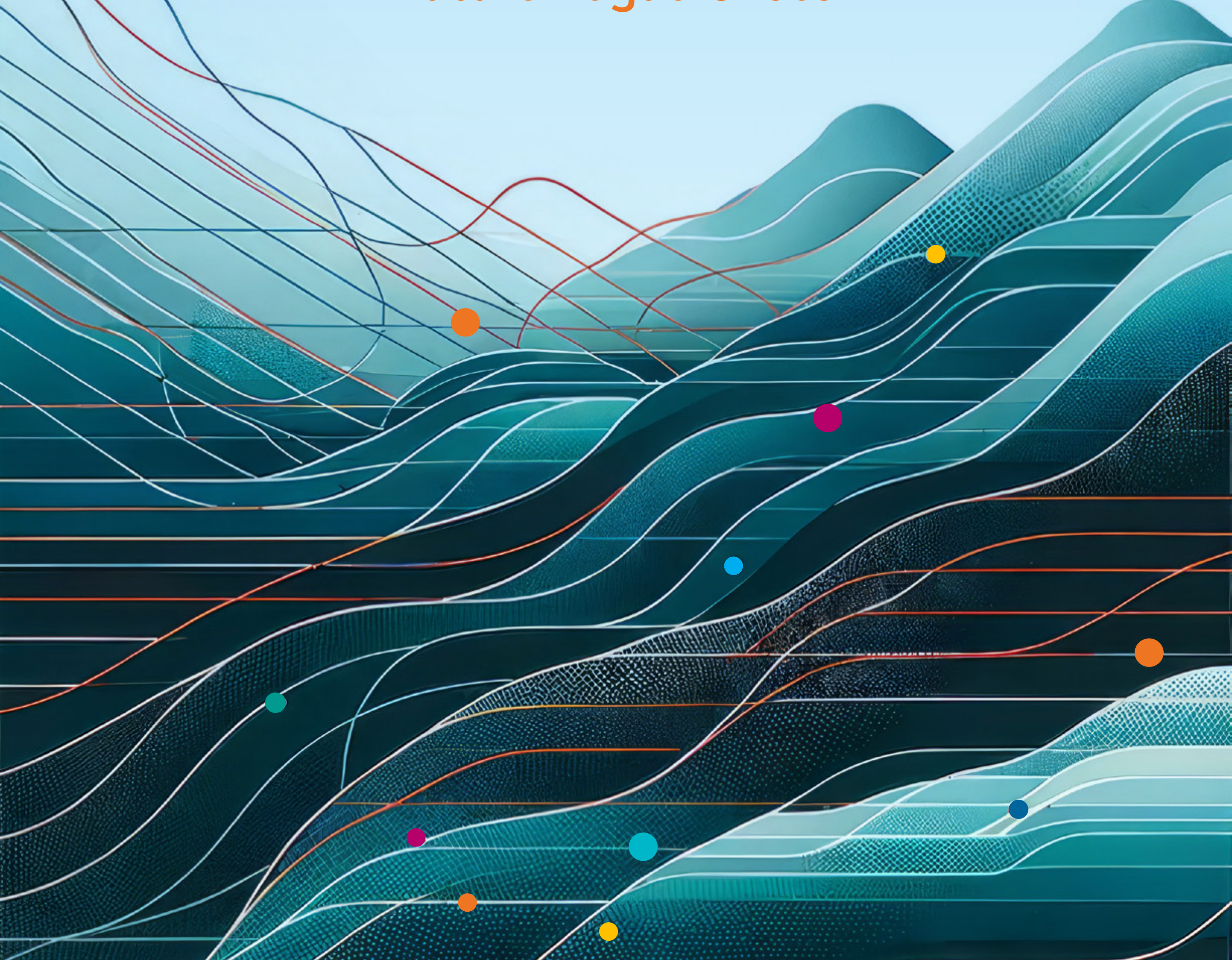
CECP

DECEMBER 2023

SHARED RESILIENCE

Business Lessons to Prepare for Future Rogue Crises



ABOUT CECP

Chief Executives for Corporate Purpose® (CECP) is a trusted advisor to companies on their corporate purpose journeys to build long-term sustainable value. Working with CEOs and leaders in corporate responsibility, sustainability, foundations, investor relations, finance, legal, and communications, CECP shares actionable insights with its CEO-led coalition to address stakeholder needs.

Founded in 1999 by actor and philanthropist Paul Newman and other business leaders, CECP is a movement of more than 200 of the world's largest companies that represent $8.7 trillion in revenues, $47 billion in total community investment, 15.1 million employees, 16 million hours of employee engagement, and $34.1 trillion in assets under management. CECP helps companies transform their strategy by providing research, benchmarking, strategy, convening, and communications in the areas of societal/community investment, employee engagement, environmental social governance/sustainable business, diversity, equity, inclusion, and telling the story.

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SHARED RESILIENCE

Business Lessons to Prepare for Future Rogue Crises

About This Report

This report delves into the responses to, results of, and revelations from the COVID-19 pandemic (COVID) that can be applied to other crises we may face. This report is not intended as a road map specific to pandemic preparedness as much as it is a road map to better resilience, agility, and engagement, which build trust and are the ultimate forms of crisis preparedness.

METHODOLOGY

CECP reviewed field research and resources pertaining to COVID; disaster and crisis preparedness; corporate responsibility (CR); environment, social, and governance (ESG); diversity, equity, and inclusion (DEI); and purpose. CECP held three focus groups and had more than 30 one-on-one conversations with CEOs, Chief Diversity Officers, Chief Human Resources Officers, and Chief Sustainability Officers, as well as nonprofit leaders, consultants, and public health experts.

In June and July 2023, CECP conducted Pulse Surveys of CECP-affiliated companies and distributed the surveys more broadly on LinkedIn to explore companies' methods and challenges during the COVID pandemic and beyond.

Further, over the spring and summer of 2023, CECP reviewed the websites and public reports of CECP-affiliated companies to gather insights on strategy, operations, and communication approaches related to COVID, climate, DEI, and more.

Contents

KEYWORD DEFINITIONS[1]

CECP provides these definitions to engender a shared language for the readers of this report, which will further the understandings, lessons, and insights of this publication.

CONGRUENCE: Agreement or harmony; compatibility.

COVID: The Centers for Disease Control and Prevention explains on its website, "'CO' stands for 'corona,' 'VI' for 'virus,' and 'D' for disease." For this report, we use capital letters for COVID per "The Chicago Manual of Style." For the sake of brevity, however, we eliminated the "-19." Note: We use the term COVID to denote not only the disease, but also the pandemic and the crisis it created.

EMERGENCY, DISASTER, CRISIS: The Museum of London Emergency planning tool[2] defines these words as follows:

> **Emergency** — A serious, unexpected, and often dangerous situation requiring immediate action.
>
> **Disaster** — A sudden accident or a natural catastrophe that causes great damage or loss of life.
>
> **Crisis** — A time of intense difficulty or danger.

EMPATHY: The ability to understand and share the feelings of another.

ESG: "ESG stands for Environmental, Social, and Governance. ESG covers a wide range of issues that may have a direct or indirect impact on financial relevance. Some of these issues that come under the purview of ESG reporting include resource management, supply chain management, organizational health, safety policies, and building trust through transparency."[3]

ESG is a term that was introduced in the United Nations Global Compact 2004 publication "Who Cares Wins."[4] It was meant to be different from the terms "corporate responsibility," "corporate citizenship," "corporate social responsibility," and "sustainability," which were all in use at the time. It was offered as a means to focus on environmental, social, and governance issues that were directly relevant to the company's financial performance; that is, the proverbial business case. ESG was not intended and is not used by investors to mean how your company is serving its stakeholders, but rather, how ESG issues and their management present ways to drive measurable, long-term business value.

Today, however, ESG has become a catch-all term for all ESG investments, no matter if they show demonstrable business benefits or not. Therefore, it is important that readers and writers differentiate ESG as an investment strategy from ESG as a synonym for a wide variety of environmental, social, and governance programs implemented by the company. Within this report, we will use the term ESG to refer to programs of all types, including CR, DEI, and sustainability strategies and programs, and we will call out when we refer to it as specifically relevant to investors.

INTEGRATION: With various parts or aspects linked or coordinated.

ROBUST, RESILIENT, AND ANTIFRAGILE: There is an ongoing discussion about the differences among robustness (the quality or condition of being strong and in good condition), resilience (the capacity to withstand or to recover quickly from difficulties; toughness), and antifragile (processes and or systems that gain from disorder). Although each word holds its own meaning, for the purposes of this paper, we use "resilience" to mean some mix of them all. Resilient institutions get better from challenges, build strength, and can "bounce back." The skills, aptitudes, and behaviors companies are adopting (and, we suggest, they should continue to refine and adopt) build resilience across all dimensions of this definition.

ROGUE WAVES: Rogue waves are defined as "waves with a height that is more than two times the significant wave height (Hs or SWH), which is itself defined as the mean of the largest one-third of waves in a wave record." Therefore, rogue waves are not necessarily the biggest waves found on the water; they are huge waves for a given sea state.[5]

PURPOSE: The reason for which something is done or created or for which something exists.

