00:04

Lately, a lot of chief executives have promised to shift their business model. They pledge to serve all stakeholders, not just shareholders. Investment return, they say, will no longer take precedence over the health and welfare of employees, suppliers, even planet Earth. Not just in a crisis, but every day.

00:29

This is a change that business absolutely needs to make, but that does not mean it is going to be easy. It's like going from being a young couple to having kids. When you're trying to make decisions with just one other person in the relationship, it's pretty straightforward. Where should we have Sunday lunch? What should we watch for the movie? But when you add one child, a second child, new decision makers, life gets complicated. And each one has their own unique needs and individual perspective. We all know that you're not supposed to have a favorite child, and that being fair doesn't always mean being equal.

01:16

It's one of the biggest challenges in parenting, and in stakeholder capitalism. Employees need to earn a living wage. How else can they be confident that they can feed their families? Pension fund investors need to earn a positive return. Only then can they be sure that they are managing the savings and retirement of their investors responsibly. Consumers want and deserve products and services that are both affordable and safe. And we all want a society and planet that lets us breathe.

01:53

I have spent my career helping companies and their leaders improve their performance, particularly at times of transition. We've all gone digital. We've responded to new health care regulations. We've improved their productivity, made them more diverse and inclusive. It took us a while to learn that you can't actually make a company more digital by appointing a chief digital officer, or that a chief diversity officer could not single-handedly make a company's culture more inclusive. So we already know that we cannot just appoint a chief stakeholder officer if we really want to serve all stakeholders.

02:38

Instead, we need to reset. If we really want to serve stakeholder needs, we need to get everyone involved. There are no quick fixes, but I do have a few ideas.

02:51

Let's start at the top: the boardroom. This is where a company's strategy is set and governed, and if all stakeholder needs aren't accounted for here, really, nothing's changing. By definition, a board can stand in the way of serving all stakeholders. Why? Because often, a board is elected by shareholders. It represents their interests. It's there to act on their behalf. That's not just a dictionary definition. It's enshrined in law in the US, and this can really limit how much change a CEO or board can effect if they want to serve the needs of more stakeholders.

03:39

For years, if we're honest, we've been ticking boxes: ethnicity, age, gender. We've been looking for people who look different, but boards still do the same thing. They look after the interests of shareholders. We don't need tokens. We need people who truly understand the experience and represent the diversity of our stakeholders.

04:07

Corporate boards can learn a thing or two from the nonprofit world. I chair a charity, Teach First. It's an educational charity that produces outstanding teachers and schools. Our board includes a wide range of skills: former civil servants, activists, teachers, ambassadors, technologists. Some of them on paper have very little that's an obvious fit for an educational charity. But they each have real experience with our stakeholders. Every board is different. Imagine a world where corporate governance was very different than today: community leaders sitting on the boards of their local bank; moral philosophers advising social media companies; environmental activists as directors of global energy companies. CEOs keep making pledges. They keep talking about social purpose, but real change won't happen until we change who governs and for what purpose. We have to change the laws of incorporation that limit us, and remember who we really serve.

05:22

Next, let's talk about the big E, the environment. Sustainability goals have been written into annual reports all over the world. The goals are very lofty, and very, very long-term, and none of them will be accomplished if they don't have real steps along the way. It's like saying, "I'm going to run a marathon, or a 5k, sometime in the future." No one is going to believe you until they see you get off the couch, start training, putting in the miles every single day. CEOs need the same thing. They need concrete, achievable, measurable goals, and they need to share the data and progress along the way. Being green is good for the bottom line in the long run, but it requires investments, and those have to be shared.

06:16

Brazil-based Natura is the world's fourth largest cosmetics company. They've got the usual profit and loss statements for the investors and the executive, but it's their other two P and Ls that make them a little bit special. One measures how well they do for the environment. The other looks at their impact on society. They measure everything: seeds planted, jobs created, rubbish thrown in the bin.

