetary terms but in terms of contribution to society. That affects communities, employees, customers, and investors.'



We need to break the relationship between finance and control

Professor Colin Mayer CBE

Peter Moores Professor of Management Studies, Saïd Business School, University of Oxford

There are two views of capitalism, said Colin Mayer. The first is that it's 'an economic system of private ownership of the means of production and its operation for profit. Ownership is a bundle of rights over assets that confer strong forms of authority on those who possess them. And firms are nexuses of contracts overseen by boards of directors for the benefit of their owners.'

A parallel view, however, is that capitalism is 'an economic and social system for generating profitable solutions to the problems of people and planet, by private and public owners who do not profit from creating problems for people and planet.' In this scenario, ownership is not just a bundle of rights but a set of obligations. And firms become 'nexuses of relationships of trust, upheld by boards of directors'.

What will change notions of capitalism is the fact that business has fundamentally changed, he said. Whereas once assets were tangible, and could be bought and owned, now 88% of the assets of SMP 500 companies are intangible – brands and reputation, intellectual capital, social capital, and natural assets. So these assets can't actually be owned, but companies are increasingly dependent on them, and they increasingly impact on them.

The Economics of Mutuality is about 'investing in those assets so that they deliver what they are capable of doing' said Mayer. And the remarkable thing about these assets is that they don't depreciate – providing we don't abuse them. We should use, invest in, and maintain them, while avoiding putting control in the hands of finance.

Look, he said, at Oxford University – 'one of oldest corporations in the world'. It provides information and knowledge through education. It provides trust in the production of knowledge through research. And it provides an exceptional environment of beautiful buildings on the principle that architecture inspires. 'The reason it's been able to do that for 900 years is that it's not controlled by finance,' said Mayer. 'It raises finance from donors and the government. But if it had been controlled by the donors and government it would not have survived until today.'



Applying our skills to the management of new scarcities

Bruno Roche

Chief Economist, Mars, Incorporated and Mars Catalyst Managing Director

The Economics of Mutuality project was started 'very humbly' 12 years ago, with a few people in the boardroom, said Bruno Roche. 'And we had this question, this basic question: "What should be the right level of profit?"'

He emphasised that the question had been asked by a shareholder. The motivation behind it was not a question about charity, or giving back, but 'asking what level is fair in order that the business should continue to prosper'.

For the past 50 years, of course, the answer to the question has been 'as much as possible', but Roche believes that public opinion is changing. 'Since the economic crisis there have been hundreds of books ... It's a sign that there is a craving in people's minds that business should be about more than just making money always.'

But still the old order remains. 'People are still in the service of the economy. The economy is still in the service of finance. And finance is still in the service of itself. This hasn't changed.'

50 years ago, financial capital was scarce, so it made sense to operate according to financial capitalism – economics is all about the management of scarcities. But today we have an overabundance of financial capital, to the point that there are negative interest rates in some countries. We are operating using an outdated model, and we need to shift our focus to new scarcities.

And it should not be difficult: today's dominant digital economy, after all, 'is not actually that capital intensive. What it needs is reputation and relationships, skilled people,' said Roche.

'If we apply all the skills and controls that we have so successfully applied to financial capital, and turn them to the management of social, human, and natural capital, the opportunities for growth are almost unlimited.'



'If we apply all the skills and controls that we have so successfully applied to financial capital, and turn them to the management of social, human, and natural capital, the opportunities for growth are almost unlimited.'

I see a world that is being reset

Jean-Christophe Flatin

President of Innovation, Science, Technology & Mars Edge, Mars, Incorporated



Jean-Christophe Flatin described a world that was being ‘reset’: ‘Reset by consumers who are no longer looking for value for money but for values for money, looking for back-story, looking for authenticity, looking for transparency and voting with their purchases’. Customers, suppliers, employees, and prospective employees are all becoming more demanding, he said, because ‘the clock is ticking; because we are the first generation who will not be able to look at our kids and say “I didn’t know.”’

Despite the urgency of the demand, he saw it not as a threat but as an opportunity, pointing out that being ‘reset’ was not a new idea to Mars. ‘We are 110 years old, and a company does not survive for 110 years because of chance, or luck, or a single great product.’ Mars has reinvented itself many times, decade after decade, he said.

