

Making sustainable profits with purpose

BY CHRISTA GYORI



Expectations of the business world have changed. Even the world's largest fund company, Blackrock, now stresses the importance of a purpose, i.e. the overarching purpose of the organization, for corporate management. It is good news that companies can be economically successful and contribute to the common good at the same time. There will be no avoiding this way of thinking in the future.

In its latest risk report, the World Economic Forum stressed that the private sector must take a leading role in the fight against current social, political and environmental challenges. International corporations that reach several million consumers every day have both the opportunity and the responsibility to establish a new business logic that is also committed to the common good. It would be wrong to expect companies to solve the world's problems on their own. But even a first step towards a solution is worth it to them, because it opens up tremendous long-term business opportunities and unleashes the full potential of their organizations. But how can managers reconcile short-term economic goals with a sustainable social and environmental contribution from their companies?

CORPORATE RESPONSIBILITY STRATEGICALLY ANCHORED

As part of our study "North Star: Purpose-driven Leadership for the 21st Century," we asked CEOs of leading companies such as Danone, Siemens and Mastercard, who are at the forefront of the so-called "Purpose-Movement", about this issue. In summary, the responses yielded four important findings. First, top leaders are increasingly aware that the success of their organizations in a larger context is inextricably linked to the future of our planet. In a time of growing political isolationism, they are striving for strategic partnerships across industry boundaries in order to advance steps towards greater sustainability.



There is a close link between the new leadership approaches and the financial success of an organization

Secondly, corporate responsibility is increasingly embedded in the core strategy of organizations. These companies accept the challenge of developing a strategy for the future based on the global sustainability goals defined by the United Nations in 2017. The remarkable discovery was that a long-term, sustainable perspective pays off. According to Grant F. Reid, CEO of Mars, they achieve "growth they can be proud of" and "business impact that benefits all stakeholders, not just shareholders."

SUSTAINABILITY MUST BECOME MEASURABLE

Our third finding is that change to a long-term approach requires new indicators oriented toward a company's higher purpose. Feike Sijbesma, CEO of the chemical group DSM, suggests on top that "companies negotiate international metrics which account for environmental and social impact, rewarding good corporate stewardship with lower cost capital and tax cuts."

Our fourth insight is, in my opinion, the most important. It demonstrates a close link between the new leadership approaches and the financial success of an organization. These approaches represent a new leadership paradigm that transforms corporate cultures, structures, processes and sourcing strategies to unleash the purpose and a high degree of agility throughout the organization. ■

THREE QUESTIONS FOR CHRISTA GYORI

What does "purpose" mean to you?

GYORI / For us, the term goes far beyond the question of "why." It describes a purpose embedded in the global context for the benefit of the organization, society and the environment. It is not easy to define such an authentic purpose, but it is worth it.

Why is "purpose" so important today?

GYORI / People today are very well informed, but at the same time their confidence in institutions and politics is waning. Today's technology also enables more transparency. Both of these factors mean that more and more consumers and interest groups expect industry to play a more active role in promoting social interests. It is not only companies that should be the driving force behind a positive development, but especially their CEOs and managers as well, who act as mentors for certain topics.

What reasons are there to be optimistic?

GYORI / I think we have everything today to fight hunger, climate change and poverty. And there are already good programs that make a difference. We also have an unprecedented opportunity to steer our future in a sustainable direction through innovation. Fortunately, an increasing number of investors are also supporting organizations that are committed to the long-term common good. While there is still much to be done, it is an intelligent and rewarding investment for companies in their long-term competitiveness. ■

Find more information at www.horvath-partners.com/purpose_en

CHRISTA GYORI

is CEO and co-founder of Leaders on Purpose, an organization originated as a research collaboration with intellectual pioneers from Harvard University, the World Bank and the London School of Economics. Leaders on Purpose brings together experts from business, politics, academia and non-profit organizations to unlock growth potential in organizations through innovative approaches and sustainable leadership. Christa Gyori has 20 years of experience as a top manager of international companies, including Unilever, where she held various management positions. She is a lecturer for manager training at Harvard University and has been awarded numerous prizes.