Foreword

The opportunity to work with one of the world's largest nonprofit organizations, the Bill & Melinda Gates Foundation, was an exciting proposition. And as we emerged from the lingering echoes of COVID, the focus on Corporate Pandemic Preparedness was a particularly intriguing and tricky subject. CECP worked throughout the pandemic to help our affiliates respond, and we pulled on that experience; sifted through reams of reports, books, and interviews; developed and deployed surveys; held focus groups; and talked to dozens of our CECP companies to produce this report.

We quickly realized that not many people wanted to talk about pandemic preparedness —COVID fatigue was evident — and most companies had moved on to focus on a wide variety of other issues. But even more problematic was that most of the learnings in the first round of talks were tactical and focused on programs or initiatives that would be helpful if the same thing happened again, but that was not what we were after. We wanted to create a report focused on the larger lessons — the mindset and behavior changes corporate leaders and their teams had undergone.

So, what were those lessons? The answer was difficult to narrow down because there were so many threads that could be pulled as COVID intersected, accelerated, and/or changed the course of many other issues companies were managing: digital upskilling, the future of work, employee engagement, supply chain resilience, and stakeholder engagement, to name a few.

COVID showed how connected people, businesses, and society are and how fragile each can be within the system.

COVID showed very clearly what we all knew instinctively but had not been illustrated to this extent in our lifetimes: Business is not immune to the context in which it operates or exempt from the responsibility to shape and support an enabling environment for its stakeholders and society. Further, business has the unique skills, resources, and positioning to take on those responsibilities and, in turn, decrease risk, seize new opportunities, differentiate itself in the marketplace, deepen relationships — and return more for its shareholders.

COVID showed how connected people, businesses, and society are and how fragile each can be within the system and, therefore, highlighted the need for shared resilience. We hope that this report proves useful to our CECP member companies and beyond, as **we firmly believe that shared resilience built on purpose, empathy, integration, congruence, and trust doesn't just lead to more resilient companies, but to better ones.**

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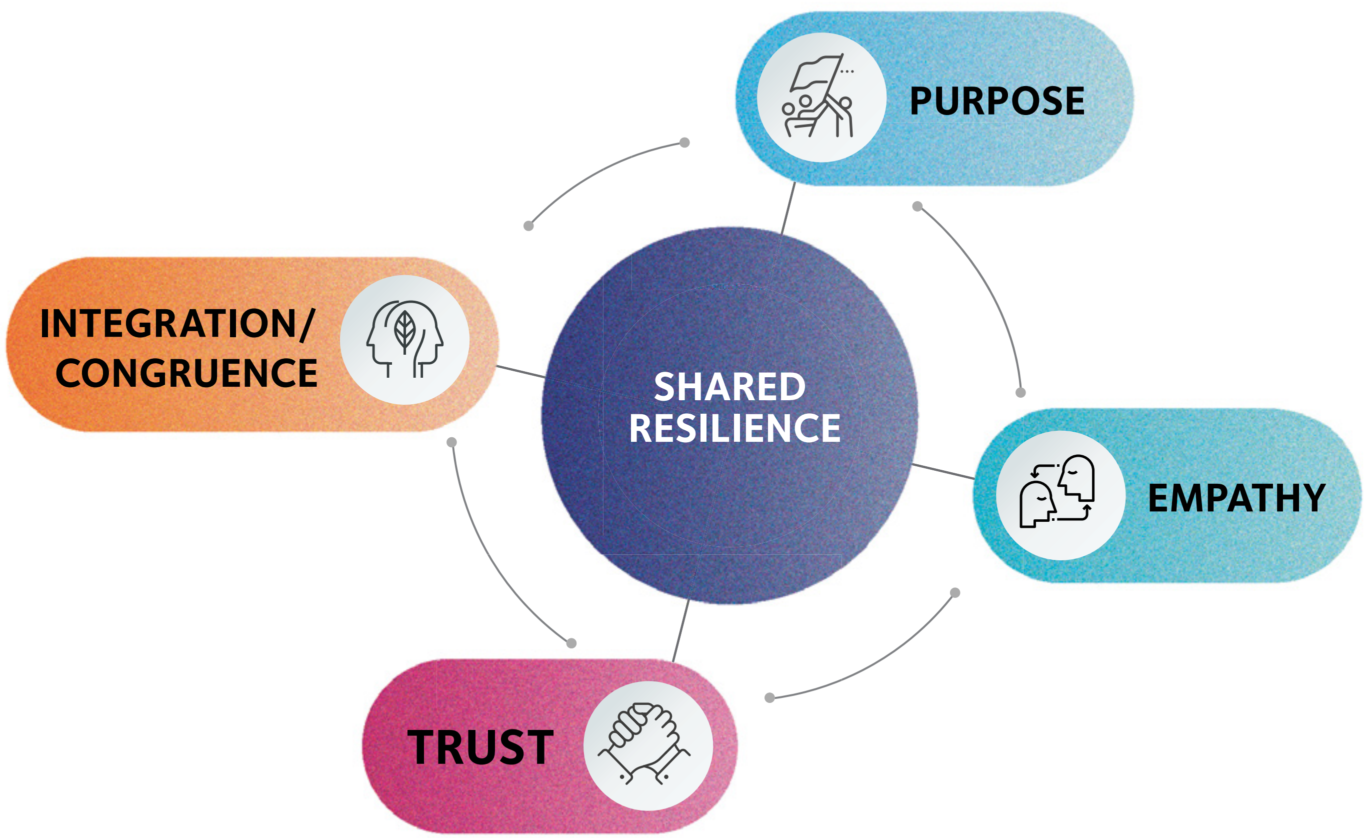
Introduction

COVID was an example of a new sort of *rogue crisis* that exhibits unique characteristics that are becoming much more common. In some ways, rogue crises seem to be on the way to becoming the norm. The impacts of climate change, inequality, the erosion of democratic systems, economic insecurity, and decreased global cooperation, among other factors, are profound, compounding, and almost commonplace today. They require companies to think well beyond their traditional remit and one-dimensional resilience definitions and focus instead on shared resilience and addressing how these crises affect not only the business but also a wide variety of stakeholders.

Shared resilience is multifaceted, with the primary levers discussed in this report centering on purpose-led engagement, empathy, integration, congruence, and trust. Companies that can build and deploy these critical skills and attributes (based on the following tenants) will be best able to adapt and thrive.



A New Type of Crisis

Emergency and disaster preparedness is an imperfect art and companies, communities, and governments are often better equipped for isolated events than for the crises those events may foment. Even though we'd been talking about pandemics and the potential for a large-scale disruptive event for years, no one was truly prepared for the COVID-19 pandemic. Previous crises had shown the need for business continuity planning, but no one considered how long the disruptive event would last or how to transform work roles to be remote.

A new class of crisis is emerging that will require new skills, approaches, and mindsets to tackle. These new crises are perceived as black swan events but are, in fact, predictable. The World Economic Forum (WEF) Global Risks Report 2023[6] showed that more than 50% of respondents believe there will be progressive or consistent volatility over the next 10 years, and 82% believe the same over the next two years. This compounding instability is similar to the cause of rogue waves in nature; thus, we'll call them rogue crises.

Three factors are common to crises: (1) a threat to the organization, (2) the element of surprise, and (3) a short decision time.[7] COVID certainly comprised all three of these elements. Rogue crises may well be surprising when all the factors converge to create them, but the threats and underlying factors are not new. We cannot feign surprise at the effects of a warming planet or systemic bias or claim that we have not had ample time to decide on a course of action. To address entrenched challenges and overcome resistance to change, we need new mindsets and skills, as well as a better understanding of the unique nature of rogue crises.

The Great Wave off Kanagawa **by Hokusai (Credit: H. O. Havemeyer Collection, Bequest of Mrs. H. O. Havemeyer, 1929)**

THESE CRISES:

- Are interconnected, fueling — rather than fueled by — numerous disasters and emergencies.
- Are global and local in nature, therefore requiring cosordinated and collaborative global and local actions.[8]
- Highlight inequality in increasingly undeniable ways.
- Highlight the fragility and flaws of the systems we rely on.
- Are often politicized, with many responses driven less by data and expertise and more by identity and the adoption of ingroup thinking driven by choice of social and other media.
- Require significant deviation from the status quo.
- Contain real or perceived trade-offs between addressing the underlying issues and economic growth.
- Come as a surprise to many people despite consistent warnings of their imminence and impact.
- May typically be seen as the responsibility of governments but require businesses to respond and engage in new and different ways.

The unique mix of these attributes creates a type of crisis that unfolds over a long period and defies most traditional solutions. On the hierarchy of change, these crises are the most severe and impactful as they snowball, moving from disruptive change to deep change to catastrophic change as business models, values, and systems are forced to adapt (Figure 1). Crises that exhibit many of the same tendencies are climate change, weakening democracy, urban renewal, biodiversity loss, and inequality — each carries significant risk and opportunity for both business and society.

