

**3 Organisational Logics  
and their  
3 Responses  
to Global Unsustainability**

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**Hurth, V. (2020). If you want to go far you need to go deep: A framework of impact archetypes.**

**In J. Nicholls & R. Adams (Eds.), Generation Impact: International Perspectives on Impact Accounting. Emerald Publishing.**

# Economies are about resources and wellbeing

1. An economy is about allocating scarce resources to optimise wellbeing (welfare/flourishing/prosperity) for society over the longer-term
2. Businesses are the core vehicle society has decided can deliver the economy best via a competitive market place (capitalism)



**The economy is not working properly**

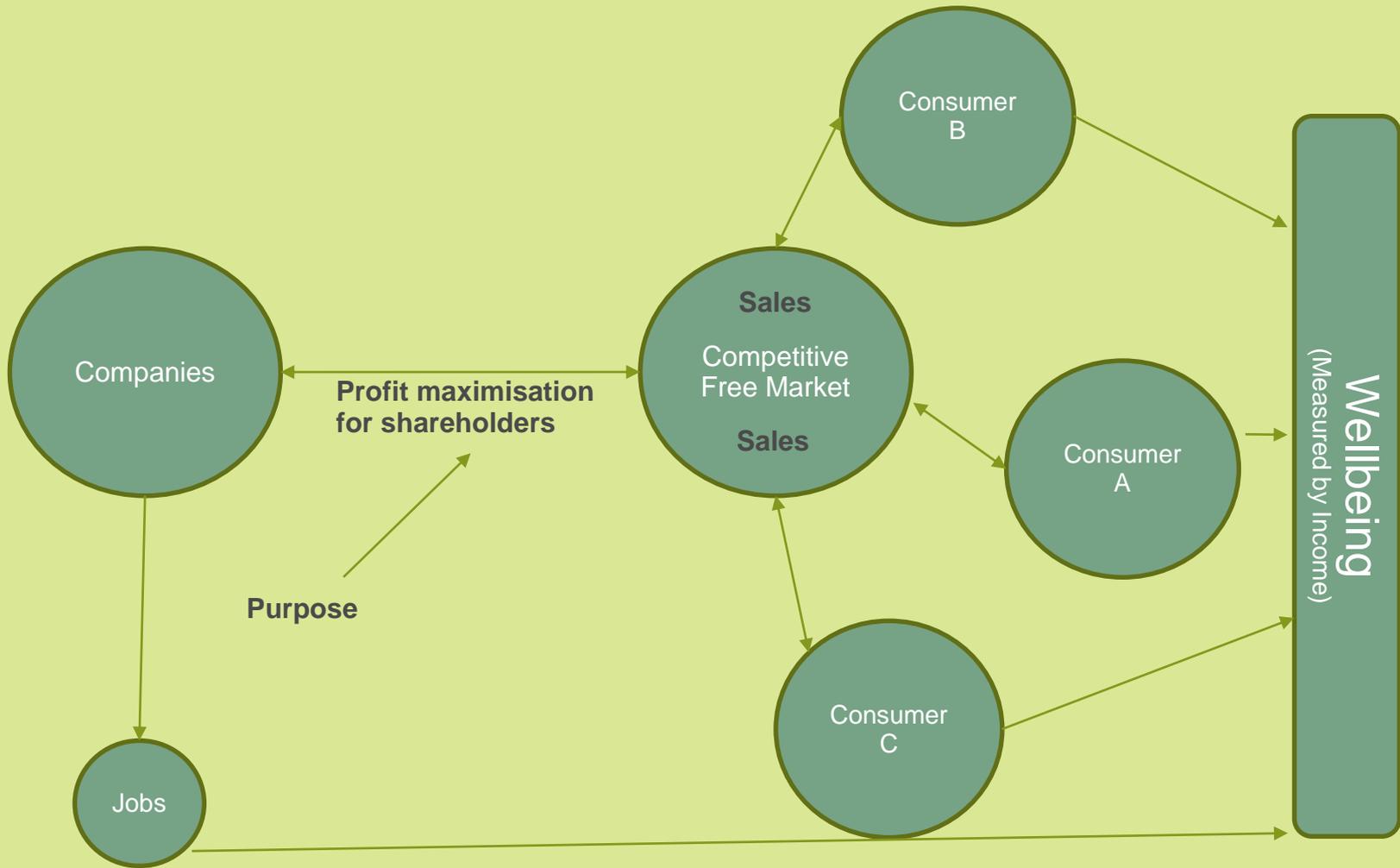
- 1. Wellbeing outcome issues:** mental health, obesity, inequality, modern slavery, debt, youth unemployment
- 2. Wellbeing input issues:** Climate change, biodiversity loss, soil erosion, water scarcity, ocean acidification, resource scarcity



