

2024 Look Ahead: Addressing Uncertainty Through Purpose

By: Daryl Brewster, CEO, CECF

With COVID-19 concerns and the fear of US recession waning, many of us thought we would all be better off leading into 2024, but geopolitical risks are stacking up to keep danger lurking around every corner. A poll of 50 CEOs from CECF's recent Board of Boards event asking how they felt about the current business and sociopolitical environment found leaders have moved from "trust" and "inspire" last year to "uncertain" and "optimistic" this year.

Companies need to navigate this foggy complexity using their guiding light: their corporate purpose. Purpose can help companies lead and make a profit during times of uncertainty. Jamie Dimon [wrote](#) in his 2023 annual letter to shareholders, "Research has shown that purpose-driven companies achieve stronger business results and have greater impact by doing better for their customers, employees, and shareholders." Successful companies are responsible businesses focused on allocating capital and resources towards long-term value creation for investors. They are solving global problems for ethical reasons, while considering how to make their work financially rewarding so that it is sustainable.

What companies need to focus on in 2024 to get a return on purpose:

- **Purpose Matters More than Ever**—purpose-driven companies achieve stronger business results.
- **Material Risk Factors: ESG Isn't the Problem. The way we talk about it is**—regardless of the debate and concern about the term ESG, leading companies are still engaged in the practices around the work and following regulations.
- **Changing Workforce: Embrace Governance, Diversity, and Employee Engagement**—embracing the changing workforce can boost company culture and improve companies' bottom line.
- **Take Action Now to Drive Performance**—leading companies focus on enduring, long-term value creation—including purpose and measurement—as they assess both risks and opportunities.
- **Political Divide: Find Common Ground**—despite partisanship, companies can focus on where we agree, and move these issues from being contentious to common ground.

Purpose Matters More Than Ever

The idea that large companies should pay more attention to the impact of their actions on people and planet has become embedded in the strategies of the best and biggest corporations, and is increasingly expected by employees, business partners, investors, and a growing group of consumers.

Penny Pennington, Managing Partner of Edward Jones [said](#), "There is a massive transfer of wealth going on right now. \$84 trillion in assets is going to transfer over the next 20 years from baby boomers, the silent generation, to the next two generations. Fifty percent of them count themselves as non-white. One in four or one in five count themselves as part of the LGBT community. So as wealth managers who want to find out what's important to people about their family, about their values, about their purpose, we have to be culturally aware."

Corporate purpose helps facilitate harmony between a wider set of stakeholders — customers, suppliers, communities, and government — and creates value over the long term. These stronger “relational contracts” lead stakeholders to contribute more to a company’s success because they see their contributions as worthwhile and likely to be rewarded fairly. A new CECP report with support from the Bill & Melinda Gates Foundation on crisis preparedness called, “[Shared Resilience](#)” found purpose in all its types — competence, culture, and cause — is ultimately the cornerstone of the company, serving as its North Star and fueling its strategy.

To establish the trust of long-term investors and other stakeholders, companies can communicate about financial and long-term material risks—and the forward-looking opportunities and strategies connected to them. The company can also report on the metrics that matter to those groups.

Metrics and data are key this year. For example, Larry Fink, CEO of Blackrock [said](#) this year in his annual letter, “many of our clients also want access to data to ensure that material sustainability risk factors that could impact long-term asset returns are incorporated into their investment decisions.”

Come to CECP for:

- **Corporate purpose communications audits:** Looking internally and externally, determine if the company is communicating its corporate purpose in a way that breaks through and highlights what it does best.
- **Consulting and benchmarking** for ESG, communications, giving/volunteering, employee engagement, and DEI in support of company strategy and corporate purpose questions.
- **Purpose resources and networks for CEOs:** Board of Boards, CEO Roundtables, CEO Purpose Weekly, Monthly Video on Purpose, and CEO Trend Talks.

Material Risk Factors: ESG Isn’t the Problem. The way we talk about it is.

Environmental, Social, Governance (ESG) is a framework to measure the short- and long- term material risks and opportunities of a business across those three categories. While the term ESG has spread in popularity, it is not clearly defined. [Only half](#) of Americans have heard the term and only one in five has a favorable opinion of it. With no recognized and standardized definition, the term itself is hollow. Companies are clearly worried.

Yet, despite the debate and concern about the term, leading companies are still engaged in the practices around the work. We’re entering a new era of corporate accountability that business leaders cannot ignore. New regulations and reporting and disclosure requirements will create a wave of sustainability transparency.