06:45

Shell, the Anglo-Dutch energy company, is another example. They figured out what many of us already knew; it's not good enough just to look after your own emissions. In fact, their emissions accounted for about 15 percent of their system emissions. So they changed. Working with activists and pension funds, they set three-year rolling goals with progress markers year by year. By 2050, they hope to reduce their net carbon footprint by almost two thirds. That is a major reduction. Initially, these targets are linked to the bonuses of their top 150 decision makers, and over time the pay of nearly 17,000 employees could be linked in part to how they treat Mother Earth.

07:40

It's still early days for this industry and many of these initiatives. Success will depend on how well we stay the course when the investments become more significant, when stakeholders disagree, or when competitors start catching up.

07:57

Let's spend a little bit of time on a stakeholder who is sometimes hidden, and those are our suppliers. They are the connective tissue underneath many companies: Uber drivers, widget makers, service employees. They're like an invisible life force that power our economy, and one thing we know for sure is that the success or failure of your business depends on your suppliers and partnerships. It's a painful lesson that many hospitals, including in the US and UK, will take from COVID-19. In pandemics, robust, agile supply chains deliver the masks, ventilators, testing kits and vaccines that we all need. It saves lives, and it helps to reopen our economy. Suppliers don't just matter when we're in a crisis. If you really want to scale your positive impact, you have to look beyond the walls of your company.

08:55

BHP Billiton, the Australian mining company, did just that when it made a commitment to end gender imbalance in its workforce by 2025. It decided to encourage, or kind of nudge, its suppliers into also participating by providing training and technology. In Chile, Kal Tire helps to change the enormous tires on BHP's trucks. It is a very physical, demanding, dangerous job, and to be honest with you, not that many women were even interested in the job. The two companies change that. First, they developed a mechanical arm. And then they proactively encouraged women to apply for the job.

09:38

Now, Kal Tire is just one company. It's an example. BHP Billiton has thousands of suppliers, and if you really want to engage your supplier network, you can use incentives to get them engaged. Today, Kal Tire illustrates how well that can be done, and across BHP's supplier networks, women are now 15 percent more likely to get the job than they were even a year ago today.

10:11

Suppliers and partnerships will make or break your business. In good times, they're the key to your success, scaling it worldwide, and in bad times, they're the key to your survival.

10:26

If suppliers are a hidden stakeholder, then customers are probably the most visible. But when shareholders rule supreme, some companies may have an incentive to focus on customers' short-term desires rather than their long-term needs. Consumption of processed food has taken off around the world, and with it, global obesity rates have increased. That's why the Access to Nutrition Foundation now tracks the salt, fat, sugar that global food and drink companies include in their products. They also track whether they market them responsibly. I think it's like measuring the calories consumed for every dollar these companies earn.

11:12

Companies that have been paying attention to this have begun to make changes, including ingredients and formulations. Nestle reduced the sugar in its breakfast cereal. Unilever reduced the volume and calories in its ice cream.

11:28

Now, I'm not sure that's a good idea, but I can tell you it takes creativity and a little bit of investment. We know that consumer needs change over time, but companies that make these investments proactively can be better positioned in the long term, even for shareholders. As we all have tried to improve our eating habits, tried to eat less ice cream, these companies were well-positioned to capture that market. They were ahead, more competitive, and able to be more relevant. It also aligns with governments, many of whom have looked at nutrition labeling, exercise programs, or even sugar taxes to encourage healthier eating. If customers are stakeholders, then they should not be harmed by the goods, services and products we produce. It's that simple.

12:27

For stakeholder capitalism to really work, we all need to see ourselves as chief executive officers. If we really want change, we have to be willing to bear the backlash. We're not always going to get it right, and that's OK. Real, substantive change takes time. The right answer keeps changing. But we have to try to do better.

12:58

There's a quote that I love that really captures the essence of this moment. It's by the American poet Gwendolyn Brooks. "We are each other's harvest. We are each other's business. We are each other's magnitude and bond."

13:16

Business is a set of ever-changing human bonds through which we plant and grow and reap. Our harvest is our lives and livelihoods, our civil liberties, our skills and communities. Business is what we make of it. Let's hit reset and serve all stakeholders.

13:42

Thank you.