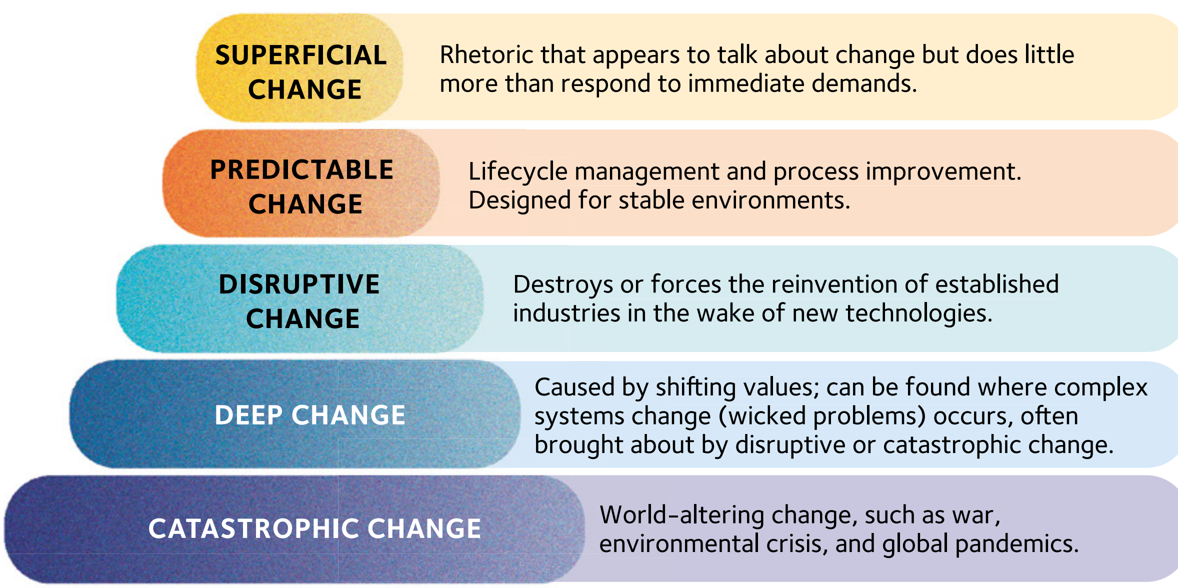
COVID COLLIDED WITH THE CHANGING ROLE OF BUSINESS IN SOCIETY

Conversations with business, nonprofit, and government leaders indicate that most emergency management efforts provide a valuable yet tactical road map that misses the underlying and necessary mindsets and behavior changes. The change that was needed for COVID, and will be needed for other crises, was not achieved through a prescriptive checklist but through changed behaviors, values, and competencies that underpin a new role for business in society.

COVID emerged as an amplifier, force multiplier, and accelerator for change. Companies shelved or reconsidered their traditional ROI calculation methods and grappled with risk-reward calculations that had no real foundations. For many businesses, survival was the only goal, and that was made even more difficult by the ensuing supply chain snarl, inflation, and the Great Resignation. On a micro level, COVID was about stay-at-home orders, working remotely, online learning, shortages of critical equipment and supplies, balancing public health and personal freedom, and much more. **On a macro level, though, COVID was about the effect that those things, together with the shifts already in motion, would have on our vision of change, the priorities and values we set for ourselves, our very notion of "we," and the mindset(s) with which we move forward.**

Figure 1

THE HIERARCHY OF CHANGE



Adapted from the work of Lisa Hrabluk based on the original design by Dr. John McLaughlin, 2003

If you want to understand the kind of damage that climate change will inflict, look at COVID-19 and spread the pain out over a much longer period of time. The loss of life and economic misery caused by this pandemic is on par with what will happen regularly if we do not eliminate the world's carbon emissions.

— BILL GATES, ENTREPRENEUR, AUTHOR, PHILANTHROPIST[9]

COVID also emerged at a unique time of change for business. The terms of engagement with stakeholders were changing as businesses asked more of their suppliers, employees more of their employers, and investors more of the companies they invest in; consumers also wanted the products and practices of companies they support to align with their personal values. Many believed (and continue to believe) that the responsibility of businesses extends beyond fiduciary duty to shareholders to include protecting stakeholders, communities, and livelihoods and surpassing legal requirements for ESG practices and impacts.

ESG issues have been on the corporate radar for many years, but COVID accelerated a paradigm shift. In fact, 67% of business leaders reported that they believed COVID kick-started focus and action on ESG issues.[10] It has become increasingly clear to many observers that societal problems are, in fact, business problems. **COVID further shifted the *business of business is business*[11] mindset to one in which businesses have to adapt; partner with government and nonprofit agencies; engage stakeholders in new ways; ensure that strategy and tactics are financially sound but also aligned with purpose, tested by empathy, and driven by integration; and ultimately build trust.**

Business is not, and should not be expected to become, a charity or a stand-in for government, but COVID advanced a line of inquiry for companies that was unusual for many. COVID had such widespread and interdependent effects that companies were forced to ask questions like: "How does this affect my stakeholders and my operating context?" and "What can I do to address the societal issues that intersect with my business and stakeholders?"

Although many factors affected companies' ability to survive or thrive during COVID, our research yielded key learnings that leaders are carrying forward, including:

» Purpose in all its types — competence, culture, and cause[12] — is ultimately the cornerstone of the company, serving as its north star and fueling its strategy.

» Agility and resilience are shared traits needed across a business and its stakeholder set.

» Change efforts must be authentic, integrated, and coordinated across the business to drive congruence of purpose, values, culture, and actions; these elements are increasingly scrutinized.

» Trust and empathy are vitally important to business success, and their diminishment across society has come at a great cost for business and society.

» Business, as the most trusted institution,[13] has both a responsibility and an opportunity to act on its purpose, driving a virtuous cycle of business and societal value.

Shared Resilience

We sometimes forget that business, at its best, is run by people for people. And if those people, the company's stakeholders, do not have the resources or support systems to endure an event, the company's resilience can be significantly impacted. For example, if employees can't make it to work, customers can't afford the products or services, vendors can't provide the raw material inputs, or the wider set of community stakeholders come to distrust or dislike the company, the company's resilience will be significantly disrupted. Although this scenario has been well-known in many industries, such as mining, other industries hadn't experienced it until COVID.

> **I believe not everyone can reach their bootstraps.**
>
> — SONIA SOTOMAYOR, ASSOCIATE JUSTICE, U.S. SUPREME COURT[14]

A company's focus on its stakeholders often starts with efforts to engage employees. **"Employee engagement describes a psychological commitment to one's work, team, and organization. It's a mental state that fluctuates all the time, influenced by workplace relationships and events. Engaged employees are mentally in the zone, ready for action."**[15] However, when many people use the term "employee engagement," they are talking about the actions they take to involve employees in the programs they hope will make employees more engaged. So, confusingly, the term employee engagement is used to denote both the action and the intended outcome of that action.

Business has a vested interest in driving the engagement, or psychological commitment, of its employees. Gallup estimates that, globally, disengaged employees cost businesses $8.8 trillion per year.[16] By contrast, companies that promote engagement by creating cultures of purpose, empathy, integration, and trust drive much greater value and are difficult to copy — or, said another way, they have a competitive advantage.

Dan Crowley, Chair, President, and CEO of the Triumph Group believes that "empathy can lead to trust, which can lead to a sense of safety in the workforce, which can lead to engagement, higher productivity, higher win rates and growth and ultimately shareholder value. It's a multi-step process you tie together with lots of steps. But I think if you're not empathetic, then people don't have safety and don't trust you. If they don't trust you, they ask themselves, how much energy will I put into this company that doesn't care about me?"[17]

LEAD WITH PURPOSE

Companies "engage" their stakeholders, especially their employees, in many ways, but often, it starts by activating and telling the story of their purpose. Simon Sinek, author and inspirational speaker, asserts that great leaders inspire action by leading with "why." Sinek maintains that nearly all employees "know what they do, and most know how they do it, but few know why they do it."[18]

James Temple, Chief Sustainability Officer of PwC Canada, often challenges his team to clarify the purpose behind their work by asking, "So what? Who cares?"[19] This approach has several levels of value: It pushes teams to assess if they are thinking big enough, making a meaningful impact, and presenting a clear and compelling "why."

As Sinek says, "exceptional performance comes from why,"[20] but articulating a "why" in a purpose statement is challenging. It must convey a future-state ambition but still be realistic and relevant to the company's current state, or at least present a believable path from here to there. If the leader's vision lacks authenticity or a clear "what" and "how" to support the "why," many stakeholders will reject the purpose as window dressing or lip service.

Companies that develop purpose statements that are inauthentic and do not reflect the organization's culture face skepticism. Often, this type of disconnect is based on the misbelief that a purpose statement must be cause-based and aspire to deliver some societal good, often out of step with the company's strategy. Of course, some companies do have a caused-based purpose, but other types of corporate purpose include competence ("the function that our product serves") and culture ("the intent with which we run our business").[21]

Examples of various corporate purposes include:

WYNN RESORTS

Our commitment to making every visit a once-in-a-lifetime experience to our guests is what makes us who we are.

This is a focus on competence (excellence) in serving their guests.

JOHNSON & JOHNSON

Their credo begins:
We believe our first responsibility is to the patients, doctors and nurses, to mothers and fathers and all others who use our products and services.

