CENTERING EQUITY IN CORPORATE PURPOSE

FSG REIMAGINING SOCIAL CHANGE

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Shared Value Initiative

About FSG

FSG is a global, mission-driven consulting firm that partners with foundations and corporations to create equitable systems change. Through customized consulting services, innovative thought leadership, and learning communities, we're working to create a world where everyone can realize their full potential. To learn more, please visit www.fsg.org.

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About the Shared Value Initiative

The Shared Value Initiative is a global platform for leaders seeking to solve societal challenges through business solutions. We help companies fulfill a purpose beyond profits and shape the field through peer-to-peer exchange, market intelligence, tools and guides for the practitioner, and shared value advocacy. The Shared Value Initiative is an FSG initiative. Learn more and join the community at www.sharedvalue.org.

FSG and the Initiative would like to thank Esprit Partners for its partnership and contributions to this guide. Esprit Partners is a London-based strategy consultancy focused on redefining the role of business in tackling inequity. Learn more at www.esprit.partners.

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About This Work

This work explores the imperative for global business leaders to put equity at the center of their corporate purpose and how doing so **transforms the way companies develop and deliver strategy**. It also explores the enabling conditions organizations must have in place to realize their strategy and to embed equity into the fabric of their business.

As a part of this work, we have reflected deeply on the practice of shared value and the **role it can play to either advance equity or to hold inequities in place**. In the seminal article, “Creating Shared Value,” published by *Harvard Business Review* in 2011, FSG’s founders Professor Michael E. Porter and Mark Kramer posited that through the creation of shared value companies could unleash a new wave of innovation and growth by solving social problems.

Over the last decade, shared value has inspired business leaders around the world to look at their business with a new lens—one that sees the health of their business and of society as interdependent. But we have also learned that if companies do not explicitly consider equity, shared value can play a role in perpetuating inequity. Through this effort we explore how shared value can be **applied intentionally and within a portfolio approach** that is guided by a corporate purpose that centers equity.

This guide provides an approach for how companies can integrate a focus on equity into business strategy. We do not profess to have it all right, but we offer a perspective based on what we know today, which has been **shaped by leaders and institutions with a long-standing commitment to advancing greater equity in society**.

This work draws on the perspectives of more than 80 experts in business and social impact around the world, as well as seminal works produced by the Corporate Racial Equity Alliance, PolicyLink, Racial Equity Institute, UN Women, the World Business Council for Sustainable Development and Business Commission to Tackle Inequality, World Economic Forum, and many more who have been working toward greater equity for years and, in some cases, decades. We are indebted to these leaders and institutions for the knowledge they have shared which has informed our work. A full list is included in the acknowledgements.

What Is Equity?

Equity is the fair treatment, access, opportunity, and advancement for all people, while at the same time striving to identify and eliminate barriers that have prevented the full participation of some groups. Improving equity involves increasing justice and fairness within the procedures and processes of institutions or systems, as well as in their distribution of resources.

– Independent Sector

EQUITY AND THE CORPORATE PRACTITIONER

Every company has its own journey to advance equity. Some may build new products and distribution systems that help disabled communities access and use them. Others may design employment pathways for people from Indigenous groups into their workforce, while still others may invest in inclusive procurement to source services from women-owned businesses. The list goes on.

The ideas we describe in this guide apply to equity across a range of forms, including racial, gender, economic, sexual identity, religious identity, and beyond. However, the specific approach for each company to apply these ideas will be unique, depending on the varied contexts in which it operates and the problems it is trying to solve. When it comes to matters of equity, companies must take time to understand how these problems affect people differently by deeply engaging with and listening to the communities they aim to serve and embracing their perspectives.

This is a long-term commitment that begins with appreciating your own journey to learning new truths and unlearning attitudes and behaviors that are obstacles to more equitable outcomes. Whether you are a CEO, or a seasoned DEI leader seeking to integrate equity into your company's core business strategy, or a business unit leader striving to deliver on your company's promises, this guide is intended to help you think differently about what it takes to truly advance equity.

The Imperative for Business to Act

"The moral imperative to advance equity has also become the business imperative of our time. Meeting this imperative requires a seismic shift in how business leaders define and deliver corporate purpose."