**Why is the economy not working?**

# The logic of Business-As-Usual (BAU):

1. **WELLBEING CREATION:** wellbeing is optimised for society **automatically** if companies engage in competitive focused, self-interested profit maximisation for shareholders
2. **HUMAN BEHAVIOUR:** customers and companies are (boundedly) rational – they will act in their self-interest and are financially motivated (because money buys wellbeing in the market place)
3. **RULES OF THE GAME:** obey the law, accurately read customer demand – it's not your job to question it, base strategy on competitive behaviour



# BUT we know that.....

1. **WELLBEING CREATION:** Is not **automatically** created by a focus on short term profits. In fact this leads to unethical decisions that are self-defeating. Companies become blind to impacts on wellbeing and they mute government powers
2. **HUMAN BEHAVIOUR:** Customers and companies are not (boundedly) rational – they will not always act in their self-interest and are not primarily financially but seek meaningful lives /good life
3. **RULES OF THE GAME:** If you valorise self-interest people won't obey the law. Companies are a dominant influence of society's consumption preferences. An overly competitor focus can lead to self-referenced manoeuvring and can block real innovation

**Consequence.....**

## **Unsustainability**

**i.e. long-term wellbeing is under severe threat as wellbeing is not tended to and the resource base is asset stripped**

## 3 modes of business response to subsequent ..

- Unsustainability data,
- Stakeholder pressure and
- Threats to reputation:

1. STICK

2. ADAPT

3. REFORM

# 1. STICK – BAU/CSR RESPONSE

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Ultimate value the organisation is there to create

Who it the value primarily for

Over what time scale

Financial income

Shareholders

Short-term

Evidence

Cognitive Response

Action Response

**Unsustainability data**

- Probably overstated.
- What can we do about it anyway?
- Not our job – government should create laws if it was that much of an issue.

- Nothing
- Continue to lobby against laws that threaten short-term profitability

**Stakeholders**

- Stakeholders are undermining our business model and need to be managed

- Invest in PR and CSR

**Threats to reputation**

- A rising risk that needs to be actively managed with more resources than previously

# 1. STICK – BAU/CSR RESPONSE

## BENEFITS:

- Doesn't require much change or investment
- Keeps the company in line with major stakeholders who support the companies current approach

## PROBLEMS:

- Does not acknowledge the problem but seeks to hide from the issues
- A back-foot, risk-management response
- Risky approach for the company, investors and stakeholders

## **2. ADAPT – ESV RESPONSE**

# 2. ADAPT – ESV RESPONSE

Ultimate value the organisation is there to create	Who it the value primarily for	Over what time scale
Financial income	Shareholders	Long-term (sustainable over time)

Evidence	Cognitive Response	Action Response
<b>Unsustainability data</b>	<ul style="list-style-type: none"> <li>• A serious threat to the viability of the business</li> <li>• Short-term profit maximisation is the driver of unsustainable business decisions</li> <li>• Move to long-term decision making</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainability committees and departments</li> <li>• Company materiality and risk registers</li> <li>• Benchmarking</li> <li>• Adjust incentives</li> <li>• Stop lobbying against laws that threaten short-term profitability</li> </ul>
<b>Stakeholders</b>	<ul style="list-style-type: none"> <li>• Social license to operate is under threat</li> <li>• Good stakeholder relations needed as they are core to our long-term business success</li> </ul>	<ul style="list-style-type: none"> <li>• Diversify boards and senior management</li> <li>• Stakeholder materiality assessments</li> </ul>
<b>Threats to reputation</b>	<ul style="list-style-type: none"> <li>• Requires important changes so we operate in a way society will approve of.</li> </ul>	<ul style="list-style-type: none"> <li>• Re-branding</li> <li>• Values and ethical codes</li> <li>• Report against major frameworks</li> <li>• Increased transparency</li> </ul>