The development of the Economics of Mutuality management framework has been ‘a journey of learning, of

stumbling, of finding,’ he said, but it has delivered what he himself has always wanted – a set of concrete, pragmatic tools. ‘My brief to Colin and Bruno has always been – I love the theory but give me the tools. Give me the methods.’

He called on the leaders in the audience as well as future leaders to find their purpose, map their financial, human and environmental impact across the entire value chain, and ‘Finally, start making decisions that finally reconcile the contradictions that have been in opposition for centuries.’

Flatin concluded with the announcement that Mars would be making the knowledge created by the Economics of Mutuality project freely accessible to all through the creation of a new foundation. As Bruno Roche said, ‘Knowledge, like trust, is one of the rare currencies in this life that when you share it you have more at the end.’ By sharing knowledge, Mars aims to support more people in grasping the opportunities and societal benefits of the Economics of Mutuality.

Don't dismiss 'purpose talk'

Isadora Oliveira

MBA student

Purpose is not some empty phrase designed to lure customers into buying more from you under the guise of social impact. Purpose is the underlying sentiment that guides our action. It is not something that can be measured in revenues and profit margins alone.

I'm not naïve enough to think that all CEOs will just wake up one morning and decide they're done with making profit, or they're willing to take a large profit cut just because they have listened to a very inspiring purpose talk.

But there is a new generation coming. And the new generation is very demanding. 74% of millennials are ready to demand a job with purpose. And it's going to take more than one perfectly crafted purpose statement on your website to convince them to work for you. We need action. We need to apply purpose to business strategy, and we need to do that now.

Purpose works differently in different contexts. My pre-MBA life was with a large internet company whose purpose is 'to organise the world's information and make it universally accessible and useful.' My work in product management and advertising was arguably contributing to that purpose. But it wasn't particularly fulfilling, not for me. I wanted to do more: I wanted to give back.

So I got involved in a women's meeting in my office in Brazil, and ended up organising an event and a series of workshops designed to help some of Brazil's small, women-owned enterprises sell online.



I remember meeting one woman who wasn't really engaging with the workshop. She didn't think she should be there, as she had a very small business. We talked a little bit. We talked about her values. She showed me pictures of her kids. And in the end she started to engage with the workshop ... and the last thing I heard

she was on social media and she and her kids were doing very well.

I realise that what I had done was to organise information and make it accessible and useful. I took my own values and purpose and in applying them found that I was also delivering the brand's purpose.

'74% of millennials are ready to demand a job with purpose. And it's going to take more than one perfectly crafted purpose statement on your website to convince them to work for you.'

Boldness at the intersection of business and society

Rahfin Faruk

MBA student

As an undergraduate I spent some time in a little agricultural village in rural Bangladesh. There was no running water, no electricity, no sanitary latrine, no easy access to primary healthcare or a secondary school. During that time I got into conversation with an old farmer who still worked his family's piece of land.

I asked him what his favourite day of the year was. I thought he would say his birthday or something similar, but the answer he gave still surprises me: it was the Muslim holiday Eid al-Adha. He told me it was the only day when his children and grandchildren got to eat red meat. Out of custom rich families give poor families meat that day.

This was not long ago. The farmer worked on the remnants of a

British-era tea plantation. Society in many ways had moved forward but his quality of life was not so different from that of his ancestors.

Just down the hill you could buy ice-cold Coca Cola or imported shampoo. All around him modern trucks took goods away for export. This got me thinking about the intersection of business and society, particularly how businesses could leverage their assets and capabilities to solve large scale social problems. What if Coca Cola delivered not only soda but also clean water? What if Unilever delivered not only shampoo but also hygiene education?

If a business wants to be truly purposeful today, to transform its business operations for societal good, it must be bold. But we know that

most businesses don't act this way because there are tensions between the short-term market value and the purposeful and long-term strategies that businesses want to pursue. But this does not have to be the case. In 2014, CVS Health became the first retail pharmacy chain to stop selling tobacco products because it conflicted with its purpose of helping people on their path to better health. The stock price dropped; short sellers began to circulate. But instead of rethinking, CVS devised a new kind of strategy to offer basic clinical services to customers who often did not have insurance. Today, their competitors are under pressure from investors to be more like CVS.