Through the [Corporate Sustainability Reporting Directive](#) (CSRD), a set of 12 European Sustainability Reporting Standards (ESRS) have been developed by the Sustainability Reporting Board (SRB) of the [European Financial Reporting Advisory Group](#) (EFRAG). These standards are so-called “double materiality” and include both financial materiality (what matters to shareholders) and impact materiality (what matters to the world and certain subsets of shareholders). At the same time, the [International Sustainability Standards Board](#) (ISSB) under the IFRS Foundation has issued two standards, one on general requirements and one on climate, which are grounded in financial

materiality. Many global companies will have to adapt to these rules and for U.S. companies, until the SEC shares ESG disclosure rules for investment firms and their advisors this April, the [EU regulations will impact US companies](#) with a global footprint.

Conversations about climate and the environment can be broken down simply into what they mean specifically to companies: use of natural resources, impact of the supply chain, water use, and carbon pollution. These actions by a company are financially material and their mitigation strategies can be integrated into the business through KPIs by aligning internal resources, like R&D and production. Still, there is much more work to be done. Companies will navigate this push and pull by getting back to basics. Grounding their work in purpose, they will focus on what's material and talk in common-sense terms, including "our people", "our natural resources", and "our communities". They will understand that at its core, this is responsible business and purpose.

Come to CECF for:

- Corporate trend data on ESG
 - [Investing in Society](#): despite **91% of Fortune 500® companies having adopted a waste-reduction policy** due to a lack of a governmental recycling infrastructure, the **amount of waste recycled has continued to wane** with Fortune 500® companies reporting a decrease of 9.1% between 2019 and 2021.
 - [Global Impact at Scale](#): a strong majority of companies (98%) use some form of voluntary standards for ESG reporting, with the Global Reporting Index (GRI) used by 63%
 - **Giving in Numbers™: 2023 Edition**: environmental program funding had the highest growth rate (51%) as companies may be increasingly demonstrating the alignment of their community investment priorities with their corporate environmental goals.
 - **CECF Pulse Surveys**: only 37% agreed that the most effective action companies can take considering the backlash against ESG is sharing ESG-related impact data and future sustainability planning for stakeholders to know what's important to the company.
- Defining your corporate purpose: Leading CEOs are sharing their long-term visions, such as CEOs Dame Emma Natasha Walmsley, CEO, **GlaxoSmithKline**; Calvin Butler, CEO, **Exelon**; Mark Schneider, CEO, **Nestlé**; and more, who are all joining the ranks of 60 leading CEOs who have presented their [Integrated Long-Term Plans](#) to an audience of institutional investors, representing \$25 trillion in assets under management at [CECF's CEO Investor Forums](#) (save the date for the 12th CEO Investor Forum the week of November 18th, 2024).

Changing Workforce: Embrace Governance, Diversity, and Employee Engagement

U.S. companies have had their hands full this year maneuvering through high inflation, a looming potential recession, understanding the potential of AI, the Great Retirement, and more—but concentrating on certain actions, such as governance, diversity, and employee engagement, will help a business succeed.

For instance, with [record levels of CEO turnover](#) this year, new CEOs mean new priorities or a re-examination of existing strategies for better performance, productivity, and profits. While new or

revised strategies are set, good governance by an involved board can keep a company on track with long-term goals and priorities. But in this environment, the role of boards in understanding the issues and the complex ways in which they interact with a company strategy is crucial. A [study](#) with the High Meadows Institute on the board finds new challenges like ESG, technology, cyber security, government regulations, and shifting markets have changed the expectations of board members. CECP helps organizations navigate evolving strategies by providing research, benchmarking, and tools to guide companies in setting near-term and long-term goals to make a positive social impact.

Leading companies are embracing diversity, equity, and inclusion (DEI), outside of just meeting targets, as they know that DEI is about business performance. Albert Bourla, Chairman & CEO, **Pfizer** said at CECP's CEO Investor Forum this year, "Although we do have better results when there is diversity, that's not the reason why we do it. The reason is because it's the right thing to do. And when you do the right thing, that also has a very big influence in your culture, in the way that your employees resonate with you, and how they can perform." The changing workforce, when embraced and uplifted, can improve company culture in the workplace, while increasing business success. Numerous studies have shown that diverse companies perform better than more homogenous counterparts:

- Leaders who give diverse voices equal airtime are nearly [twice as likely](#) as others to unleash value-driving insights, and employees in a "speak up" culture are 3.5 times as likely to contribute their full innovative potential.
- Culturally diverse organizations are [up to 36 percent more profitable](#).
- [More than two-thirds](#) of Gen Z employees consider a company's commitment to social equality when taking a job.
- When companies prioritize employees' health and safety, offer paid time off, strengthen communications by listening to workers' voices, companies can better protect, attract, retain, and upskill [frontline workers](#).

Employee engagement is crucial for companies as it impacts various aspects of organizational success from better productivity to increased retention rates. Volunteering is an essential component of their employee engagement strategies and are pivoting to encourage volunteering with organizations that feel of value to employees, such as skills-based volunteering programs. In [Giving in Numbers™: 2023 Edition](#), the median number of volunteered hours for companies with skills-based volunteering programs in 2022 amounted to 65,560 hours, a 31% increase from 2020's 50,000 hours. Companies are investing in the types of programs that have a high impact, and those where employees feel trust and value.