The Moral Imperative to Advance Equity has also Become the Business Imperative of Our Time

MORAL IMPERATIVE

Inequity is at its highest point in more than a century
Globally, the richest 1% of the population owns 45% of total wealth, and inequality is growing for more than 70% of the global population.[1]

People are being deprived of their basic rights and needs
Nearly half of humanity is living on less than $5.50 per day,[2] and child labor has increased by 8.4 million children in the last four years alone.[3]

Generations are being trapped in poverty
Social mobility across generations has declined in developed countries as poverty has become more concentrated, leading to a vicious cycle of growing inequality.[4]

Social disparities are eroding social cohesion
In 2020 civil unrest rose by 10% globally as hundreds of thousands fought racist and colonial legacies, ongoing injustices, and worsening economic instability.[5]

BUSINESS IMPERATIVE

More equal societies have more stable economies
High levels of income inequality are associated with economic instability and crises, whereas more equal societies have longer periods of sustained growth.[6]

Rising inequities increase the risk of business disruption
When workers cannot meet their basic needs and are vulnerable to shocks, companies risk greater losses from supply shortages, price swings, and other disruptions.

Companies are losing out on earnings and productivity gains
Social disparities stifle business growth and innovation, with talent shortages alone amounting to 40 million skilled workers or up to $8.6 trillion in losses by 2030.[7]

Advancing equity is inextricably linked to business growth
Companies have a vested interest in tackling inequity. For instance, $28 trillion would be added to the global economy by 2025—a 26% increase—if countries and companies closed the gender gap.[8]

Sources: [1]Inequality.org; [2]World Bank; [3]ILO and UNICEF; [4]World Social Report 2020; [5]Global Peace Index 2021, Institute for Economics and Peace; [6]International Monetary Fund; [7]Forbes; [8]McKinsey Global Institute

Meeting This Imperative Requires a Seismic Shift in How Business Leaders Define and Deliver Corporate Purpose

If society is to tackle global inequity, companies will need to be deeply involved in that change. While the complex nature of social disparities belies the idea that companies can singlehandedly advance equity, companies do play a fundamental role alongside government, NGOs, and others in building inclusive, equitable, and regenerative markets that change the conditions holding these disparities in place. Companies have an agility and ability to innovate that governments do not, and the power of their investment dwarfs that of the NGO sector.

Playing a fundamental role demands far more than writing a check or eliminating harm. It requires that **companies put equity at the center of how they do business and clarify how they will address the social inequities that intersect with their business model**. It necessitates partnering with others to address the underlying causes of those inequities to disrupt the systems that perpetuate them.

CENTERING EQUITY IN CORPORATE PURPOSE

Putting equity at the center of corporate purpose means going beyond episodic or siloed efforts to **deeply integrate equity into the company's core business with the goal of contributing to the long-term success of business and society through more equitable outcomes for all.**

For instance, a financial institution might make generous philanthropic contributions to increase financial access for communities that have been historically marginalized while maintaining business lending practices that continue to exclude them. If this institution authentically centers equity in its purpose, it will forge relationships with these communities to understand their needs, end exclusionary practices and develop products that meet those needs, and determine how to deploy its full portfolio of assets (products and services, relationships with government and civil society, philanthropy, etc.) to reduce the barriers to financial inclusion.

How Centering Equity Transforms Strategy

“Putting equity at the center of corporate purpose requires business leaders to alter the way that they develop and deliver strategy. This is not about developing a separate equity strategy, but a business strategy that integrates equity.”

Centering Equity in Purpose Requires a Transformed Approach to Strategy

Putting equity at the center of corporate purpose is a big step for any company. Doing so requires business leaders to alter the way that they develop and deliver strategy. **This is not about developing a separate equity strategy, but a business strategy that integrates equity**. It is about considering different inputs into the strategy process and framing new choices that will put companies on a path to deliver more equitable outcomes.

We see five key practices that are critical to putting equity at the center of corporate purpose. These practices are designed to help you build awareness about the issues of equity that matter most to your business, understand why the issues exist, and choose where to invest your resources to make the greatest impact. Additionally, they are intended to help you uncover new value drivers for your business and realize how advancing equity can lead to long-term profit and growth.

To fully realize the value of these five practices, companies will need to create a set of enabling conditions that allow the practices to flourish and lay a foundation for a more inclusive organization. More on these conditions in the next section.