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The power of finance to achieve purpose in business

Panel discussion:

Veronica Poole

UK Head of Accounting and Global IFRS Leader, Deloitte

Neo Gim Huay

Managing Director, Enterprise Development Group & Managing Director, Sustainability & Stewardship Group, Temasek

Timothy Wong

Managing Director, DBS Banks Singapore

Jacek Szarzynski

CEO, Pret-Panera Holding Company (JAB Partnership)

Moderated by

Robert Eccles

Visiting Professor of Management Practice, Saïd Business School, University of Oxford

Is there a role for finance to support purpose in business? Representatives of each area of the finance chain set out to prove to Robert Eccles that finance can do more than just get in the way when companies want to put purpose into practice.

Finance as a tool

Previous sessions had tended to pit finance against purpose, as if the two were mutually exclusive. But all members of the panel talked in terms of finance as a tool. Jacek Szarzynski admitted that currently 'the world is overly steered towards finance,' and emphasised that 'financial metrics should be viewed as a by-product of sustainable activity' but also discussed the idea that a practical approach to finance would enable people and businesses to 'deliver on what they believed'.

Timothy Wong agreed: 'Used responsibly the right amount of capital placed in the right hands at the right

time, with the right means to monitor it, can be very liberating.'

Democratising banking

An evolution of the mission statement of the Development Bank of Singapore – from aiming to be the best bank in the world to becoming the best bank for a better world – has prompted them to look differently at the mechanics of banking.

'If you look at what banking is as a core function, it takes people who have surplus capital, intermediates between them and people who have a use for that capital, charging a rate of interest thus getting a return on that capital and passing it back to the people who supplied the capital,' said Wong. 'The reason that banking has been such a profitable business is because of the complexity and opaqueness of these operations.'

Digital disruption has taken all this opaqueness and made it transparent,





he said. It has the potential to reinvent banking and democratise it: 'People would vote with their money where they want it to go.'

Pressed by Eccles on how far he believed the banking sector today was compatible with the Economics of Mutuality, though, he eventually admitted it was at 'one' on a scale of one to five.

Finding the right metrics

On the investment side, Neo Gim Huay is 'Supporting businesses that aim to do well as well as good, helping them to scale faster,' and trying to assess impact across the whole portfolio, rather than expecting impact only from the impact investing side. However, 'It's easy to say we want to do something but how do we achieve it? What metrics do we use? I'm optimistic about the future but pessimistic about the pace at which we're working.'

Veronica Poole put it like this: 'Every day in businesses, whether publicly owned or privately owned, we engage in the process of creating value, transporting value, consuming value, transforming value. So we all have an amazing ability to transform the world through this value transformation process. And finance is just a way of capturing and transacting that value. But value has to be created and shared appropriately. We know that pure profit-grabbing is not the right creation of value.'

Integrating into the business

Everyone on the panel was clear that sustainability had to be an integral part of any business. As Veronica Poole said, 'ESG factors have to be part of day-to-day business – not some part of a sustainability exercise that the board sees once a year.'

Szarzynski even advocated attempting an owner-manager business model that would ensure that everyone in the company has some 'skin in the game' and feels responsibility for sustainability.

Neo Gim Huay took it further. 'There are problems that no company can address alone, such as air pollution in Singapore. So we have started working with non-traditional actors to try to address common challenges. We all need to try to understand and be creative about how we can find solutions.'

'Used responsibly the right amount of capital placed in the right hands at the right time, with the right means to monitor it, can be very liberating.'

Humility is something to strive for

Very Revd Martyn Percy

Dean, Christ Church College, University of Oxford

'One of the things that is key in putting purpose into practice is looking at yourself and the business to which you belong and understanding that there is a difference between humility and humiliation,' said Martyn Percy, musing on 'the way we use words in the practice of business'.

'Most businesses and organisations that I know of spend a lot of time avoiding humiliation,' he said, 'but humility is something to strive for'.

