# TOPIC 4:
# Driving Humanized Growth

## Session Objectives

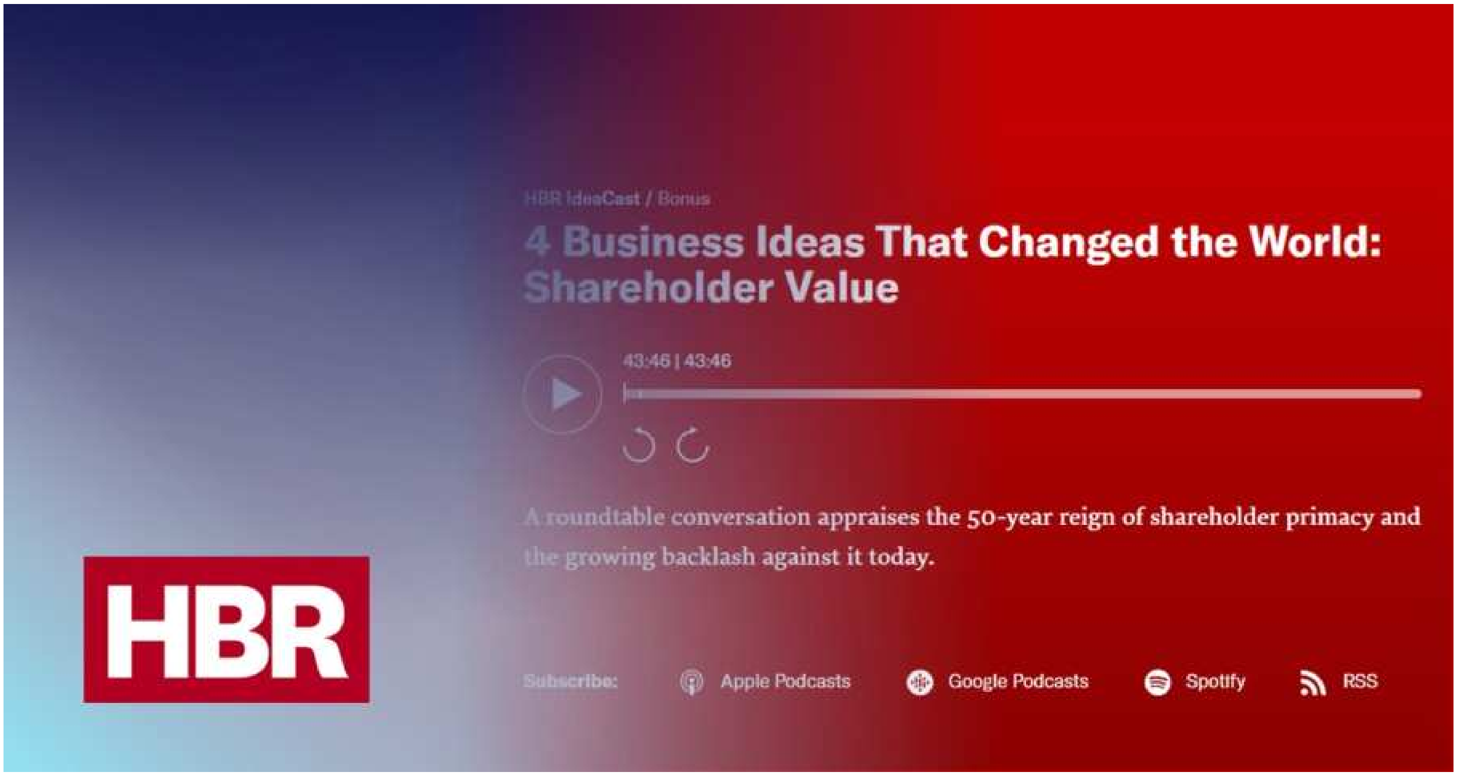
1 **Provide background and context of the Stakeholder Value Creation discussion**

2 **Explain IRG Impact Study approach, contributors and introduce the Humanized Growth and Da Vinci frameworks**

3 **Highlight the opportunity for Marketing to help the organization drive more Humanized Growth**

## Prereads

To help prepare and inspire you, please enjoy these optional prereads.