Strategy is about making choices, and the way companies make choices is fundamentally different when they put equity at the center of their purpose

Five Practices to Center Equity in Corporate Purpose

As you embark on your journey, you will find these practices are interwoven and iterative

1
New Materiality

Understanding What Matters Now

Bring an equity lens to your materiality assessment to uncover where disparities exist in your business model, understand what causes them, and learn how your company may benefit from or be hurt by them

2
Equity Domains

Choosing Where to Create Change

Identify and prioritize the specific dimensions of equity that your company can impact most – on its own and through industry and cross-sector collaboration

3
Equity Alignment

Defining How to Deliver Change

Assess how your current activities support or undermine your equity domains and decide how to invest your resources in an intentional, consistent, and coherent way

4
New Value Creation

Expanding Your Opportunities

Redefine how your company can create value for and capture value with customers, employees, partners, investors, communities, and governments to grow sustainably

5
A Portfolio Approach

Deploying a Set of Solutions

A deep and ongoing understanding of your equity domains will lead to a thoughtful combination of solutions, from philanthropy to shared value

PRACTICE 1: NEW MATERIALITY
Understanding What Matters Now

Materiality assessments are an important choice-making tool for companies to identify and prioritize the numerous environmental, social, and governance (ESG) issues that matter most to their business and stakeholders. However, traditional materiality assessments have fallen short of examining the inequities underlying ESG issues and how companies and industries contribute to or perpetuate these inequities. For companies committed to advancing equity, we believe **a "new materiality" is needed—one that deeply examines their material matters from the perspective of a diverse set of stakeholders to uncover issues of equity that have previously been hidden to them.**

New materiality helps companies discover where disparities exist in their business model, who is impacted by these disparities, and what causes them. In doing so, it enables leaders to **be "in relationship with the problem" before they start to develop solutions**. New materiality requires leaders to examine the role their company has historically played in perpetuating these disparities and how it may benefit from or be hurt by them. And it sheds light on where opportunities exist to advance equity and create new value for stakeholders in the future (which we will explore further in Practice 4).

BEING "IN RELATIONSHIP WITH THE PROBLEM"

Businesses have a strong solutions orientation, bringing their skills and resources to solve problems every day. When it comes to matters of equity, it's important that companies take time to deeply understand how these issues affect people differently (e.g., based on race, gender) and dig into the root causes of these issues—including the role of the company—before developing solutions. We call this being "in relationship with the problem" because it requires connecting with people, embracing their concerns, learning from their experiences, and valuing their current contributions and untapped potential to society while working to share and build power among those communities.

Consider how companies are in a continuous relationship with their customers. They would never lose sight of their customers' needs because they are a source for innovation and growth. We encourage companies to think about matters of equity in the same way: to deeply engage with the people impacted by the problem they are trying to solve. This involves considering the needs of people that are your existing stakeholders as well as those who can or will become your future stakeholders.

PRACTICE 1: NEW MATERIALITY

Shifting Mindsets Toward New Materiality

Undertaking new materiality may create moments of discomfort and disagreement in your company, but for business leaders that are truly committed to advancing equity, it will be recognized as a necessary and valuable first step to centering equity in your corporate purpose. Transitioning to this approach will require significant shifts in mindsets:

From a risk mindset focused on eliminating or mitigating harm	›	**To adding an opportunity mindset** focused on finding benefits for stakeholders when harms are removed
From being a "passive observer" focusing on the symptoms of inequities	›	**To being an "active partner"** in understanding systemic inequities, their history, and root causes
From accepting inequities as part of the company's business model	›	**To eliminating inequities** and excluding them from new business efforts
From engaging a traditional set of stakeholders that excludes people from communities that have been historically marginalized	›	**To engaging a diverse set of stakeholders** that includes a wide range of lived experiences and represents the needs of your future customers and partners
From a siloed approach to addressing equity as a functional activity	›	**To a holistic approach** that embeds equity in core business strategy

PRACTICE 1: NEW MATERIALITY

Tips for Getting Started

- **Engage a diverse set of stakeholders to examine the ESG issues arising from your materiality assessment** to ensure that problems are explored from a wide range of lived experiences and in partnership with people who come from communities that have been historically marginalized.
- **Build a common understanding of the origins and nature of these issues and how they affect people differently** (e.g., based on race, ethnicity, gender, age, income levels) by listening to people experiencing these issues, as well as those that have expertise in addressing them.
- **Investigate the role your company and industry has played in causing and/or perpetuating these disparities** in the past and their impact on your business model in the present and potential impact in the future.
- **Examine the impact of these issues on your existing *and* future stakeholders** (e.g., accounting for the changing profile of your customer base looking toward the future, anticipating new partnerships you will need).
- **Educate leaders across your business on these issues and their root causes to help them get in relationship with the problem.** This includes helping them to understand the disparate impact of these issues on people and to acknowledge and reckon with how their company's past and present activities interact with the history and drivers of these inequities.

