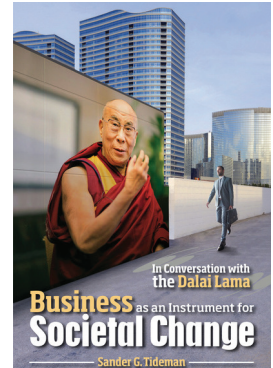


Discovering the Shared Purpose of Business and Society

By Mobius Senior Expert, Sander Tideman, a book excerpt from *Business as an Instrument for Societal Change: In Conversation with the Dalai Lama*



For more thought leadership from the author, visit the Next Practice Institute Reading room on www.mobiusleadership.com.

I had the privilege of meeting the Dalai Lama when I was still a young student. Later, when I had embarked on an international career as banker, I kept in touch with him, and he encouraged me to keep an open mind and look for meaning in my work as a banker. While my career progressed, and the banking industry started to pursue shareholder value as overarching goal at the expense of other values, I found it increasingly difficult to reconcile my work in business with my quest for happiness and meaning. At one point, when I turned forty years old, I decided to leave banking because I felt that it had lost its direction. I no longer believed the bank's self-proclaimed purpose of serving clients, let alone humanity.

I had discovered that I could not flourish in an organization without a societal purpose. Since I believed that I was not alone facing this dilemma, I started to organize a series of meetings with the Dalai Lama and leaders in business and society. These dialogues helped me to rediscover my own sense of purpose. Having had the experience of working in and with "big business," and having experienced firsthand the potential impact on people's lives that big business holds, I felt drawn to transform big business into a force for societal good. I established myself as executive coach and consultant with the aim to awaken purpose in business.

Unilever: example of sustainable business transformation

A particularly interesting client was Unilever, the Anglo-Dutch fast-moving consumer goods giant, which had embraced CSR and sustainability as a strategic opportunity and which simultaneously invested in leadership development. For example, it had organized leadership trips to locations such as Costa Rica, China, and the Sahara in order to awaken a new vision for its future. Its board advocated sustainability from a straightforward business perspective: since consumers are part of communities in a larger social and ecological context, the company's success depends on the success, happiness, and the health of those communities. Consumers can only grow to the extent that their communities grow. Therefore, it made strategic business sense for Unilever to help improve global communities.

I was retained as a coach/consultant at a time when the company was in the process of restructuring its global organization around the concept of the value chain, which was to be led by categories of the major products.

It was a highly political process; country organizations resisted the power transfer to a global category level.

Reprinted with permission by the author from *Business as an Instrument for Societal Change: In Conversation with the Dalai Lama*. Published by Greenleaf. Copyright 2016. All rights reserved.



Get Rhythm © Jim McManus

“Companies are living, complex organisms and not profit machines. The profit should therefore not be the object of a company, but rather a result of good work. Just like a person can’t survive for long without food and water, a company can’t survive without profits. But just as we cannot reduce the purpose of a human to eating and drinking alone, we cannot regard companies solely as money-making entities.”

— THE DALAI LAMA

However, a capital efficiency requirement forced Unilever to dismantle the traditional country-based organization and adopt a global value chain-based structure, which helped the firm to operate with more alignment to globalized markets. In this way, Unilever became better positioned to serve the longer-term and latent needs of consumers and their communities. Value creation for consumers rather than production targets set by factories was to drive the business.

Though this transition was not motivated by sustainability concerns, it did in fact help the company to move its sustainability agenda significantly forward. It expanded the firm’s sustainability focus from the supply chain to the entire value chain, including the consumers.

The supply chain focus had led to various commendable CSR initiatives, such as minimizing the ecological footprint, optimizing resource efficiency, and respect for human rights. But there had been a tendency to treat CSR and sustainability as an add-on, motivated by risk and reputation control, not as a necessary part of the core business. With the shift to the value chain perspective, sustainability became an inevitable trend, both impacting and driving consumer and community needs.

Unilever believed that, at one point, consumers would demand sustainable products and they would be prepared to pay for them. This value chain transformation process went hand in hand with investments in the generative capacity of Unilever’s own people, because the sustainability value chain approach required different mind-sets and attitudes from its managers. Andre van Heemstra, the board director responsible for human resources, summarized this approach in a meeting with me: “CSR without HR is PR.” I considered this a profound statement that I had not yet heard before in business. It was clear to the Unilever board that sustainability was not just a duty toward external stakeholders but an opportunity to educate and unify internal stakeholders.