## 2. ADAPT – ESV RESPONSE

### BENEFITS:

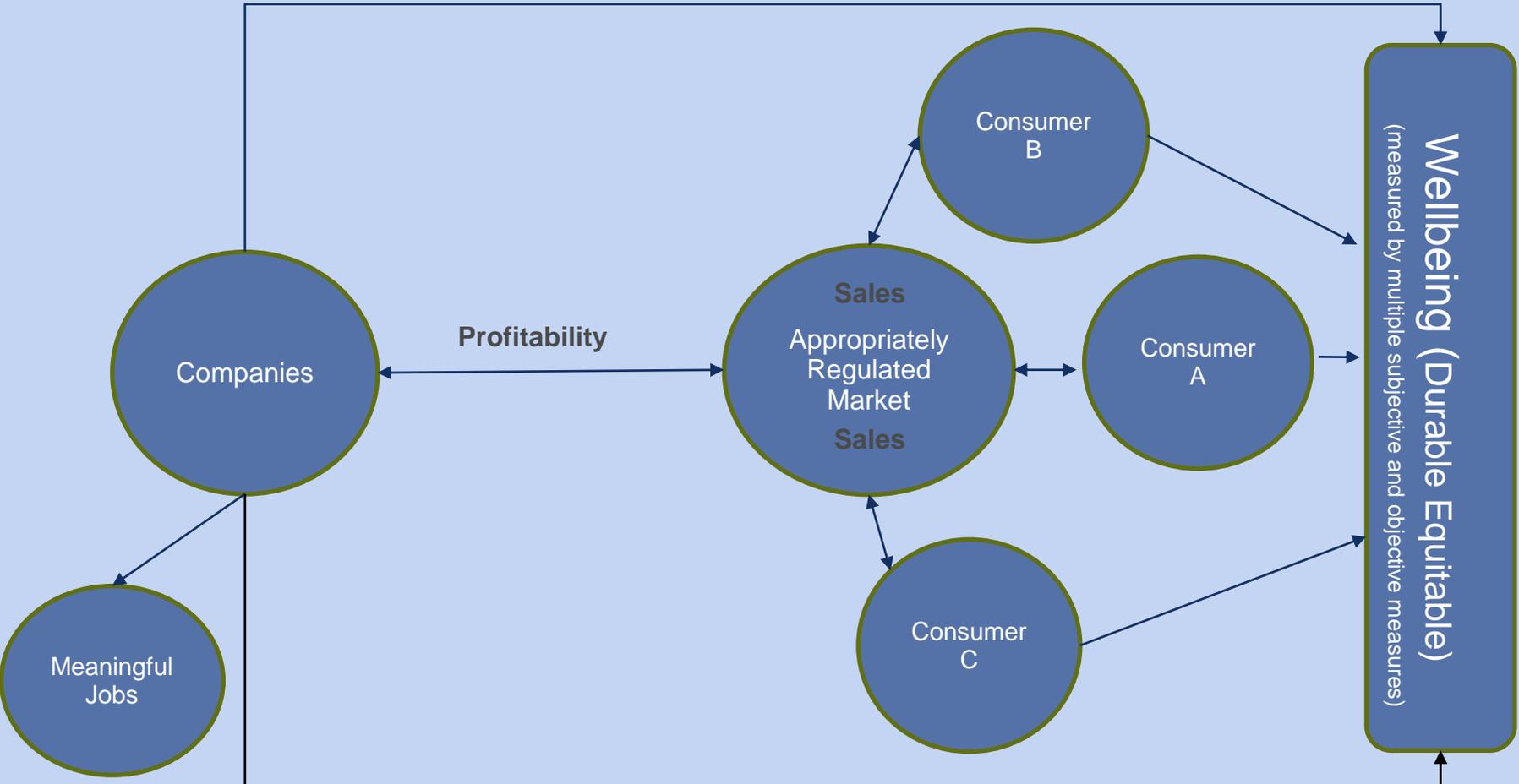
- Faces head-on one fundamental problem of BAU (short-termism)
- Creates a more resilient and self-aware organisation
- Reduces reputational risk

### PROBLEMS:

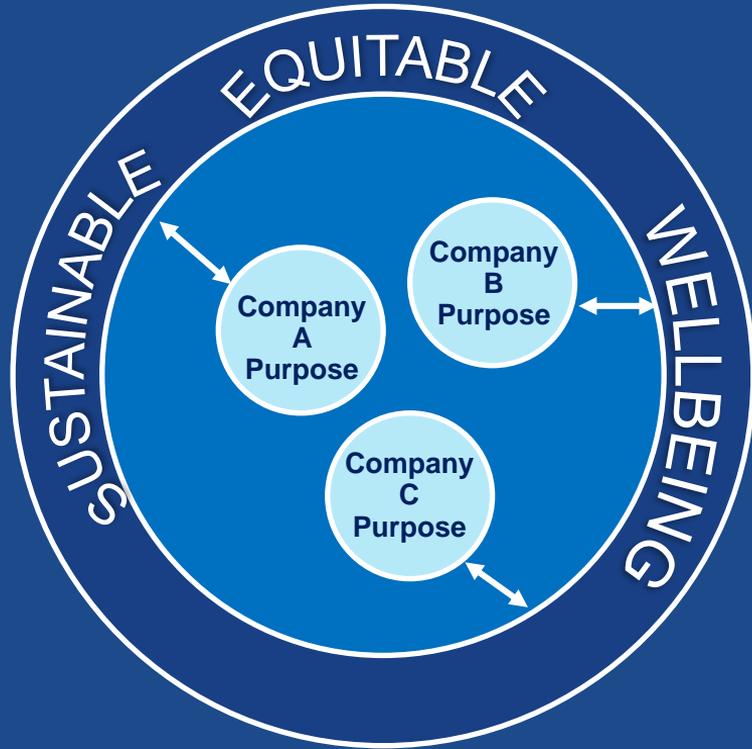
- A contained innovation approach – focuses on minimising well-known business threats (environmental degradation, lack of skilled healthy workers etc) rather than solving critical under-served wellbeing problems
- Retains most inaccurate assumptions about how wellbeing for society is created via the market