Both words in fact come from the same root – humus, meaning earth. 'The humble organisation is ultimately grounded. They are not above themselves and therefore they know they are not above others. Hubris on the other hand is puffed up self-perception. It is groundless and actually rooted in fear: fear of humiliation.'

Percy observed that humility is something that we don't see much of today, either in our leaders or in our businesses. He hopes that when people are putting purpose into practice, 'they understand that it is about valuing each other, and therefore [they are acting] in service ... and attentiveness to what the world wants of you and not necessarily what you want to inflict or give to the world.'

'In our humility there is also a value in what we stand for and a value in what we do,' he said, celebrating the idea that the knowledge generated by the Economics of Mutuality research programme can now be shared freely.

'What we are about is understanding that everything that goes into our minds actually belongs to other people. It is not about answers but igniting questions.'



Atlas

*There is a kind of love called maintenance
Which stores the WD40 and knows when to use it;*

*Which checks the insurance, and doesn't forget
The milkman; which remembers to plant bulbs;*

*Which answers letters; which knows the way
The money goes; which deals with dentists*

*And Road Fund Tax and meeting trains,
And postcards to the lonely; which upholds*

*The permanently rickety elaborate
Structures of living, which is Atlas.*

*And maintenance is the sensible side of love,
Which knows what time and weather are doing
To my brickwork; insulates my faulty wiring;
Laughs at my dryrotten jokes; remembers
My need for gloss and grouting; which keeps
My suspect edifice upright in air,
As Atlas did the sky.*

U A Fanthorpe



Case studies

How impact valuation can inform management decisions

Christian Heller, Senior Manager Sustainability, BASF

Tom Beagent, Director PWC

Justine Ellis, Research Assistant

Kyngumi Kim, MBA student

BASF is a large and complex chemical company based in Germany with operations in more than 80 countries. Its products range from chemicals to performance products, agricultural solutions, and oil and gas. With a purpose to 'create chemistry for a sustainable future' and a new CEO keen to make the company a 'thought and action leader' in the area of sustainability, BASF has been working with accountancy firm PWC to assess its impact and use a wider range of metrics to inform decision-making.

PWC's Total Impact Measurement Management (TIMM) model looks across all dimensions of impact; BASF developed an assessment framework that looked at value to society it was delivering at corporate, project, and product level, along the whole supply chain, within BASF's own operations, and customer industries.

The case study looked in detail at how they designed and applied the metrics, and showed how they contributed to management decisions, including assessing the relative merits of two possible new site locations in China and Poland.



Urban regeneration without gentrification

Kwang W Kim, Director of the Board, Conservatorio Urban Innovation;
Country Representative, The Asia Foundation, Korea

Alison McArthur, MBA student

Conservatorio is a real estate development company that builds mixed-income, mixed-use (commercial or residential) projects in deteriorated but historically significant areas of Central American cities, particularly in Panama, El Salvador and Honduras.

Urban revitalisation poses a balancing challenge between urban development and social inclusion. In the usual 'gentrification' process, community spaces, affordable housing, and diverse retail are absorbed by investors, pricing out lower-income residents who are forced to move out of the city. The unique cultural identity of a place is lost to homogenisation, and cultural symbols and traditions are destroyed.

Conservatorio has developed policies including building one affordable unit for each high-end unit and focusing on attracting independent retail businesses. The company also works with NGOs dedicated to building social and human capital in order to help local residents take better advantage of the opportunities created by the revitalisation of their neighbourhood. These include an organisation that rehabilitates gang members.

Closing the income achievement gap

Fernando Zulueta, Founder/CEO, Academica

Victor Barroso, Executive Vice President, Academica

Mridjula Sridharan, MBA student

US-based Academica is an education management organisation that supports 200 charter schools, a non-profit college, and an online digital learning community. Charter schools are public schools chartered by non-profits to promote market-driven innovation, competition, and accountability. Academica's clients have separate boards, they are self-governing and have a mix of public and private funding.

This hybrid, partnership-driven approach has allowed the network to revolutionise traditional teaching. Its concept of creating 'curating communities' and combining face-to-face teaching with a digital portal make students active agents in their own learning. This is not the norm in most high schools, which tend to focus on 'delivering' knowledge.