Come to CECP for:

- Soon-to-be-released **employee engagement and DEI frameworks and toolkits**.
- Tracking of your employee engagement data through the annual **Giving in Numbers Survey** which launches in January.
- CECP Summit: The CECP Summit is an experience that brings together nearly 300 corporate leaders who drive social strategies at the world's largest companies. This year will be in NYC on May 21-23 with the theme Persistence and Purpose. This vital corporate network engages

and learns together, offering powerful insights on trends, partnerships, and the business case to advance companies' role as a force for good in society.

Take Action Now to Drive Performance

Successful companies are responsible businesses that act with thoughtfulness and integrity. This year's [Edelman Trust Barometer](#) found that companies are currently the only global institution to be seen as both competent and ethical. Yet CEOs are often seen as the least trusted source of truth when communicating about ESG. There is work to be done by chief executives to build trust. It's no accident that the 2023 Merriam-Webster word of the year is "authentic". 2030 climate goals are looming; will companies be bold to admit where they are falling short? Companies can look across their companies, empower their people, and seek out cross-sector partnership to find solutions to those issues that are not "owned" by anyone, but should be owned by everyone. Invest and make tradeoffs, because it will cost you less now to mitigate these risks than it will be to address them in a few years.

Leading companies focus on enduring, long-term value creation—including purpose and measurement—as they assess both risks and opportunities.

Those who prepare for the future consider long-term business risks—including risks like climate, geopolitical events, and AI on jobs. With an Integrated Long-Term Plan, companies can focus on the "ins" to outline their **intent**, gather **insights**, create an **integrated** strategy, allocate **investment**, encourage **innovation**, provide **incentives**, and occasionally cultivate moments of **inspiration**.

Business leaders can adopt a dual vision that more effectively balances current management needs with a longer-term lens on material risks. With every risk, they can see an opportunity, which presents itself as efficiencies, cost savings, reduced risk, taking care of their people and communities, and decreases in resource consumption, to name a few.

Come to CECP for:

- **Accelerators** on [Demystifying Measurement](#) (January), [Measuring the S in ESG](#) (February), [Advancing Corporate Foundations](#) (March)
- **ESG Insights Briefs and Peer Connects**
- **In-person regional and issue-based roundtables:** the [Utilities/Energy Industry Roundtable](#), hosted by Entergy, will be over two-half days that will take place January 30 -31st in New Orleans
- Strategy and Impact Roundtables such as [Equity-Centered Community Involvement](#) and [The Justice-Impacted Workforce and the Opportunity for an Inclusive Talent Pipeline](#)

Political Divide: Find Common Ground

While the C-Suite understands the value of being a responsible business, as they look ahead to long-term business commitments, they also might be feeling the pressure of potential pushback on their actions. But particularly with US and European elections, as well as worries in the Middle East, China. and other contentious issues in the news, the risk of division is higher than ever. Many

executives struggle to move beyond corporate silence because companies will have people on both sides of this and other issues. Companies can focus on where we agree and move these issues from being contentious to common ground, despite partisanship.

A [maslansky+partners study](#) found more than 85% of Democrats and nearly two-thirds of Republicans (64%) agree that “companies have a responsibility beyond serving shareholders to make a positive impact on the world.” Everyone wants clean water, clean air, and to take care of their communities. But how do leaders evaluate and determine what they should speak up on?

- 1. Live your corporate purpose.** Clearly communicate your organization’s purpose and values or you may negatively impact employee trust.
- 2. Contemplate how the issue affects key stakeholders.** Does the topic address the broader needs of multiple stakeholders, including employees, partners, the board, investors, and others? Can you add value in other ways or address this as part of material risk management?
- 3. Engage with humility, vulnerability, and credibility.** Before speaking out on a topic or making pledges, consider your company’s track record and then close any gaps.
- 4. Be transparent by showing plans, progress, and measurement.** Boards and executives can be proactive, and long-term planning demonstrates intentionality to investors.
- 5. Determine how your company is uniquely positioned to contribute and collaborate in helping to solve the issue.** Drastically dream about what matters and why, including finding the sweet spot in support of an issue that is relevant to your company, industry, strategy, and employees.

Come to CECP for:

- Guidance on **when and how to speak up** and engage on tough issues. See our [When and How to Speak Up](#) framework.
- **Communications counsel** on how to develop business champions internally. [Contact us](#) for affiliate-only resources.

The team at CECP is ready to support you in navigating the year ahead. How can we assist you and your company to improve your business performance through corporate purpose in 2024?

###

About Chief Executives for Corporate Purpose (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.

For more information, visit <http://cecp.co>.