Because CSR was considered to be the “right thing” to do, it could help boost the work morale of employees. People were proud and happy to work for a brand that would take care of their clients and suppliers. And so sustainability became a win-win for Unilever: it helped position the firm on a new value creation trajectory while enhancing its own workforce capacity.

As I was working with some of their top teams and visiting several of their companies across the world as this transformation was taking place, I started to sense the potential of such change. I learned most from working with Unilever's company in India, Hindustan Lever, particularly with the case of the promotion of the soap brand Lifebuoy.

Lifebuoy: saving human lives through soap

As one of Unilever's fastest-growing global brands, Lifebuoy is a great example of how integrating a societal purpose is also good for business. Lifebuoy was launched in the U.K. in 1894 and had championed a message of health through hygiene for more than a century. The Lifebuoy brand aims to make a difference in people's day-to-day lives by selling soap and encouraging hand-washing. In developed countries, modern innovations such as sewerage and piped water supplies, together with the widespread adoption of soap, have helped to reduce the incidence of infectious disease and reduce mortality rates from infection to 5% of all deaths. However, in Africa, 65% of deaths are due to infections, while the figure is 35% in Asia, including India. Interestingly, among all changes that are needed, hand-washing is shown to be the most cost-effective means of preventing infection and saving lives. By washing their hands with soap five times a day, children can be saved from diarrheal deaths.

The Lifebuoy managers in India asked themselves: "If hand-washing with soap is one of the most important preventative measures against disease, why is it not universally practiced in India?" They explored hygiene practices through investigating the various motives for (not) hand-washing.

Unilever then created partnerships with the Indian government, NGOs such as Oxfam, UNICEF, and the Red Cross, local communities, and women's groups. Collectively they created Project Shakti, which employed women in local areas to educate communities and families on the benefits of handwashing, and which also allowed Lifebuoy and its partners access to rural areas. Not only did these thousands of women

become a new distribution channel for Lifebuoy, they were empowered through earning an income.

Moreover, Lifebuoy's sales in India were boosted and, at the same time, there was a marked reduction in the rate of children's deaths. Children had 25% fewer episodes of diarrhea, 15% fewer incidents of acute

respiratory infections, and 46% fewer eye infections. Children also had a significant reduction in the number of days of school absence due to illness. This was a true win-win for both Unilever and Indian society — and an example of a shared business/societal purpose, or "shared purpose." Unilever claims that, by 2015, the Lifebuoy brand had changed the hygiene behavior of tens of millions of consumers

across Asia, Africa, and Latin America. The long-term mission is to reach a billion people. Unilever took the Lifebuoy case as a model for its Sustainable Living Plan, which was launched in 2011 in an effort to build its entire business on serving societal and sustainability goals. In other words, Unilever became a shared purpose-driven firm.

“Hand-washing is shown to be the most cost-effective means of preventing infection and saving lives.”

DSM: Turning misery into markets

I found another example in Royal DSM, a Dutch multinational active in the fields of life science and nutrition. At the end of 2015 DSM employed 20,000 people in 50 countries and posted net sales of €7.7 billion. On top of strong and consistent profits over many years, DSM has been among the leaders in the annual Dow Jones Sustainability Index. The global sales director, Frederika Tielenius Kruythoff, explained to me what drives DSM's success. The company was founded in 1902 as the Dutch State Mines (hence the acronym DSM) but, when the last coal mines closed in the 1970s, the firm embarked on a process of transformation that continues today. It first diversified into the (petro) chemicals field, and later into essential nutrients such as synthetic vitamins and other ingredients for the feed, food, and pharmaceutical industries.

The most recent wave of transformation was initiated by Fijke Sijbesma, DSM's CEO, after witnessing poverty

firsthand on a trip to Africa. He saw that there is plentiful evidence that improving nutrition in developing countries is fundamental to breaking the cycle of poverty. More specifically, the key lies in providing the right nutrients to pregnant women and their infants. Optimizing the quality of nutrition during a critical thousand-day window of opportunity from conception until a child reaches two years of age has a dramatic impact on its physical and cognitive development, and substantially improves its prospects in adulthood. High-quality nutrition in this phase lays the foundations for a future in which children grow up capable of leading progress in their own communities and countries.