CASE STUDY: NOVARTIS

In 2017, Novartis fundamentally shifted the way it does business by introducing the Novartis Access Principles—an enterprise-wide commitment to systematically integrate global access strategies into the research, development, and launch of every new medicine and to create an ecosystem of trusted partners, capable infrastructure, and local talent to ensure long-term success. We see these Access Principles as a form of new materiality.

The global medicines company uses the principles with stakeholders to uncover health system inequities and examine their causes more closely. From there, Novartis works with communities, local government, and others to determine the best interventions to drive the outcomes it hopes to achieve.

To meet its highest priorities, Novartis uses the principles to:

- Examine disparities and understand why certain communities suffer higher disease burdens
- Work with those communities to co-create programs tailored to their needs and cultural context
- Partner with internal leaders as well as local, regional, and global stakeholders to dismantle systemic barriers holding these inequities in place
- Build trust in and strengthen the capacity of local health systems through patient education, health worker training, and efficient health care delivery
- Hold themselves accountable in part through the industry's first sustainability-linked bond

PRACTICE 2: EQUITY DOMAINS
Choosing Where to Create Change

After companies identify the equity issues that matter to their business using new materiality, they can identify the dimensions of these issues where they can have the most impact. We call these dimensions “equity domains.” **Equity domains bring focus on specific issues and represent opportunities to create new value.** They require companies to think holistically about solutions and avoid cherry-picking efforts that seem attractive because they are simpler or less painful.

Moving **from broad issue areas to getting specific about how companies can create real change** is key to effective strategy. Choosing your company’s equity domains can be hard as it requires a deep understanding of the impact of your business on society *and* society on your business (see next page for more detail). Making these choices is crucial in going beyond superficial commitments to creating solutions that result in new value for your stakeholders and meaningful change for society.

To be clear, the choice of domains is not merely the choice of companies. It must be done in collaboration with partners and communities that are experiencing inequities.

WHAT ARE EQUITY DOMAINS?

Equity domains are the **specific dimensions of equity where your company can have the most impact**. While new materiality will surface broad issues that will likely appear familiar to you, it will also surface a long list of your company’s potential equity domains. From this list, you should then **partner with stakeholders to choose which specific disparities you will tackle to create change** through your company and through industry and cross-sector collaboration. For instance:

Equity Issue Area
Financial Inclusion

Equity Domain #1
Access to Affordable Credit

Equity Domain #2
Inclusive Innovation of Products

Equity Domain #3
Trust in Financial Institutions

PRACTICE 2: EQUITY DOMAINS
Understanding the Inequities Your Company Can Impact Most

From new materiality, you will have uncovered where disparities exist in your business model and what is holding them in place. This exercise is a necessary first step to identify your potential equity domains. The next step is to select the domains that **your company can impact most** by considering:

Which inequities are most important for society to solve?

- Which recurring issues where there has been little or no progress (e.g., inclusive clinical trials, living wages for frontline employees) have been raised by stakeholders?
- Which areas of your business's growth show early signs of adding to inequities (e.g., automation, digital access, use of AI) and/or depend on disparate treatment of people (e.g., lack of benefits for frontline employees)?

Which inequities is your company best positioned to solve?

- What is the link between the inequities most important for society to solve and your company's unique assets, skills, and expertise (e.g., investing in frontline employees, developing inclusive products)?
- Among these, where can your company drive the most systemic impact by addressing the underlying root cause(s) holding these inequities in place?
- How can your company work beyond its sphere of control to avoid cherry-picking efforts that may seem easier?

Which inequities are most important for your business to solve?

- Which inequities are most important to your stakeholders (e.g., customers, employees, suppliers, investors, partners) to solve?
- How does addressing these inequities create tangible and intangible value for the business in the long term?
- What is the impact to the business in the short term, and where are economic trade-offs necessary to create long-term value?