This is a great example of a culture-based purpose. The credo acts as a code by which the business aims to operate and outlines its responsibilities to those who use its products, its employees, the communities in which it operates, and its shareholders. The credo shows their "intent," or the way in which they want to run their business and in service of whom.

MEDTRONIC

To contribute to human welfare by application of biomedical engineering in the research, design, manufacture, and sale of instruments or appliances that alleviate pain, restore health, and extend life.

This cause-based purpose is about social good and is appropriate to the business and its core offering.

The old 1980s mantra of ‘we are here to make money’ is simply no longer good enough. People want to know how you make money and why, the social purpose you are serving, and the long-term consequences of what you are doing.

— MARK SCHNEIDER, CEO, NESTLE[22]

Although these three purpose statements are vastly different, none are focused on the company; but, rather, their “why” is focused on what they do for others. For Wynn Resorts, the focus is on the customer and their experience; for J&J, it’s how they will serve their community of people who use their products; for Medtronic, it’s the outcome (alleviate pain, restore health, and extend life) for the patient and, more broadly, “human welfare.” These pro-social lenses are what set this approach apart from statements focused on beating the competition or on being the world’s biggest or best, which, like profit, are a result or byproduct, not a purpose in and of themselves.[23]

The process of building a purpose statement can vary dramatically. Some companies seek to engage their stakeholders, while others see this as a top-down vision-creation process. There are pros and cons to both paths, and a mix is often the best situation, but whatever path is taken, there are common questions at the heart of the effort:

» What do society and or your stakeholders need?

» What core competencies, skills, assets, and resources does your organization have to leverage in this effort?

» How can meeting societal/stakeholder needs drive business revenue?[24]

These questions underpin a process of exploration and insight. This is not a public relations exercise — though companies do need to craft a narrative around their purpose — but rather a deep reflection on why the company exists, what it seeks to achieve, and how working toward that goal drives business success.

Clearly, work is more than just a paycheck — and deepening employees’ commitment to the company through purpose can help companies attract and retain the best, brightest, and most committed talent. But corporate purpose drives more than just human resources outcomes. Purpose can spark discussion and debate during tricky times and tough decision-making situations, and it can help ground and guide those discussions in the present and future, which is a gift to the company that keeps giving.

When integrated into company culture, purpose can connect and align visions and goals across the company and serve as a check and balance on the unprincipled pursuit of profit. Further, a purpose and values-based connection to clients can drive better sales and margins as companies seek to align on more than simply dollars and cents. Daryl Brewster, CEO of CECP, elaborates on this: “Leading companies have recognized that purpose is the path to reaching and energizing vital stakeholders, for stronger markets and a stronger world.”[25]

Empathy

Today, as purpose, ESG, and DEI efforts become mainstream within corporate leadership teams, issues like personal purpose, unconscious bias, belonging, and understanding the lived experiences of others are being advanced. And the foundation of these efforts is empathy. A 2023 Fortune survey[26] of CEOs found that "empathy" is the word most often used when leaders talk about how COVID changed their leadership style.

Business can involve very difficult decisions, and for generations, leaders were encouraged to compartmentalize and keep their distance because connecting with employees would cloud their judgment or impede their ability to make "the tough call." But this disconnection comes at a cost. It creates distance, which lowers employee engagement and trust. Business leaders need to make tough decisions despite their connection, not distance themselves from it.

Brené Brown, one of the seminal voices on human behavior, believes that "empathy drives connection."[27] And connecting is what business is all about. Seeing employees and other stakeholders as humans, first and foremost, rather than as commodities, and treating them with dignity are indicators of strength in leaders. Tim Cook, CEO of Apple, offers: "People will try to convince you that you should keep your empathy out of your career. Don't accept this false premise."[28] But while the concept of empathy is becoming more common in corporate leadership, the processes and practices behind it are less well-known.

Dr. Teresa Wiseman, a nursing scholar, has identified four attributes of empathy[29] that are helpful guides to building empathy in yourself, your team, or the entire workforce.

1. *Taking on someone else's perspective.*
2. *Being nonjudgmental.*
3. *Recognizing someone else's emotions or understanding their feelings.*
4. *Communicating your understanding of a person's feelings.*

Of course, empathy must be practiced, like any other skill or mindset. Empathy is most often thought of with regard to corporate DEI efforts. However, it can be a critical part of the company's purpose, operations, learning and development, supply chain, stakeholder engagement, and community investment efforts. For example, James D. White, former CEO of Jamba Juice and CECP board member, recounts, "We would take executives to the Black MBA and the Hispanic MBA conferences .... If you just think of yourself as a white executive being the only one at a 10,000-person Black MBA conference, when you walk into the elevator, into every room, into every meal, it's only for two or three days. But those kinds of activities give us the chance to build and create more empathy and learning and understanding."[30] This immersion experience exposed white executives to the vulnerability and discomfort of being the minority in the room. Building on efforts like this can help make empathy a cultural norm, in turn increasing understanding, inclusion, and belonging across the enterprise.

> **Each one of us has lived through some devastation, some loneliness, some weather superstorm or spiritual superstorm, when we look at each other we must say, I understand. I understand how you feel because I have been there myself. We must support each other and empathize with each other because each of us is more alike than we are unalike.**
>
> — MAYA ANGELOU[31]

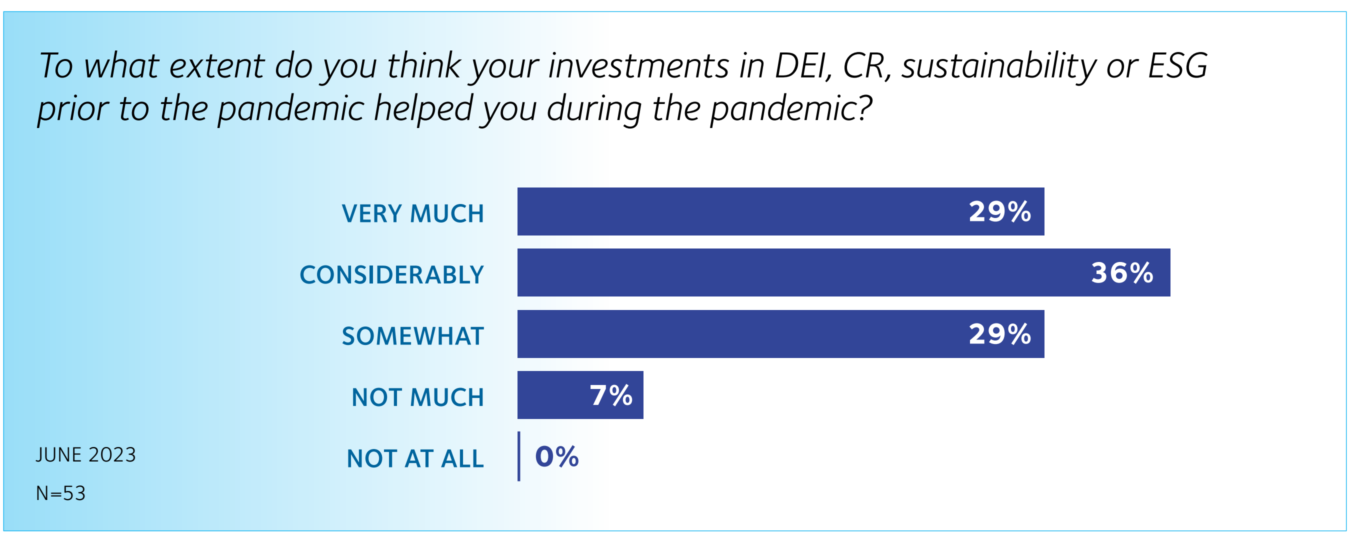
John Damonti, President of the Bristol Myers Squibb Foundation, shared that empathy and trust are a key part of their community engagement and capacity-building strategy and underpin their entire mission: “Many years before COVID, we realized that change required not only removing barriers within the health system but also in the community as well. Our blueprint for tackling the large-scale issues, therefore, became to look for ways to engage most closely with patients via community partners where trust, access, and empathy are at their greatest.”[32]

THE ROI OF SOCIETAL INVESTMENTS

While societal investments are most often designed to, first and foremost, address a community or societal need, they can also provide significant business value. And the same is true of corporate sustainability or DEI efforts, with the most impactful of those efforts becoming an element of competitive advantage. In fact, businesses with established sustainability, DEI, and/or ESG efforts had an advantage during COVID because they had already done the work to understand the wide variety of the issues material to their business and built trusted relationships to help address them. For many business leaders, charitable corporate community investments (what some might call philanthropy) have been the soft stuff, and while there has been good research on the value of corporate societal and community investments, COVID brought that value to the forefront.

Figure 2

CECP PULSE SURVEY



A CECP Pulse Survey from June 2023 (N = 53) investigated the perceived benefits of pre-pandemic investments in DEI, corporate responsibility, sustainability, and ESG during the pandemic (Figure 2). Almost all the respondents (93%) felt that these investments “very much” (36%), “considerably” (29%), or “somewhat” (29%) assisted them during COVID. Only 7% of respondents did not perceive much benefit, but remarkably, none of the companies reported that these investments were not beneficial at all. These findings suggest that such investments play a critical role in preparing companies to navigate crises, with a vast majority acknowledging their beneficial impact.

