

## Putting Values to Work How to Implement Value-Based Business Models

Businesses like any other organisations have values that underpin their every-day practices. In some cases these are implicit and assumed, in other cases they are stated in a more explicit and clear way. Businesses tend to establish core values often to clarify perceptions of its mission and purpose, and how it expects its staff and other stakeholders to operate if a situation is unclear.

After a business have a value statement, or a holistic business purpose, it then needs to be put to work and embedded in diverse business processes and operations through policies, staff awareness raising, and practices that reflect and implement the value statement or holistic mission.

There are two broad ways in which to create a value-led business model:

- 1) Embed sustainability in the business mission, and value statement in aligning sustainability with creating a sustained profit.
- 2) Change the business model of the company to explicitly state that wider sustainability issues such as a B-Corporation certification or becoming a Social Enterprise

Embracing more holistic values can be linked to the business mission to deliver sustained shareholder value. For instance, the results of Unilever's vision can be seen in how social awareness programmes around health and sanitation (with corporate responsibility spending), can improve to consumer demand:

*"around 538 million people reached by end 2016 through our programmes on handwashing, sanitation, oral health, self-esteem and safe drinking water... This had a noticeable impact on business success as well "as the more people gain access to a toilet, the greater the potential for them to purchase toilet cleaners. Domestos grew by 9.7% in 2016."*<sup>i</sup>

Danone, another food and beverage company, is also investing in areas like health and sustainability, as stated in Danone's values:

*"for Danone business is about value creation in a way that goes way beyond the traditional economics, for us business is an enabler for a healthier future, to co-create a healthier future."*<sup>ii</sup>

Danone CEO Emmanuel Faber says why: ""Health sells," ... "If you look at the global food industry, last year the health category grew 5%,<sup>iii</sup> while the overall trend was a decline of 2% Consumers are demanding healthy and nutritious food.

Combining values with business purpose seem to work beyond consumer brands across diverse industries. Even when public perceptions do not impact as much on customer demand, you still wish to improve employee satisfaction, and improve innovation. In a recent E&Y survey, it has been noted that **most executives believe purpose matters:**

- 89% of executives surveyed said a strong sense of collective purpose drives employee satisfaction
- 84% said it can affect an organization's ability to transform
- 80% said it helps increase customer loyalty<sup>iv</sup>

## 1. How do you put values in place?

The first option is to embrace a holistic assessment of company values that are clearly communicated to all stakeholders – and effectively implemented.

E&Y have found that **companies with a strong sense of purpose are able to transform and innovate better**. Those executives who treat purpose as a core driver of strategy and decision-making reported greater ability to drive successful innovation and transformational change. This then led to consistent revenue growth. The [E&Y Beacon Institute](#) in particular stresses that purpose is linked to innovative ways of disrupting the market<sup>v</sup>, including Tesla's electric cars and Apple's iPhone.

The [Blueprint for Better Business](#), an organisation promoting core values being implemented through a value assessment, cite a IMD Business School study saying that a purpose can impact financial performance by up to 17%,<sup>vi</sup> due to ***a pre-emptive, defensive tool to strengthen reputation risk management***, ***“a competitive differentiator within an industry”*** and ***“a strategic long term asset to build competitive advantage”***.

The Blueprint calls for businesses to deliver value through explicit purpose and the quality of the human relationships nurtured internally and externally. The Blueprint proposes central themes for better business, including dignity with people, honesty with customers and society, guardian of future generations and being a good citizen<sup>vii</sup>. If these values are implemented in a business, the assumption is that the business becomes a more humane and respectful actor in wider society.

There isn't however, a one-size-fits all value statement that businesses can adopt off the shelf, each business works with different types of products and services, has its own unique impact on wider society and environment through its practices and wider footprint, and has a set of levers and avenues to influence its own and external stakeholders.

## 2. Value-Based Business Models

The second pathway is to change one's business model, or even legal structure so that the business becomes purposefully an organisation that embraces social and environmental impact alongside economic value creation.

[Social enterprises](#) combine a sustainable business model with a clear social purpose, working and employing in the most challenging areas. As a business movement, it grew from the realisation that co-ops were not adapted for every type of an ethical business and a change in legal form alone did not necessarily mean a change in business impact. Examples of UK-based social enterprises include the Big Issue, Divine Chocolate, Jamie Oliver's Fifteen and the Eden Project. Examples in the developing world include Kuapa Kokoo cocoa co-operative in Ghana, Self Employed Women's Association in India, and the Grameen Bank in Bangladesh. Many in the developing world are co-ops, or producer organisations, but many urban social enterprises like Busy Internet in Ghana are branded as social enterprises without any changes in legal structures or labelling initiatives.

Social enterprises are recognised by the umbrella body Social Enterprise UK, although some don't seek the certificate. The latest UK State of Social Enterprise survey from 2015<sup>viii</sup> identify around 70,000 social enterprises in the UK, contributing £24 billion to the economy and employing nearly a million people. Stricter social purpose tests are being done by a government body who certify enterprises under the Community Interest Company (CIC)s Act 2005, that also lock-in assets from distributing to owners – a requirement for some areas of grant funding. Since its introduction, there are now over 11,000 CICs, often working in the care and other personal services sectors.

Key impacts reported include new innovations. The number of social enterprises introducing a new product or service in the last 12 months has increased to 59%. Among SMEs it has fallen to 38%. A second key impact is advancing gender equality and social inclusion. An estimated 40% of social enterprises are led by women, while 31% have Black Asian Minority Ethnic directors and 40% have a director with a disability. In terms of social deprivation, 31% of social enterprises are working in the top 20% most deprived communities in the UK.

