“Doing Good” Is a Source of Growth

Firms must develop a higher social purpose to achieve growth and longevity.

Harish Manwani knows a thing or two about longevity. In December 2014, he retired as Unilever’s Chief Operating Officer after a 38-year run with the company, starting as a management trainee. (He remains associated with Unilever in his role as chairman of its India arm.) Nowadays, though, businesses and individual leaders looking to achieve sustainable success need an entirely different skillset from past generations, Manwani explained when he visited INSEAD’s Singapore campus as keynote speaker at this year’s Global INSEAD Day.

“The most significant change that we are seeing is that you cannot predict what is going to happen tomorrow based on what happened yesterday”, he said. “I think the medium term is dead. It is either the short term or the long term. If you really do not have a sense of purpose and destination, you can easily get lost in this world. Equally, you need the agility to manage the short term in today’s volatile and changing environment.”

If Manwani is right, it may bode ill for companies whose quest for growth resides in a three or five-year strategy. And a nihilistic obsession with immediate financial results won’t help companies withstand a climate of persistent volatility. What’s needed, according to Manwani, is a commitment to pursuing a different conception of growth—one that prioritises social good as much as profits.

The “fourth G”

Manwani argues that profit is not always the point and while consistency, competitiveness, and profitability have historically been the three criteria for desirable growth, the time has come to add a fourth: responsibility. With trust in leaders at an all-time low worldwide, business must do more than enrich some people financially; it must also apply its considerable force to brightening the entire social picture. “The only thing that needs to change is that the role of business is not just to look after their shareholders, but to look after all their stakeholders”, he told me. “Business must be embedded in the communities in which it operates...[It] must be part of the social change and part of the solution.”

“The companies that will thrive are those that will actually embrace the fourth G”, he said.

Before this can happen, social impact must gravitate from the organisational periphery of the CSR departments into the very heart of C-suite decision-making. “I do believe that CSR is nothing but a company trying to appease its conscience...You need to be a company with a soul, not just a company with a conscience”, Manwani said.

Visit INSEAD Knowledge
http://knowledge.insead.edu
Sustainability at Unilever

Manwani references his first-hand experience at Unilever as an example. He says that from the moment he joined the organisation, it was clear that Unilever saw a higher purpose for itself than just selling lots of “soap and soup” around the world. Every year, millions of children die of simple infections such as diarrhoea and pneumonia, which may well have been prevented with better hand hygiene. So bringing affordable hand soap to impoverished communities—Unilever’s business-as-usual—actually helps save lives.

With the introduction of the highly praised Unilever Sustainable Living Plan in 2010, the company set the lofty goal of “making sustainable living commonplace”, by halving its environmental footprint, enhancing the health and well-being of one billion people, and moving to entirely sustainable agricultural raw materials—all by the year 2020. As of this year, the Unilever brands that have been the most involved in the plan are growing twice as fast as the rest, according to company data.

To Manwani, this makes perfect sense. “Less has to be better longer-term for business...In some of our factories, we’re now using 40 percent less energy. Complete integration of innovation and sustainability brings double-sided growth.”

The leadership factor

Making the “fourth G” a central business pillar requires leadership that is “values-led and purpose-driven”. In order to gain followership, especially among hierarchy-averse millennials, leaders must not only exemplify these core values in their personal behaviour but also ensure that the company always walks the walk, business contingencies notwithstanding. “It is an internal compass that you have to follow”, Manwani said. “It is not about the external compass. No matter where you are in the world, you cannot have two sets of values.”

Sometimes, this might mean taking a leap beyond current industry protocol and having faith that peers will follow, as happened when Unilever was the first company of its kind to embrace sustainable palm oil, Manwani said.

Leaders should also try to extend their influence beyond organisational bounds, by partnering with institutions relevant to company stakeholders, especially government agencies. Collaborating with business rivals may be a necessary part of this process. One defining skill of the socially responsible leader, Manwani suggests, is knowing when to set aside short-term financial interests in pursuit of the greater good.

“‘No single institution, company, or organisation can actually change the world. To change the world, you need coalitions’”, Manwani said.

Follow INSEAD Knowledge on Twitter and Facebook

Find article at https://knowledge.insead.edu/responsibility/doing-good-is-a-source-of-growth-4311

Download the Knowledge app for free

Visit INSEAD Knowledge http://knowledge.insead.edu