As a result, Florida charter high school students are more likely to graduate high school, enroll in college, finish college, and earn more in their mid-20s than the average high school student. There is no correlation between achievement (or lack of it) and receiving free school meals, the typical measure of poverty. Academica has closed the income achievement gap.



Developing integrated thinking through reporting

Will Ritzrau, Head of Sustainability, SAP

Manureet Bath, MBA student

Software provider SAP's purpose is to 'help the world run better and improve people's lives', and it combines this with a promise to 'innovate to help our customers run at their best'.

The challenge was to make this purpose relevant and 'tangible' to an organisation of 100 000 people and with 450 000 customers, and to translate social and environmental performance into a language that the company would understand. 'I know that if I talk to the finance director he will not listen to non-financial measures. However, social and environmental impacts also have financial impacts.'

The SAP Integrated Report shows how sustainability is integrated into the core business, presenting financial and non-financial performance in one report for greater insight into overall performance. It highlights six capitals (financial, manufactured, intellectual, human, social and relationship, and natural capital) and shows how they can be used for value creation. Understanding the interdependencies between these capitals can guide corporate strategy.

Leading the way in integrated reporting in the construction industry

Antonio Carrillo, Head Climate Change and Energy, LafargeHolcim

Eugenia Ceballos, Head Responsible Sourcing, LafargeHolcim

Marcel Metzner, Research Assistant

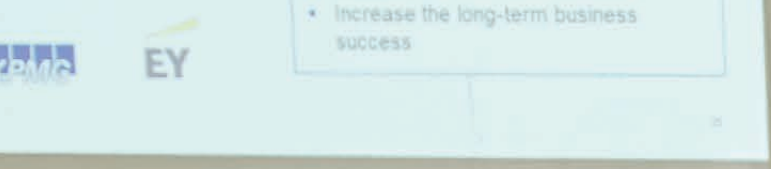
LafargeHolcim is a leading global building materials and solutions company serving masons, builders, architects and engineers all over the world. Its products are used in a range of building products from small, local affordable housing projects to large and challenging infrastructure projects.

It is aware that as a construction company it has a large environmental footprint – it extracts natural resources, emits CO₂, uses energy and fresh water. However, it does also view its products as beneficial to human development and society by providing infrastructure, housing, and mobility to billions of people.

It has created four 'sustainability pillars', with targets, to build towards its long-term ambitions. These are: Climate and energy, with an aim to reduce CO₂ emissions; Circular economy, aiming to increase the re-use of waste-derived resources; Environment, where the target is a reduction of fresh water withdrawal; and Community, which looks at the creation of shared value.

These pillars inform LafargeHolcim's Integrated Profit and Loss statement which complements traditional financial reporting in order to measure the extent of its impact, report to stakeholders, and enhance decision-making.





Skill shops

Using purpose as strategy

Alastair Colin-Jones, Mars Catalyst

Jay Jakub, Mars Catalyst

Nick Gulliver, Mars Catalyst

Kaitlin Thompson, MBA student

Tania Aritao, MBA student

The idea of business ‘purpose’ has been all the rage in recent years, especially since 2008. But in truth there has been a lot of noise and not a lot of action.

This is partly because many companies talk about purpose in very abstract ways, often in what may be called the ‘looking good’ space where it is linked with corporate social responsibility, philanthropy, and public relations.

This skills shop focused on the effective use of purpose as strategy, and on developing purpose statements from which organisational strategy can be developed, with which the business model can be aligned, and which staff can understand.

At heart, the purpose of the firm is to solve meaningful challenges profitably. This means that the extent to which you are solving meaningful challenges becomes a performance metric, while profitability (traditionally a performance metric) becomes a sustainability metric, because solving problems requires capital and liquidity. Framing your purpose in this way changes fundamental definitions of what performance means for business. In addition, it allows the corporate purpose to be broken down into a segment purpose and even a business unit purpose, which gives more meaning to staff.

Ecosystem mapping and orchestration

Yassine El Ouarzazi, Mars Catalyst

Bojan Angelov, Mars Catalyst

Tulsi Parida, MBA student

This skill shop started by examining the central and important relationship between purpose and ecosystem. It is vital to be able to articulate your purpose as a meaningful challenge, rather than as a description of what you do or a lofty aspiration. This is because the way you phrase your purpose articulates who is involved with and affected by it: in other words it ‘defines the boundaries of the ecosystem you want to play in’.