As part of a corporate community investment strategy, companies and nonprofit organizations can create a symbiotic relationship. Companies can send volunteers, lend their voice and influence, provide funding, encourage others to follow suit, and apply their skills to a range of challenges that nonprofits might face. Nonprofits create value for companies by providing mission-driven volunteering and giving opportunities, offering expertise on societal issues, serving as a bridge to government partnerships, and driving change aligned with the company’s purpose.

“The most important lesson from the COVID-19 pandemic is the importance of working together on problems that affect the entire human race. We are much stronger united than divided.”

— SERGIO REBELO, PROFESSOR OF INTERNATIONAL FINANCE,
KELLOGG SCHOOL OF MANAGEMENT, NORTHWESTERN UNIVERSITY[33]

Integration and Congruence

The interconnection of business risks and unfolding crises (Figure 3) calls for an integrated and holistic response. Risks compound and reinforce one another, in turn compounding impact based on the risk itself and the relative influence with other risks. In other words, what starts as small ripples can grow into a "rogue waves." The complexity and uncertainty demand an integrated and congruent approach.

As leadership teams and corporate boards sought to understand and assess the situation, it quickly became clear that COVID was a disruption of a different type. Many companies' longstanding, reactive Whac-A-Mole approach to addressing stakeholder needs required an overhaul.

Righting the corporate ship during COVID required all hands-on deck. HR and IT operationalized remote work, learning and development pivoted, and the supply chain adapted to global and local challenges. Strategies shifted, priorities changed across the business, and some markets evaporated while others blossomed. This level of interdependence and collaboration across the company and its systems, processes, incentives, and culture was vital and unprecedented.

Prior to COVID, many corporate ESG actions had been made with a light touch, sometimes superficially or without the business integration necessary to drive value. But as COVID, DEI, and ESG all converged, communications teams began to shape a more robust narrative; CFOs and comptrollers sought to capture and verify the data to avoid greenwashing; general counsels performed far deeper reviews than they had before (especially in DEI) in the hopes of avoiding litigation; and boards appreciated the intersectional value of ESG efforts, but were often out of their depth. Deloitte's 2021 "Frontier Topics for the Audit Committee" series — a survey of audit committees across 40 countries — reported that just 47% of respondents considered themselves "climate literate and that seven out of 10 committees had not completed a comprehensive climate change assessment."[34]

The explosion of interest in ESG issues presents boards with a challenge. Their engagement and literacy on ESG issues is crucial, and yet their grounding in the issues is nascent. Efforts have spun up to help close this gap and provide boards and management teams with the understanding necessary to create strategy and drive execution across the company's activities. The starting point and most obvious example of integration is often a company's communications. For that reason, much of the effort around purpose, empathy, and trust revolves around messaging, transparency, and reporting. But that means sometimes the words and actions don't match.

Jennifer Davis, founder of Jennifer Davis Media Group, a coaching consultancy focused on communication, shared that many of her clients expressed concerns that not enough of the lessons and changes that COVID delivered will prove to be lasting culture shifts. "The problem is that COVID rolled right into supply chain disruptions, which rolled right into inflation, which rolled into record heat, which... Clearly, we need to take the learnings forward to build more resilient and agile cultures, and much of that starts with communication and transparency, but it must then be based on action. People, in general, are skeptical, and when they weigh veracity by looking at words and deeds, deeds win every time. So, no matter how well we communicate, if the deeds don't match up, it doesn't matter."[35]

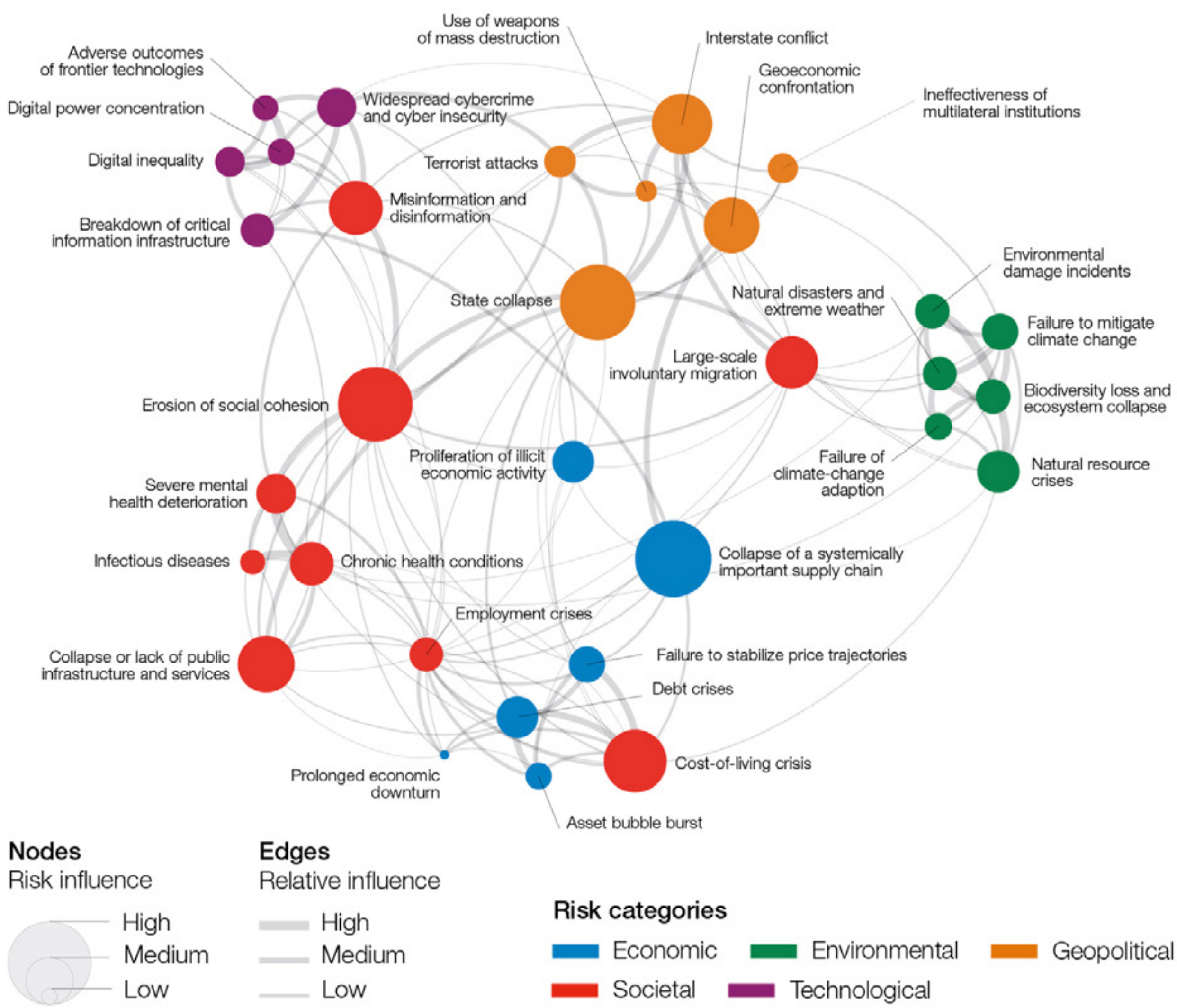
Middle managers often play an outsized role, through action or inaction, in driving integration and congruence and making words and actions match. New hires are typically open to whatever advice will help them succeed in their role and at the company. The leadership and upper-level management will be bought into the vision. But middle managers often lack visibility of the evolving strategy and revert to "how we do things around here," which can stall progress on change initiatives. Aligning metrics and incentives with the desired change can help avoid this complication and allow middle managers to be part of the solution.

Companies that have an integrated long-term sustainable value creation strategy thrive even in times of crisis. By integrating sustainability into their business models, these companies can attract more socially responsible investors and access new capital sources. Additionally, they often benefit from increased efficiency, reduced costs, ethical talent, more engaged stakeholders, and improved brand reputation, which all positively impact their financial performance.

"As part of this sustainable value creation strategy, companies need clear and consistent data to measure progress, drive incentives, identify incongruence, and ensure that purpose is the north star of the company and its strategy,"[36] offered Nandika Madgavkar, who leads CECP's effort in this area.

Figure 3

THE INTERCONNECTION OF GLOBAL RISKS



Source: World Economic Forum, Global Risks Perception Survey 2022-2023

CECP's Integrated Long-Term Plan Framework is a tool that encourages the consideration of the needs of all stakeholders, from institutional investors to employees to consumers and customers (Figure 4). It outlines 11 themes that underpin how megatrends, ESG issues, and strategic positioning can blend to help manage risks and open opportunities, engage employees, and drive innovation — but to do so, they need to be integrated into the firm's process and systems.