**4 Business Ideas That Changed the World: Shareholder Value**

(44 min listen)

In this HBR podcast, Adi Ignatius, editor-in-chief of Harvard Business Review, hosts a roundtable conversation that appraises the 50-year reign of shareholder primacy and the growing backlash against it today. *Click here to listen.*


**Stakeholder Primacy Is Also Ruthlessly Profitable**

(5 min read)

This article from Forbes outlines the potential value in stakeholder primacy, and argues that its positioning as anti-capitalist is holding it back from achieving its true potential. *Click here to read.*


**2023 CMO Tenure Study**

(2 min read)

Spencer Stuart's 97th annual *CMO Tenure Study* looks at trends in not only CMOs' time in the role but, importantly, evaluates progress in terms of diversity. The study is based on the analysis of the tenures of CMOs from 100 of the most-advertised U.S. brands. *Click here to read.*

# Live Session

January – Kick-off

# The Context for Change

The business world has undergone fundamental transformations in the past year, creating an impetus for the IRG to initiate a new large global study, together with Oxford University's Saïd Business School. In the video below we share the context, methodology and output of the Impact Study,

*Press the play button to start the video.*

Close transcript

societal ecosystem, responsible for creating value for *all* their stakeholders, not just their investors.

This notion of the role of business is far from new – historically, companies have been integral to society, understanding the importance of taking care of their people and their communities to succeed.

But in the early 1970s, many businesses made the shift to focusing solely on creating *shareholder* value at the expense of all else… with lasting damage.

In 2019, the Business Round Table made the important step of recognizing that a corporation exists to create value for *all* its stakeholders. But then COVID struck, the world's economies took a nosedive, and business results suffered badly, testing the resolve of any business leader.

Today, Companies are finding it almost impossible to get the balance right: Some are being accused of doing too little, and at the same time some CEOs are being pushed out of their roles early because shareholders think that they are doing too much for 'other' stakeholders.

In July 2023, The Economist coined the term 'Overstretched CEO' to recognize how business leaders are being pulled in all directions by their stakeholders: employees, customers, consumers, communities, and investors today are *all* better informed, louder, and more demanding.

And legislation worldwide is also puling the business in different directions: In Europe, new laws mandate ESG reporting, but in some American states taking an ESG focus is now illegal. And in China, the government is getting so involved that some companies have decided to just leave.

The economic instability and stakeholder backlash begs the question, is the pendulum swinging back to shareholder primacy? After hundreds of C-suite interviews, we know one thing for sure: stakeholder value creation remains a top priority across the C-suite. But leaders need a roadmap to make the shift.

That's why the Institute for Real Growth and the Said Business School at Oxford University partnered with a coalition of C-Suite leadership organizations to lead the **IRG Impact Study**.

The study is unprecedented in its global scope, with learning across 61 markets, experts, The IRG Impact study findings offer leaders, a Humanized Growth framework, best practices and practical tales from the trenches to help make the shift to value creation for *all* stakeholders.

The IRG Impact Study output also include the ‘Da Vinci’ leadership profile - identifying the attitudes and behaviors of future-fit growth leaders, combining creative and analytical thinking with empathy.

By embracing the IRG Impact Study findings, leaders can successfully make the pivot from shareholder primacy to value creation for all stakeholders, empowering employees, better serving customers, contributing to a more equitable and sustainable community, and driving more shareholder value.

It's time for business leaders to step up drive more Humanized Growth.

## The Drivers of Humanized Growth

We have distilled the findings of the Impact Study into a framework, the 5 Drivers of Humanized Growth. In this video, Marc de Swaan Arons talks you through the drivers, sharing the key statistics and findings, illustrated with tales from the trenches.

*Press the play button to start the video.*


correlates highly with revenue growth over performance. Now, when we talk about value creation, the first thing to note is that over the last 50 years since Friedman, the definition of what people actually pay for has shifted. It's flipped from tangibles to intangibles where in the seventies, and these exact numbers are still a subject of discussion between academics and experts, but no one doubts the flip.