PRACTICE 2: EQUITY DOMAINS
Tips for Getting Started

- **Identify the specific inequities most important for society to solve from new materiality assessment**, informed by insights into how your business's growth may be contributing to (or dependent on) existing inequities, and which recurring issues have been raised by your stakeholders.
- **Filter where your company is in a strong position to help resolve these disparities vis-à-vis other actors in society** by applying your company's unique assets.
- **Identify the equity domains that are most important to your company** by considering where there are opportunities to repair disparities that are embedded in your business model alongside opportunities to create new value for your business and for your stakeholders with a long-term view, which we will explore further in Practices 3 and 4. There is no magic number of equity domains, but we recommend prioritizing the select few (i.e., two to four) that you can play a fundamental role in shifting so you can target your resources and increase your impact.
- **Develop an ecosystem of partners and give them voice and power to help you deliver on your domains**, including government and civil society actors, suppliers, and professional service providers, which each play a role in addressing these issues.

CASE STUDY: WALMART

In 2020, Walmart, the world's largest employer and retailer, created Shared Value Networks (SVNs) to help eradicate systemic racism in the U.S. The Networks target four priority issue areas that are crucial to the future success of society and the business—criminal justice, education, financial, and health care systems, with a particular focus on disparities affecting Black and African American people.

From there, Walmart was able to identify clear equity domains that the company could uniquely address at scale through its core business (e.g., products, services, technology, sourcing, and jobs) as well as philanthropic resources, partnerships, and the Walmart.org Center for Racial Equity.

In the issue area of education, for instance, Walmart identified three equity domains:

1. **Equitable advancement with training and reskilling**
   Example: partnering to deliver high-quality job training, hiring, and advancement opportunities for Black Americans
2. **Higher education access and outcomes**
   Example: developing sourcing programs with historically black colleges and universities
3. **Digital skills and connectivity**
   Example: supporting policies to provide affordable connectivity

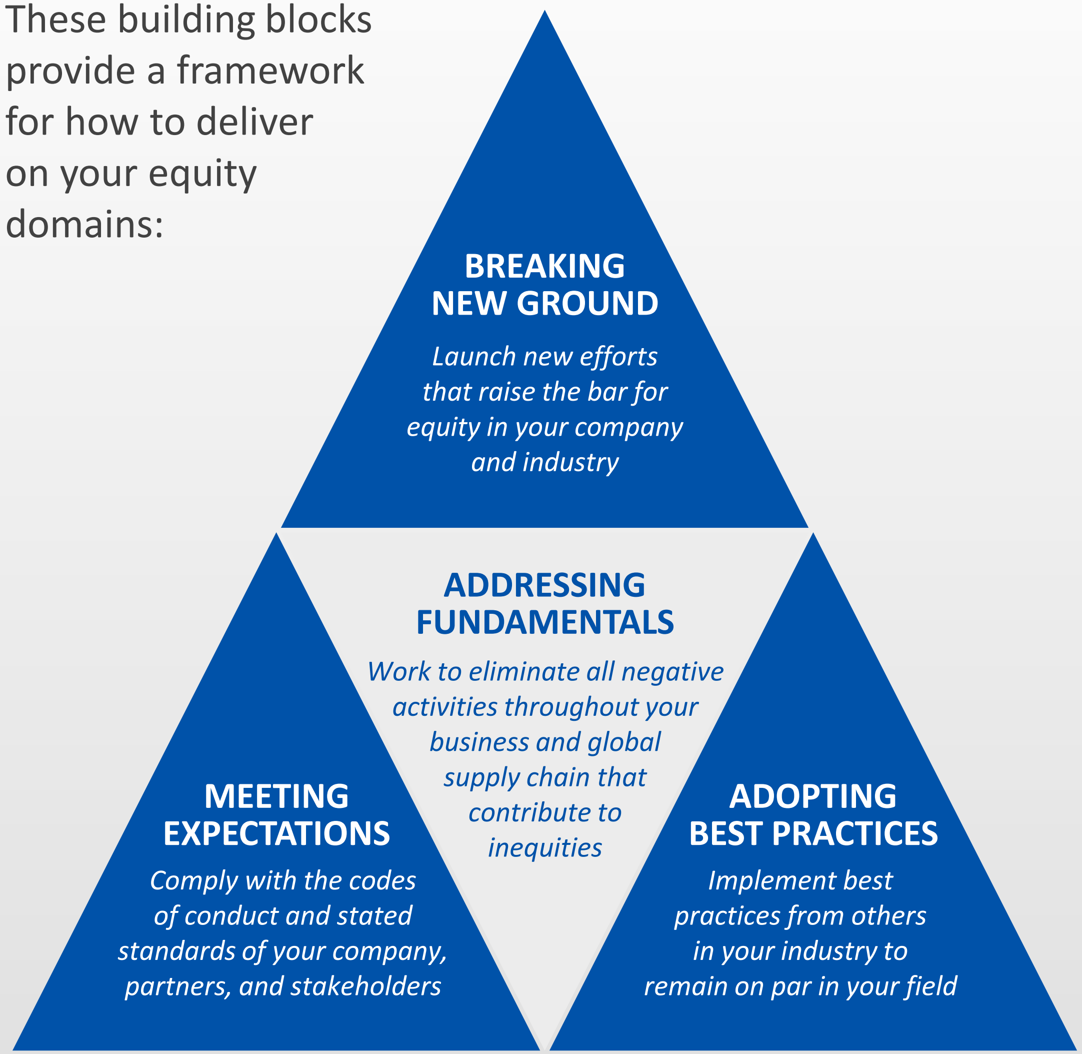
PRACTICE 3: EQUITY ALIGNMENT
Defining How to Deliver Change