Figure 4

CECP'S INTEGRATED LONG-TERM PLAN FRAMEWORK TOOL

CECP's research informs the guidance we provide to enable CEOs to develop and communicate their sustainable value creation strategy. Our Framework, developed in partnership with Professor George Serafeim of the Harvard Business School, sets out eleven themes to build an effective presentation. Foundational to this presentation is how environmental, social, and governance issues underpin all business practices.

Corporate Purpose
- Statement of Corporate Purpose
- Alignment with Forward-Looking Strategy

Megatrends
- Social
- Planet
- Geopolitics and the Global Economy

Competitive Strategic Positioning
- Key Value Drivers
- Future Goals, Metrics, and Milestones

Corporate Governance
- Stakeholders
- Cybersecurity

Financial & Capital Allocation
- Financial Metrics
- Capital Allocation Strategy
- R&D

Risks & Opportunities
- Assessment of Financially Material Issues
- Risk Management
- Opportunities

Stakeholder Engagement
- Stakeholder Engagement Strategy
- Strategic Partners

Human Capital Management
- Workforce Composition
- Future of Work
- Workforce Engagement

Operational Ecosystem
- Integration of Sustainability Metrics
- Internal Collaboration

Climate Risk
- Climate Targets
- Leveraging Opportunities

Biodiversity
- Impact
- Mitigation

METRICS MATTER

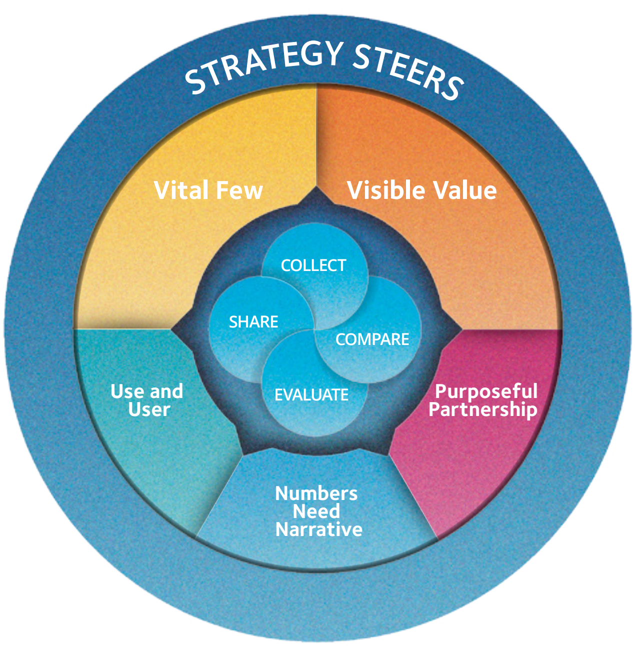
Companies can integrate change and drive congruence by setting goals, establishing purpose-driven metrics, and weaving them into company scorecards alongside profit and loss and other traditional metrics. Combining traditional (profit and loss) and nontraditional (brand value and ESG) metrics is critical to measuring progress, determining the ROI of varied efforts, and conveying to investors which ESG efforts achieve the greatest business value.

CECP has a long history of supporting companies in the framing of their business and societal measurements and developed a Measurement Fundamentals road map (Figure 5). The "Measuring to Manage" research found that a few vital KPIs which show visible value and highlight the fact that DEI, ESG, and other similar metrics should be developed together with internal business partners and with the use and the user in mind. This form of purposeful partnership is becoming more and more common as finance, internal audit, and/or comptrollers become more involved in ESG and DEI data collection and assurance. Finally, CECP findings highlight that numbers often need narrative, and collaborations between the ESG and DEI teams and communications/public relations teams are becoming the norm.

Critical to these efforts is the connection between performance on ESG metrics and performance on those metrics already accepted within the company or industry as driving business value, such as employee attraction and retention, sales, and brand. Steve Rochlin, CEO of Impact ROI, a consultancy focused on the business case of ESG investments, shares that "No one was saying the business case was dead, but COVID changed the discussions as it was not about ROI and since in many companies' boards are now engaged, many CSOs thought they didn't need to focus on the ROI anymore. But now, with tightening purse strings and the ESG backlash, the business case is back with a vengeance. And with investor and supply chain requests on the rise and Corporate Sustainability Reporting Directive (CSRD) and other frameworks being introduced, clearly, more focus on metrics and ROI is needed and coming."[37]

Figure 5

MEASURING TO MANAGE: CECP'S MEASUREMENT FUNDAMENTALS



Strategy Steers
Metrics manage progress on the strategic plan

Collect-Compare-Evaluate-Share
Measurement updates require an operational plan

Vital Few
The most critical, agreed-upon metrics

Visible Value
Not just output, but also return and impact

Purposeful Partnership
Business impact through partnering with other departments' measurement

Numbers Need Narrative
Numbers need human-centered stories

Use and User
Metrics have a user and use in mind

Trust Is a Fulcrum of Change

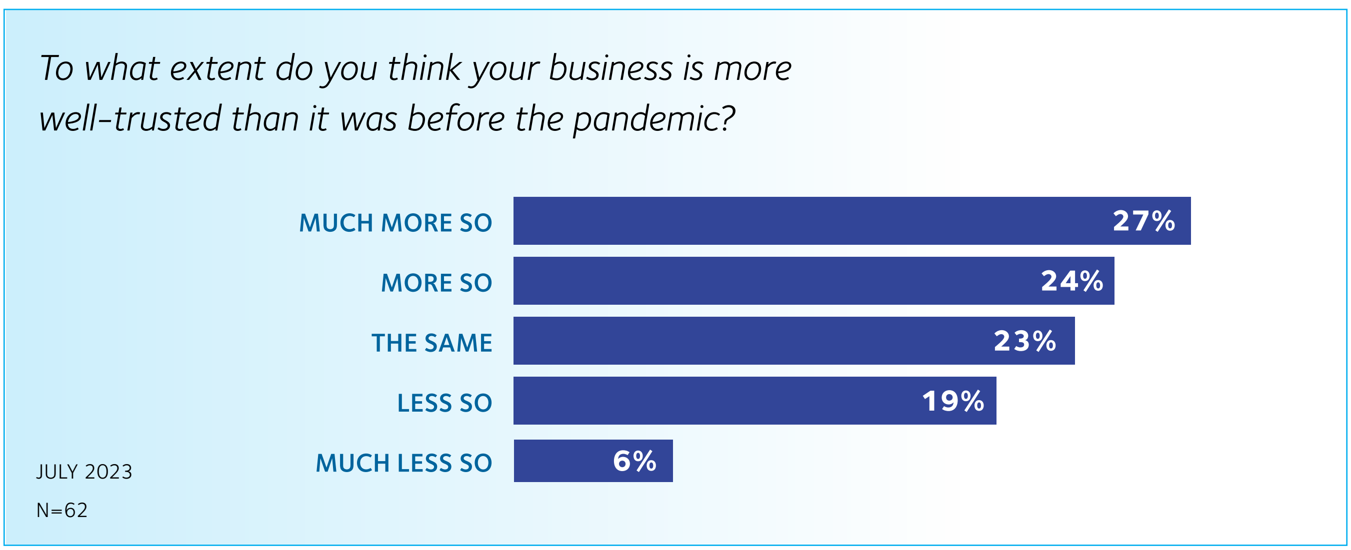
Given that we live in what some call a "post-truth world," it is not surprising that trust has eroded as much as it has. Interestingly, business is the most trusted institution, nationally and globally,[38] while government is increasingly seen as failed or failing, and civil society is often believed to be ineffective. Unfortunately, this is not a resounding victory: 77% of respondents to the 2022 Edelman Trust Barometer survey believe that business has societal responsibilities beyond economic value and 73% believe that business should benefit all its stakeholders, but only 29% think business is doing a good job at solving major global problems.[39] Further, trust is not evenly spread. For example, employees trust the companies they work for more than others do, and more than they trust other companies.[40]

Notably, in a July 2023 CECP Pulse Survey (N = 62), 70% of the company representatives reported that trust in their companies had stayed the same or increased to varying degrees since before COVID, while 29% believed that trust decreased (Figure 6). Responses indicated that companies were more than four times as likely to be "much more" trusted (27%) than "much less" trusted (6%).

This is important because trust plays a critical role in the day-to-day operations of the business, the sales of products and services, and the response to disasters and crises. COVID vaccines and infrastructure were developed in record time, eclipsing even the most optimistic estimates of how quickly they would be available. But a lack of trust in expert advice led many people to refrain from wearing masks, being tested, avoiding crowds, or becoming vaccinated. And, as a result, "the level of trust in both government and other people ... has proven to be the best explanation for the differences among countries in COVID-19 outcomes."[41] Trust can literally be a question of life and death.