Literally in the last 50 years, the bulk of the value has shifted from tangible assets to invaluable. So if you were buying a company in 1975, you were mostly paying for its tangible assets, buildings, equipment, cash bonds, inventory, and these days when you're buying a company, you're doing it for its patents, its reputations, its brand value, its customer data is consumer and colleague loyalty, it's all intangibles. And the second point to note about stakeholder value creation, I mentioned the genie is not going back into the bottle. Well, is actually the perspective that the company takes on the topic of stakeholder value. Is it a risk or is it an opportunity? And what we see, if you look at the green bar, 90% of overperforming organizations say that they are actually seeing stakeholder value creation as an opportunity, whereas only 50% of underperforming organizations see it as an opportunity and the other 50% see it as a risk.

Now, I'm going to present the rest of the findings along a framework that we've developed that we are calling the drivers of humanized growth. They are sequential practical steps that are data backed for leaders to go on the journey from pivoting from shareholder primacy to

Look at the data point 76 versus 17, an understanding of who our stakeholders are across the board and the importance of all the topics that matter to these stakeholders and also how they matter to us. So it's an aligned stakeholder understanding. Now, this is the first of three data points around a stakeholder understanding because the next level of if you like intensity is engaging with those stakeholders. This is an example of the Coca-Cola leader in Vietnam engaging with ocean cleanup and the local government around plastic.

And as you can see, the difference between over and underperformance is even bigger. The biggest difference between the three is when it gets to the stakeholder representation at the moment that we're taking key strategic decisions. This doesn't mean that all stakeholders get what they want. Of course they don't, nor does it mean they need to be in the room, but it does say that when the C-suite is taking strategic decisions, it knows what the stakeholder reactions will be and isn't surprised afterwards. The second driver is what we are calling reimagine thinking, future backwards and defining an aspiring role for the organization. Now this starts as you can see from the data, by the ability to take a more long-term focus, a massive characteristic of over performance, and then to define within that future a utopian positive vision of the emerging future. If you look at the picture, you see the CEO of General Motors there really talking about a key point for General Motors that is the morning commute and their vision is that it'll be one in the future with zero crashes, zero emissions, and zero congestion.

Now, that sets the scene then for, and what will be our role within that. I mentioned this as a utopian vision. Many companies also contrast that to a dystopian vision of what will happen if we don't act. In this case, Arcelik one of the world's biggest white goods manufacturer, A CEO is actually standing on Everest and driving the strategic planning of the company based on an understanding that sustainability will be key to the future of the company. Now, within that vision then of the future, you need to define as Chobani has done a corporate purpose, one that makes people proud. As you can see from the data points, and this is something that a lot has been written about and most people's minds go to cause related purposes, but it actually turns out as this Harvard Business Review article demonstrates that actually the majority of corporate purposes are not cause-based.

There's another book which gives a great perspective on this also from a Harvard professor Hubert Joly, who used to be the head of Best and is a IRG contributor and he borrows the Japanese concept of Ikigai and then uses it as a framework for companies to look at what their purpose can be and should be. And what he really says is it's the heart of four important perspectives. One is the competency based purpose. Amazon is worldwide the best in getting us that package tomorrow. It's what the company is uniquely good at. The other is in the company are passionate about, and Mars is clearly a culture-based purpose-led company. And then of course there are those companies like Tony Chocolonely that really have set their sights on something what they believe the world needs. In this case, chocolate without any child labor in the supply chain.

And we all know Patagonia makes its cause to fight for public lands, but those cause related purpose companies are really less than 20% overall. And that's also there. It's important to point out that companies need to use that purpose as a strategic filter for all their decision-making. As you can see from the data here. Now when you have that purpose, it really needs to be something that isn't just a plaque next to the elevators, but it's something that drives mind, heart, and will of the organization. And this is where we've seen it go wrong. Now, an example of where it went very right is Nike. When Colin Kaepernick created lots of commotion in America and really had half the country be opposed to him, Nike did what it has always done. It stood by the athletes knowing full well that 50% would be angry.