## **3. REFORM – PURPOSE RESPONSE**

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## Organisational Purpose:

“An organization’s meaningful(1) and enduring reason to exist,

- that aligns with long-term financial performance,
- provides a clear context for daily decision making,
- and unifies and motivates relevant stakeholders.”

(1) Serving society through a direct contribution to sustainable, equitable wellbeing

Source:

1. Ebert, Hurth and Prabhu (2018) *The What, the Why and the How of Purpose: A Guide for Leaders*, Chartered Management Institute and Blueprint for Better Business White Paper
2. Hurth V., Ebert C. & Prabhu J. (2018) *Organisational Purpose: The construct and its antecedents and consequences*. Cambridge Judge Business School, Working Paper No. 02/2018.

# 3. REFORM – PURPOSE RESPONSE

Ultimate value the organisation is there to create	Who it the value primarily for	Over what time scale
Wellbeing outcomes	Company specified group(s) (and delivered to enhance the equitable wellbeing of all stakeholders/society)	Long-term (sustainable over time)

Evidence	Cognitive Response	Action Response
<b>Unsustainability data</b>	<ul style="list-style-type: none"> <li>• Business can't leave equitable, sustainable wellbeing to chance, it must be accountable to delivering it directly.</li> <li>• The business can't deliver wellbeing long-term for everyone so it must consider what it is best placed to contribute, for whom, and encode this in a purpose</li> </ul>	<p>All ESV responses plus:</p> <ul style="list-style-type: none"> <li>• Discover and encode a purpose</li> <li>• Assess board, operational and cultural gap</li> <li>• Plan and initiate changes to vision, mission, business models, strategy, culture, policies, KPIs, brands etc</li> <li>• Develop science-based sustainability red lines/targets</li> </ul> <p>Plus all ESV responses</p>
<b>Stakeholders</b>	<ul style="list-style-type: none"> <li>• The people we are accountable to</li> <li>• The reason the company is allowed to exist in the first place</li> <li>• Certain stakeholders are the object of our purpose / our meaningful reason to exist</li> <li>• Others are the only way we are able to deliver the purpose so we need to understand and serve them</li> </ul>	<p>All ESV responses plus:</p> <ul style="list-style-type: none"> <li>• Actively bring the purpose-stakeholder and delivery-stakeholder voices into strategy decisions (e.g. new ownership models, advisory groups, co-creative NPD)</li> <li>• Re-humanise the organisation so stakeholders can be inspired to help achieve the purpose.</li> <li>• Accountability is oriented to all stakeholders</li> </ul>
<b>Threats to reputation</b>	<ul style="list-style-type: none"> <li>• A serious issue that requires important changes to the way we operate so that we can be assured we are operating in a way society will approve of.</li> </ul>	<p>All ESV responses plus:</p> <ul style="list-style-type: none"> <li>• Explain the transition and accountability plan</li> <li>• Remove toxic products, staff, misaligned stakeholders</li> <li>• Ask stakeholders for support in changing</li> </ul>

# 3. REFORM – PURPOSE MODE

## BENEFITS:

- Addresses a wide suite of pressures facing business all at once. Attunes the company with future realities.
- A driver of innovation and agility
- Attracts strong emotional stakeholder support for the company which often translates into instrumental drivers of performance (customer loyalty, talent attraction and retention)
- A purpose-driven culture is a strong protection for the company's brand and reputation

## PROBLEMS:

- Represents radical change requiring sustained bold leadership in the face of many hurdles
- If a company is not clear about the extent of the shift and investment required, declaring a purpose can do heavy reputational harm
- Requires resetting most basic assumptions about business and human behaviour – board, exec and employees need to move to a paradigmatically different space

**Stick: CSR**

**Adapt: ESV**

**Reform: Purpose**

Which logic dominates your company and those you work with?

Are they conscious of:

- 1) Where they are?
- 2) The real nature of their ambitions?
- 3) How they can navigate the road ahead?