Impressed by both the needs of masses of undernourished people and the market opportunity that this provided, DSM positioned itself as leader in combating malnutrition. Sijbesma said: “As the world’s leading producer of micronutrients including vitamins, DSM is taking its responsibility to help solve the world’s greatest solvable problem: malnutrition, affecting 2 billion people across the globe.” Sijbesma believed that investing in nutrition can not only break the cycle of poverty and build thriving societies and markets, but can also benefit the business objectives of DSM by developing a new market. By establishing partnerships with UN’s World Food Programme, DSM turned a global problem into a business growth opportunity of enormous scale. As a business, DSM committed itself to achieving a very tangible goal: to reach 50 million beneficiaries (pregnant and lactating

woman and children under two) by 2030.

To show that these objectives are not merely window dressing to boost DSM’s sustainability profile, the firm’s management board linked its remuneration and executive bonus to DSM’s social/environmental performance. These bold steps had an interesting side-effect, Kruythoff said to me: “Our real commitment to societal goals is inspiring our own people. Since taking on fighting malnutrition as part of our mission, our employee engagement has grown substantially. It encourages people to bring their whole selves into their job.”

The hidden driver of success

What have these examples in common? On one level, these approaches represent common sense. Businesses are made up of human beings, and like human beings they don’t exist for money alone. Humans and business should have some sort of societal benefit in order to flourish. The Dalai Lama had said to me:

Companies are living, complex organisms and not profit machines. The profit should therefore not be the object of a company, but rather a result of good work. Just like a person can’t survive for long without food and water, a company can’t survive without profits. But just as we cannot reduce the purpose of a human to eating and drinking alone, we cannot regard companies solely as money-making entities.

This was echoed in the management literature. Jim Collins, in his 2001 bestseller *Good to Great*, explained what distinguishes a great company from a good one:

“People were created to be loved. Things were created to be used. The reason why the world is in chaos is because things are being loved and people are being used.”

– THE DALAI LAMA

“When companies focus on creating value for all stakeholders (that is, beyond merely shareholders, to include employees, suppliers, customers, nature, and society) they perform better in financial terms, especially in the long run.”

Great companies don't exist merely to deliver return to shareholders. Indeed, in a truly great company, profits and cash become like blood and water to a healthy body; they are absolutely essential for life, but they are not the very point of life.

Enduring companies are driven by more than financial profits. This drive can be described as core values, ideology, purpose, mission, or vision — it does not seem to matter what it is called. “The point is not what core purpose you have, but that you have a core purpose at all, and that you build this explicitly into the organization,” according to Collins. The management researchers Rajendra Sisodia (*Shakti Leadership* co-author), David Wolfe, and Jagdish Sheth write in their 2007 bestseller, *Firms of Endearment*:

Today's greatest companies are fueled by passion and purpose, not cash. They earn large profits by helping all their stakeholders thrive: customers, investors, employees, partners, communities, and society. These rare, authentic firms of endearment act in powerfully positive ways that stakeholders recognize, value, admire, and even love.

What these companies demonstrate is that the purpose of creating value for society is not merely an expression of CSR and philanthropy, of being a “good corporate citizen,” but that serving society is at the heart of the business. It is the very reason why these companies are successful, enduring, and great. In other words, when companies focus on creating value for all stakeholders (that is, beyond merely shareholders, to include employees, suppliers, customers, nature, and society) they perform better in financial terms, especially in the long run.

These ideas, in my mind, shattered the mainstream business thinking that equates purpose with profit, the dominant view that is reflected in Milton Friedman's

infamous motto: “The business of business is business.” I could now see that this thinking is a distortion of how business actually creates value, leading to a dangerous pathway of eroding societal and business value. In fact, as I discovered, the hidden driver of long-term business success is a “shared purpose” between business and society. Shared purpose reflects the reality that business and society are intrinsically connected and that it is only this connection that can serve as a sustainable basis for value creation in business.

It also became clear to me that shared purpose starts with leadership. Purposeful leaders drove all the examples of purpose-driven firms. Jim Collins called these Level 5 leaders: “Level 5 leaders are ambitious for the company and what it stands for; they have a sense of purpose beyond their own success.” I started to envision a pathway of helping leaders to awaken their organization's shared purpose with society. I sensed leadership development was an avenue for transforming capitalism and achieving sustainable development.

From that point onward I started to craft a leadership development model that would be fit for this purpose. The first outline of it, called Societal Business Leadership, is described in this book. ■



SANDER TIDEMAN is an expert in leadership development and sustainable business. He is Managing Director of Mind & Life Europe, Senior Researcher at Rotterdam School of Management (RSM) and co-founder of Flow Foundation & Impact Fund. He is the author of the recent book, *Business as an Instrument for Societal Change: In Conversation with the Dalai Lama*.