It also understood that this was the company DNA and when Nike stood by Colin Kaepernick, so did every Nike employee. It's who Nike is. Very different. In contrast to the most recent Budweiser or Bud Light problems where really a well-intentioned marketing tactic totally blew up in the company's face because there was no brand DNA, there was no company corporate DNA supporting the initiatives that the marketing team were engaging in. So when the backlash came, there was no spine to support this course. And the same is true for Pepsi's Black Lives Matter promotions a few years ago. These are marketing led activities that don't build on the foundation of corporate purpose. Now, the third area is focus and actually developing a holistic strategy with new KPIs. The first thing to say is it's totally fine to prioritize one stakeholder over others, but what as Patagonia has done.

But what's important is that you still define for all the other stakeholders how you are creating value for them. So Mars is a culture led company, but at the same time, it spells out beautifully in its annual report how it delivers for all its key stakeholders. It takes an integrated perspective, and this is a data point from oxs AI analysis of over 125,000 social media posts of business leaders at over and underperforming growth organizations. And what we see is that for the terms on the left growth, stakeholder value, profit engagement and impact, really these leaders act as of these things are part of two different discussions, two classes only. In other words, a high correlation whereas underperformance see them as four different subject matters, treat them separately, and in fact they talk about them in the context of work, team, business, career and opportunity, which suggested us that perhaps they're a little bit like being used as clickbait to get people to come and work for an organization.

In other words, we know this is important to you, that's why we're talking about it. Now, this addressing short-term issues in the context of a long-term strategy and you're able to define what you stop doing. A great example was CVS that decided to stop selling tobacco because its vision and its purpose in the future was around being a health company. And not long after they purchased Aetna, the insurance company, the fourth driver is organized and it's about driving interdependence into the organization. Now, the first recognition here is that if this is not recognized as needing systemic change, initiatives will likely fail. As you can see, a huge over majority of the over performance recognize that it will take systemic change because we're working across the functional silos.

And these companies recognize the importance of working independently within the silos inside the company, but also across industry. Now, this is the only data point where there is no key difference between over and underperformance. In other words, all organizations understand that collaborations like Walmart and Patagonias on sustainable clothing are necessary for the future. It's not a characteristic of over performers. However, when you start to look at collaborating with NGOs, then actually you start to see the difference between over and underperformers increasing and it is significant. There is a really significant difference when it comes to collaborating with the government and public institutions. This requires real investment on the organization's part to get it right, probably hiring different people than the typical employee because that's what is needed to work well with governments. And that's something that these big organizations make important like Life Boy working with the Indian government around Handwashing during covid.

Now, another point on organized to make is that over performers recognize that they need to push empowering empowerment for decision-making to colleagues that are close to the stakeholder, which often means lower in the organization. And then I'll end with the fifth driver, which is really about you, the leader. We call it Unleash, and it's about role modeling DaVinci leadership. Now, why DaVinci? This is a profile we developed together with Spencer Stewart and the B Team. And what I think everyone knows about DaVinci is that he was right-brained and left-brained, analytical and creative. But what most people don't know about DaVinci was that he was also one of the founders of the humanist movements empathy, the heart, if you like. And what we see is that the leader of the future is seeking out true diversity of thought, of ideas, of growth ideas, very, very different than this boardroom of the past.

In fact, they are far more open-minded, listening to different perspectives on perhaps the same issues. If we don't listen differently, we won't hear new ideas from the new colleagues we've brought in. And then we're future focused like the CEO of Intel who developed not only a vision for America and Intel on the future of chips in America, he did that so positively and so broad based for the actual US technology strategy that he even won the support of the work colleagues didn't feel safe and loud and clear, making policy to change that, real courage to go against the grain. But ultimately it comes down most to authenticity, really showing to all the new stakeholders that you are willing to create value for them and that you're willing to learn on how to do that, and that you recognize that this is different and is going to require change. Now we have a whole DaVinci leadership profile. I don't have enough time to go into that now, but please come to our website or to one of our events to learn more about that. Those are the drivers of humanized growth, and I encourage you to connect with us to come to one of our events or to read more online, to learn more about the humanized growth drivers as well as the impact study. And I thank you for your time. All the best.

## The Role of Marketing

The Impact Study findings present an opportunity for Marketing to take a leading role in Driving Humanized Growth.