Thinking through the stakeholders who are involved with or affected by your purpose, you discover that multiple groups of stakeholders that you don’t know very well are material to achieving it. They all have motivations and needs. Mapping the ecosystem therefore becomes less of an engineering task and more like ethnographic research.

Skill shop participants adopted the role of a fully-funded start-up to examine the ecosystems of a variety of different companies; identify the key pain points of stakeholders in the ecosystem; and imagine actions and interventions that could address the pain points, as well as the types of capabilities that might be needed.

Define
Profit and
Build P&L to
align with Purpose

Market Change
Re-define from
Management
Environment

More Data
→ Shareholder /
→ Stakeholder /
→ Market

ONE IN
of Excellence
Model
to what
Profit
Means

Creative
Measure must
be actually
profitable

Attention
to

Start
to long term

Define
Business
Strategy

Market
Change

Pointing

Glasses

Markers
Blue
Red
White

Measuring and managing non-financial performance

Franco Cordaro, Mars Catalyst

Lionel Khalil, Mars Catalyst

Sudhir Rama Murthy, Saïd Business School

Alma Guiterrez Toledano, MBA student

The philosophy behind the Economics of Mutuality is that three types of resources have always been necessary to maintain the world: the land that provides the resources; the men, women, and communities that transform them, and the money that provides the liquidity to fund the transactions. Each of these resources is of equal importance, but currently it is money that receives the most attention.

The skill shop used a role-playing game based on a real ecosystem, in which participants took on the roles of stewards of human capital, social capital, natural capital, and financial capital. Participants discussed the measures and indicators needed to help managers to deliver performance that delivered a purpose and took into account all four types of capital.

Expanding the boundaries of business leadership

Cedric Bachelier, Mars Catalyst

Jane Craig, Mars Catalyst

Lynda Chen, Mars Catalyst

Daniela Gheorghe, MBA student

The Economics of Mutuality offers four management innovations:

- Put purpose at the centre
- Embrace your ecosystem
- Financial capital is necessary but not sufficient
- The traditional profit contribution is misleading

But as previous sessions at the conference had discussed, most companies and people are still wedded to the status quo. It will be difficult to put in place the systemic change that is needed, and it will require a new type of leadership.

Skills shop participants explored together how to expand the boundaries of the mind and capabilities of business leaders, and how to transform personal practices to lead a business with purpose. They suggested that leaders would need to broaden their own thinking and the boundaries of their thinking; take ownership of the narrative, generate enthusiasm, create and share a compelling story; empower, learn to follow, give voice to everyone in the system; drop the ego, learn empathy; have a learning mindset – and unlearn past models.



Mutual P&L: Rethinking profit

Bruno Roche, Mars Catalyst

Judith Stroehle, Said Business School

Oliver Pollard, MBA student

Profit is important, profit is good: it is the air that we need to breathe as a business. But it needs to be viewed as a means to an end, to help business achieve its purpose. Financial profit is one of the many positive outcomes of a mutual business.

Mutual profit is profit generated in line with your purpose. Participants were invited to challenge the way they normally think about accounting, particularly in terms of the traditional Financial P&L which is thought of as revenue minus operating costs, plus or minus the creation or depreciation of tangible/financial capital. And the result is financial profit. A mutual P&L, however, is constructed of revenue minus operating costs, plus or minus the creation or depreciation of tangible/financial capital, plus or minus the creation or depreciation of human, social, and natural capital.



Saïd Business School at the University of Oxford blends the best of new and old. We are a vibrant and innovative business school, but yet deeply embedded in an 800-year-old world-class university. We create programmes and ideas that have global impact. We educate people for successful business careers, and as a community seek to tackle world-scale problems. We deliver cutting-edge programmes and ground-breaking research that transform individuals, organisations, business practice, and society. We seek to be a world-class business school community, embedded in a world-class university, tackling world-scale problems.

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Saïd Business School
University of Oxford
Park End Street
Oxford, OX1 1HP
United Kingdom

www.sbs.oxford.edu

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