The weakness with the social enterprise model is that profit-orientated investors may shy from them. Equity investment was surveyed at only (3%), but there is a new breed of 'impact investors' who see social enterprises as laboratories for innovation and social impact. Meanwhile, grant funding was part of the financing mix of 83% of all social enterprises. This provides an additional benefit for social enterprises, one that traditionally were only available for charities and not-for-profit entities may be available for social enterprises in return for demonstrating a social or environmental impact. Finally, loan financing (23%) is similar to the wider SME sector, – some in form of low-interest public or 'social investment' from larger companies as part of their corporate responsibility and supplier quality and capacity building schemes.

[Benefit Corporations](#) started as a movement in the USA, where the legal requirement to maximise shareholder value over other types of value is interpreted more strictly than in Europe in investor fiduciary duty and corporate governance documentation. In April 2010, Maryland became the first U.S. state to pass benefit corporation legislation and by 2017, 33 U.S. states and the District of Columbia have passed new legal statutes for companies that includes positive impact on society, workers, the community and the environment in addition to profit as its legally defined goals. Benefit corporations differ from traditional C corporations in purpose, accountability, and transparency, but not in taxation. In some states, benefit corporations must also file annual benefit reports with the Secretary of State, but their content is not controlled. The lack of official certification has led to around 12 third-party standards.

B-Corporation, is one of the best known third party standards for benefit corporations, but stands independently of certification by proposing their own model of changes in legal statutes to satisfy the change in purpose and identity of a company to consider the interests of all stakeholders, not just shareholders, when making decisions.<sup>ix</sup> It is more based on a corporate responsibility ranking (a company is scored out of 200, and must have at least 80/200 to pass), and improving its responsibility is an objective over time. The indicators cover many (though not all) areas of typical

corporate responsibility guidelines. This indicator approach integrates with financial reporting, and the legal status change allows for the social and environmental impact to survive new management, investors, even selling the business entirely.

Some early evidence shows that doing the B-Assessment, and being scored creates buy-in from staff and allows to communicate social and environmental impacts with customers. An internet-based fashion and handicraft company Etsy said that: “The biggest surprise to me was realizing that our employees deeply cared about the things the B Impact Assessment measured. They wanted to work together to raise our score.”<sup>x</sup> Similarly, the Brazilian food company Ouro Verde that supply Brazil Nuts by using its own ethical trading methods said that: “We became more confident about our social impact when we had an objective standard to measure our success against. It is much better to have a concrete number than a feeling or a story. This process also helped others, especially customers and other buyers, have more trust in our company.”<sup>xi</sup>

The B-Corporation brand is becoming gradually more recognised, and it can used it in their marketing and branding, known brands include Divine Chocolates, Ben and Jerry’s and London alone has 64 certified B Corporations<sup>xii</sup>. This [video explains how B-Corps operate](#), using the power of business to solve social problems, innovating and disrupts industries, finding connected social and environmental themes to the core business areas that mutually reinforce each other.

## Conclusion

Whether businesses take the route of creating and living by an internal value statement, or attaching itself to a wider movement of businesses with a purpose the benefits for doing are becoming more widely accepted. The idea that businesses’ only purpose is narrow shareholder value, and all other stakeholders are externalities is not viable in a world innovation, marketing, staff attraction and retention, and trust depends increasingly on these external actors.

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<sup>i</sup> <https://www.unilever.co.uk/sustainable-living/the-unilever-sustainable-living-plan/health-and-hygiene/>

<sup>ii</sup> <http://www.danone.com/en/for-all/integrated-report/our-pledge/>

<sup>iii</sup> [https://www.just-food.com/interview/how-danones-manifesto-is-shaping-its-corporate-activity-just-food-interview-part-two\\_id137131.aspx](https://www.just-food.com/interview/how-danones-manifesto-is-shaping-its-corporate-activity-just-food-interview-part-two_id137131.aspx)

<sup>iv</sup> [http://www.ey.com/Publication/vwLUAssets/ey-the-business-case-for-purpose/\\$FILE/ey-the-business-case-for-purpose.pdf](http://www.ey.com/Publication/vwLUAssets/ey-the-business-case-for-purpose/$FILE/ey-the-business-case-for-purpose.pdf)

<sup>v</sup> <http://www.ey.com/gl/en/issues/ey-beacon-institute?video=5477783700001>

<sup>vi</sup> <http://www.blueprintforbusiness.org/wp-content/uploads/2016/03/Research-Purpose-and-Performance.pdf>

<sup>vii</sup> <http://www.blueprintforbusiness.org/wp-content/uploads/2015/06/The-Blueprint-Downloadable-format-outline-colour.pdf>

<sup>viii</sup> <https://www.socialenterprise.org.uk/Handlers/Download.ashx?IDMF=828443a9-2f80-4c2a-ab2b-81befed6ed05>

<sup>ix</sup> <https://www.bcorporation.net/become-a-b-corp/why-become-a-b-corp/protect-your-mission>

<sup>x</sup> <http://www.b-analytics.net/customers/case-studies/using-b-analytics-create-shared-goals>

<sup>xi</sup> <http://www.b-analytics.net/customers/case-studies/using-b-analytics-tell-your-story>

<sup>xii</sup> [https://www.bcorporation.net/community/find-a-b-corp?search=&=Search+Companies&field\\_industry=&field\\_city=london&field\\_state=&field\\_country=](https://www.bcorporation.net/community/find-a-b-corp?search=&=Search+Companies&field_industry=&field_city=london&field_state=&field_country=)