*Click the arrow to find out more.*

Driving value creation +

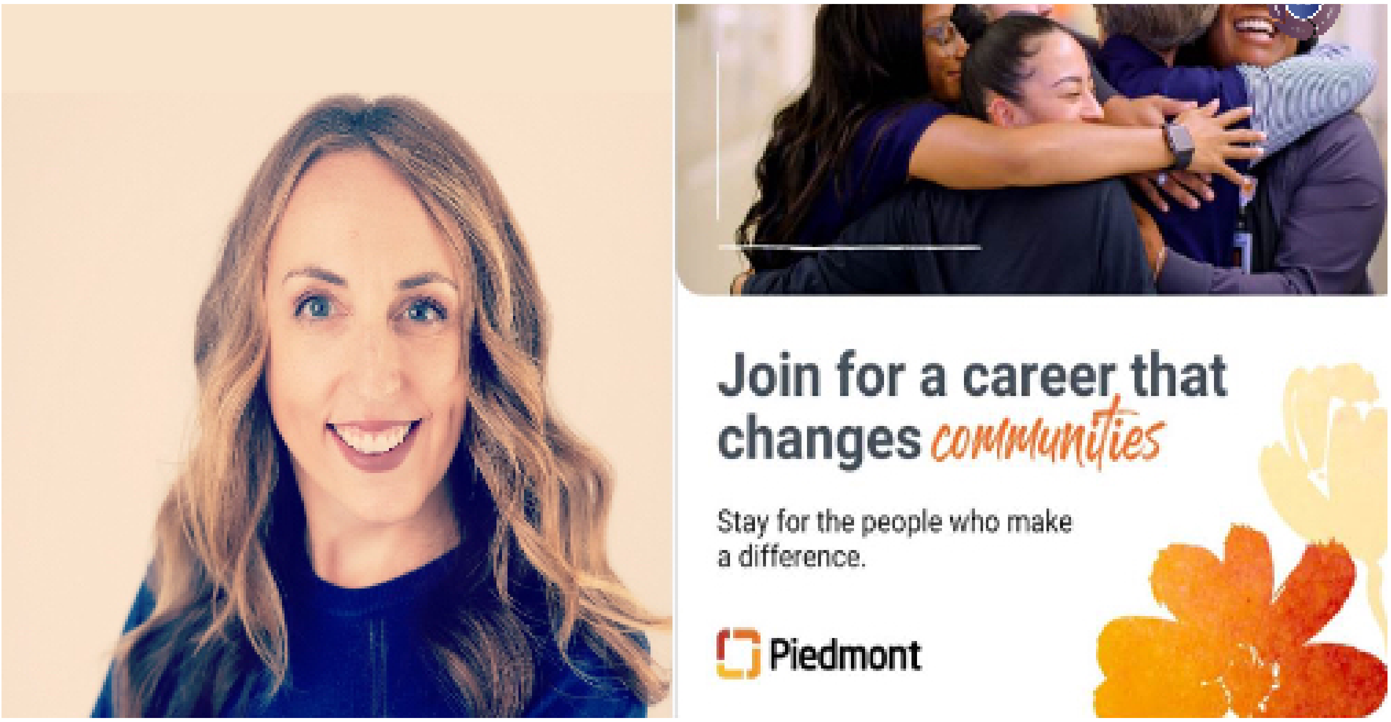
## CMO Partnering

As has hopefully become clear by now, collaboration across the C-suite is critical to creating and delivering impactful humanized growth strategies. This collaboration can take many forms, below we share some great examples of CMO's from our IRG100 program, that have been successful in partnering with other C-suite functions.

*Click each heading to find out more.*

Partner with the CHRO

Kate Metzinger, Head of Marketing at Piedmont, worked closely with HR to develop a new Employee positioning and onboarding experience roadmap




Partner with the CSO +

Partner with the CFO +

Partner with Government +

Partner with CEO +

# Key learning

1 **Overperforming businesses focus on value creation for all their stakeholders**

2 **The IRG Impact Study provides a practical roadmap for C-suite leaders to make the pivot from shareholder primacy to value creation for all stakeholders**

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*If you have any questions on either the live session or this online learning platform, please contact Program Manager Leanne Rathore at leanne@instituteforrealgrowth.com*