Figure 6

CECP PULSE SURVEY

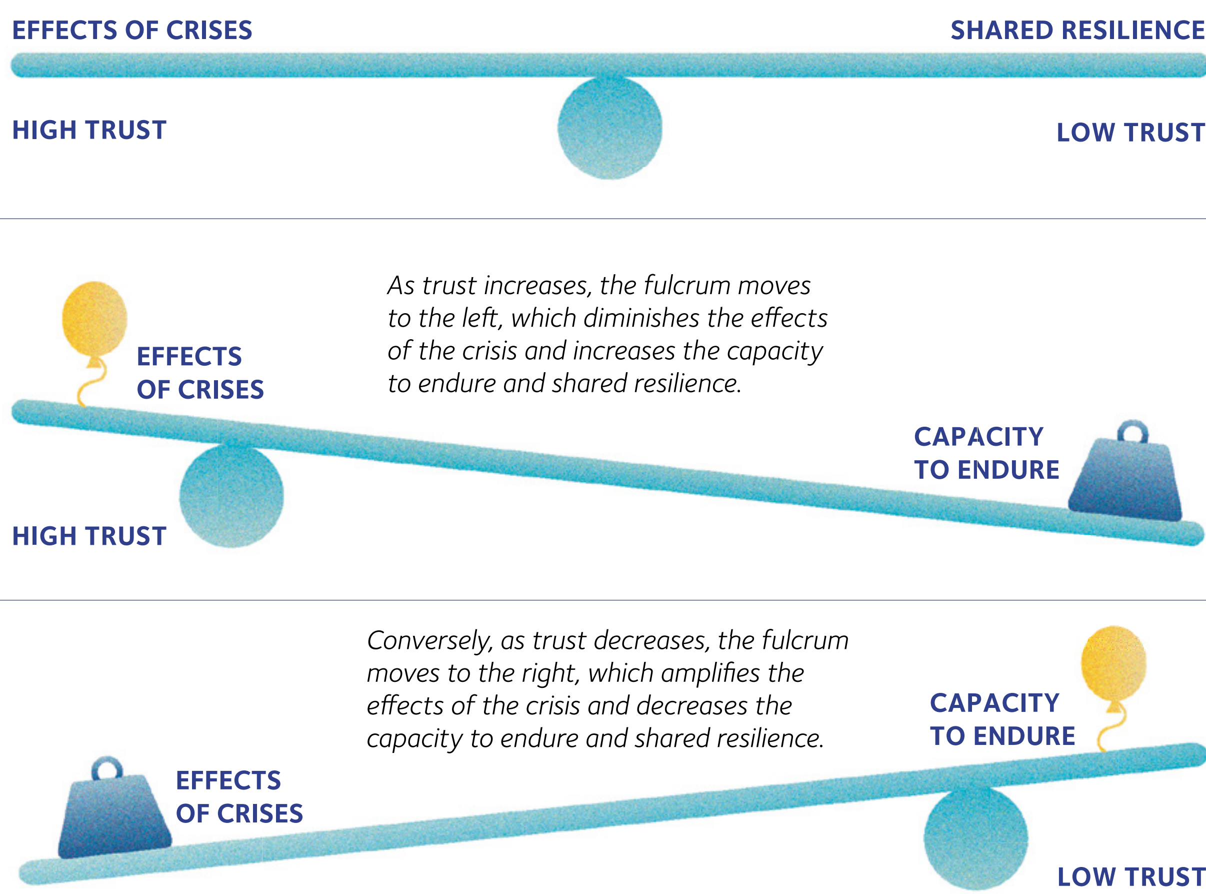


> **The leaders who work most effectively, it seems to me, never say 'I.' And that's not because they have trained themselves not to say 'I.' They don't think 'I.' They think 'we'; they think 'team.' They understand their job to be to make the team function. They accept responsibility and don't sidestep it, but 'we' gets the credit.... This is what creates trust, what enables you to get the task done.**
>
> — PETER DRUCKER, MANAGEMENT CONSULTANT, EDUCATOR, AND AUTHOR[42]

Trust can also shorten the recovery timeline and provide critical value to businesses beyond crisis management with "91% of business executives [reporting] their ability to build and maintain trust improves the bottom line."[43] Trust acts as a fulcrum on which companies balance in their effort to adjust to and respond to the effects of a crisis and their ability to endure and thrive (Figure 7).

Figure 7

THE FULCRUM OF TRUST



Lower trust gives weight to the effects of disruption on the business and lessens the impact of change and adaptation efforts. But as trust improves, it gives further weight to shared resilience and strengthens the capacity to endure and the potential to thrive.

Building trust is tricky business, but Frances X. Frei, UPS Foundation Professor of Service Management at Harvard Business School, and Anne Morriss, Executive Founder of the Leadership Consortium, developed Figure 8 as a useful starting point.

Although the drivers of empathy, logic, and authenticity are framed differently, they are very similar to the empathy, integration, and purpose together with trust that underpin our shared resilience model. And both models show how interdependent these drivers are, and how, in fostering each one, you reinforce the others.

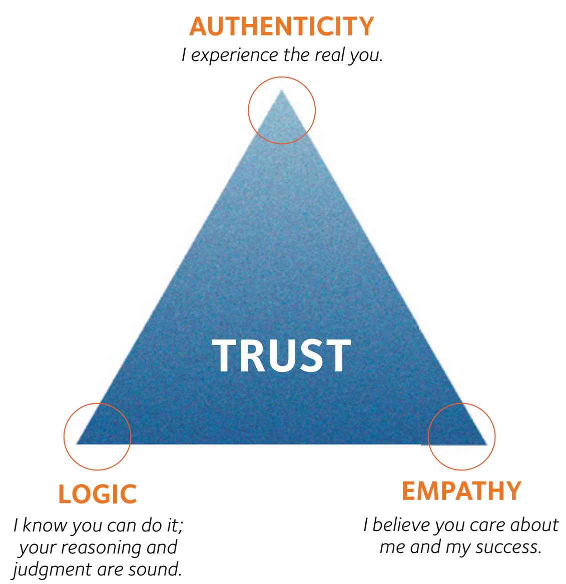
Critical to building trust is to avoid losing it in the first place. As Warren Buffet said, "It takes 20 years to build a reputation and five minutes to ruin it."[44] Critical to maintaining trust is managing polarization, which is something that is becoming an increasingly unavoidable business challenge every day.

Figure 8

THE TRUST TRIANGLE

Trust has three drivers: authenticity, logic, and empathy.

When trust is lost, it can almost always be traced back to a breakdown in one of these drivers. To build trust as a leader, you first need to figure out which driver you "wobble" on.



Adapted from: "Begin with Trust," by Frances Frei and Anne Morriss, May–June 2020

POLARIZATION

As COVID spread, it did not benefit from the unifying nature of other crises. Attitudes, responses, and even simple acknowledgments of the existence of COVID, climate change, and inequality have been shaped by political leanings and reinforced by choice of news, information, and opinion sources.

In 2023, the Edelman Trust Barometer[45] survey found that 6.5 times as many people believe business is not doing enough to address climate change, economic inequality, energy shortages, and healthcare access as believe business is overstepping, and five times as many want more action on trustworthy information and workforce reskilling. Specifically, the CEO is expected to take a stand on the treatment of employees, climate change, discrimination, the wealth gap, and immigration.

This data seems clear and indicates a strong incentive for companies and their leaders to dive in. But, troublingly, respondents to the 2023 Edelman Trust Barometer survey also indicated that "if a person strongly disagreed with me or my point of view," only 30% would help them if they were in need, only 20% would be willing to live in the same neighborhood, and (even more challenging for business) only 20% would be willing to have them as a coworker.

This is the conundrum companies face: They're blessed with relatively high trust when compared with governments and nonprofit organizations, but perhaps cursed with equally high expectations that can easily come crashing down. Bud Light's remarkable loss of

There's been blowback around ESG and the perceived trade-offs between business outcomes and doing good. Particularly during the economic choppiness we're all experiencing, ESG should be harnessed as an enabler of business outcomes and therefore, remain central to the CEO agenda right now.

— KELLY GRIER, FORMER US CHAIR AND MANAGING PARTNER AND AMERICAS MANAGING PARTNER EMERITUS, ERNST & YOUNG[46]

market share in April 2023, following their engagement with Dylan Mulvaney, a transgender influencer, provides ample evidence of this risk.

The confluence of the polarization of issues and demands for action have made it very difficult for companies, many of which have historically chosen to remain neutral, to know how and when to act. Many leaders worry about slippery slopes and perceived cherry picking in a cultural and political landscape that seems to demand an all-or-nothing approach. Many CEOs read this situation and believe that the safe thing to do is enact internal policies but remain quiet. However, the drive toward integration and congruence has fueled demands for external responses and changes to the company's products and services or lobbying practices.

The how of this matters greatly, and Yolanda Seals-Coffield, Chief People Officer for PwC, offered this: "At times, organizations need to lean in and address issues at an enterprise-wide level. Inevitably some may disagree with a particular decision, but you must always treat them with empathy and understanding and avoid judging them for their difference of opinion or point of view."[48]

The 2023 Edelman Trust Barometer results offered the following advice[47] on how to navigate the current climate:

» *Make decisions based on science.*

» *Remain unaligned with a single political party and instead support moderate bridge-building politicians.*

» *Be trustworthy in your communications and pick your means and mediums carefully.*

» *Consistently act on the same values over time.*

» *Link the issues to your purpose and to staying competitive.*

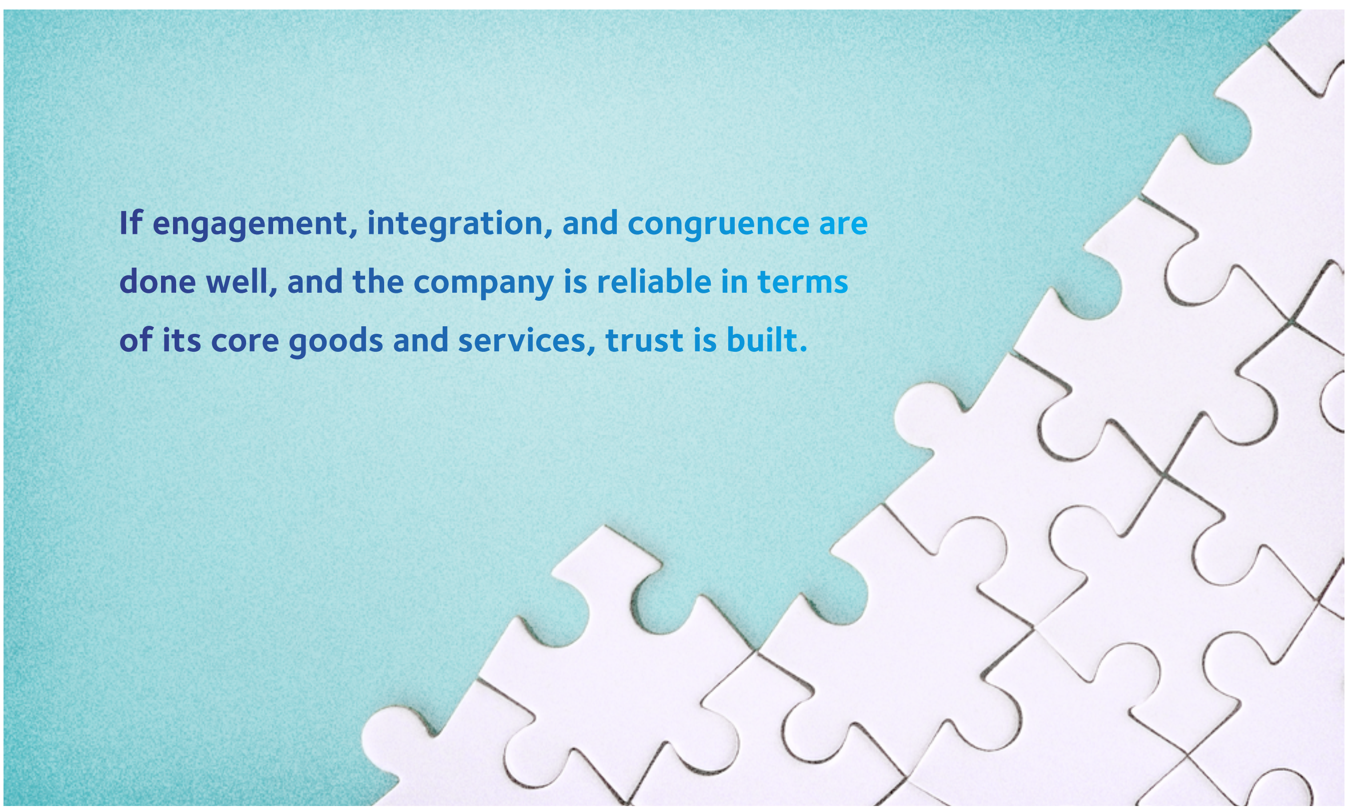
Summary: Putting It All Together

Rogue crises, such as COVID, climate change, and the like, require significant investment in preparedness and adaptation. However, the risks those crises present often consist of unknown needs, which are easily crowded out by known needs. Given the challenges, business resilience efforts need to be reframed to consider the shared resilience across a company's value chain.

Shared resilience starts with purpose, which companies need to guide their strategies, engage their stakeholders, and hold themselves accountable for more than simple profit creation. Purpose — well-defined, informed, and activated by empathy and integrated within the company's strategy, operations, and culture — can transform a company. Shared resilience, purpose, empathy, integration/congruence, and trust are weighty topics, and may be beyond what many leaders are accustomed to considering when developing and deploying their strategies. But the importance of these levers and the fulcrums of change and trust they provide is becoming more and more evident. This approach makes for a more resilient company, with better-engaged stakeholders, higher trust, and better returns.

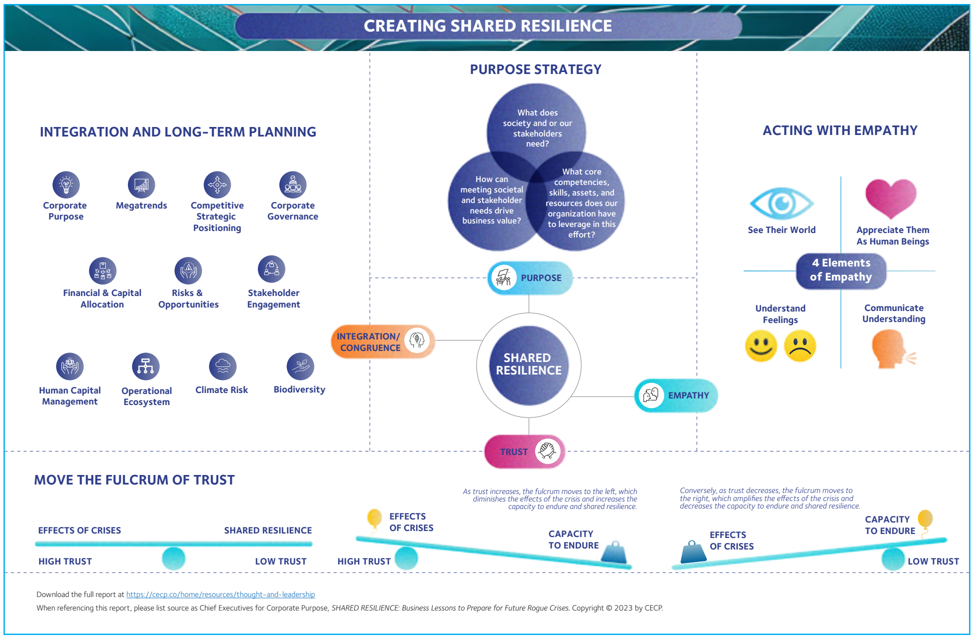
If engagement, integration, and congruence are done well, and the company is reliable in terms of its core goods and services, trust is built. And although each driver that contributes to shared resilience is important, they are most powerful when activated together. They are interdependent — like a puzzle, the parts require precise placement so that together they present a complete picture.

The skills and attributes captured within the report (and the supporting tools we created, see p.26) lead to shared resilience, which may well determine how agile, resilient, and successful your business is and how well you face the variety of crises on the horizon.

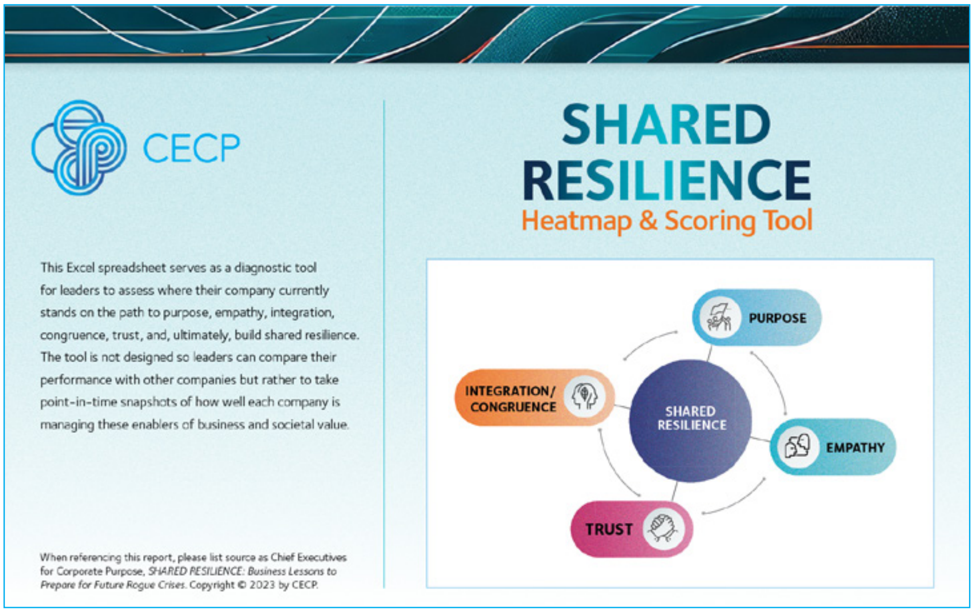


Supporting Tools

We have developed two tools to support corporate leaders in understanding and applying the concepts outlined in this report. One is a visual representation of the concepts from the report captured in a placemat. The other is an Excel spreadsheet that serves as a diagnostic tool for leaders to assess where their company currently stands on the path to purpose, empathy, integration, congruence, trust, and, ultimately, build shared resilience. The tools are not designed so leaders can compare their performance with other companies but rather to take point-in-time snapshots of how well each company is managing these enablers of business and societal value.



Click here to download the graphic placemat.



Click here to download the Heatmap and Scoring Tool.

Endnotes

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