Once a company has chosen its equity domains, leaders must decide **how they will act on and invest in them** based on how ambitious they want to be. Doing so requires looking across every corporate function—from marketing to finance to sustainability to procurement and so on—to assess how their current activities support or undermine their equity domains and to define their equity ambitions in an intentional, consistent, and coherent way.

You can start by using the **Equity Building Blocks** to take an honest look at where your activities reside now and to align on which activities you should start, stop, or continue to deliver on your equity domains. This will help **break siloes and pull together leaders of different functions to decide how to prioritize and sequence your efforts.** It will also begin to illuminate which benefits and costs will come from delivering on your equity ambitions so you can manage these trade-offs, which we explore further in Practice 5.

EQUITY BUILDING BLOCKS

These building blocks provide a framework for how to deliver on your equity domains:



Note: *While the focus of this work is on helping companies deliver change in their equity domains, these building blocks can also help leaders look across all activities to eliminate harm, comply with codes of conduct, and remain on par in their industry.*

PRACTICE 3: EQUITY ALIGNMENT
Assessing Where to Invest Your Resources

The Equity Building Blocks help to categorize and understand where your current equity efforts reside. Companies that are deeply committed to equity **go beyond superficial commitments and ask themselves hard questions about which activities to start, stop, or continue to deliver on their equity domains:**

ADDRESSING FUNDAMENTALS

Companies should seek to eliminate all negative activities in their business and throughout their global supply chain that contribute to inequities, including those outside of their equity domains if they are considered harmful (e.g., use of child labor, predatory marketing practices, gender discrimination).

Key Question: Where do our stakeholders say that our company or industry is perpetuating inequities?

MEETING EXPECTATIONS

Companies should ensure they are complying with their own stated standards, policies, and values. Many companies have codes of conduct for their operations and guidelines for partners (e.g., equal pay for equal work) and they should have a compliance mechanism in place to ensure these policies are fulfilled.

Key Question: Are we comprehensively auditing the equity of our practices and those of our partners and suppliers?

ADOPTING BEST PRACTICES

Companies that are committed to equity need to be familiar with what others in their industry are doing to advance best practices beyond stated standards and norms (e.g., committing to ensuring that 50% of new managers are women), adhere to them, and collaborate with others to codify new best practices.

Key Question: Are we in close dialogue with our peers to understand and identify new best practices?

BREAKING NEW GROUND

Companies that lead devote resources to finding ways to innovate products and services, and reconsider their functions such as marketing, sales, and distribution to eliminate systemic inequities (e.g., developing financial services that help close the racial wealth gap).

Key Question: Where are there notable inequities in our markets and how can we innovate in our operations to address them?

PRACTICE 3: EQUITY ALIGNMENT
Tips for Getting Started

- **Engage leaders across all your corporate functions to examine all your current business activities and surface which ones intersect with your equity domains** (e.g., finance sets payment terms for supplier diversity program, product design determines what customer profiles are used to develop new products) by leveraging tools such as the Corporate Racial Equity Standards, the Women's Empowerment Principles, and other equity standards in the process.
- **Evaluate where each of these activities stand using the Equity Building Blocks,** asking which activities are "best practices" or "breaking new ground"? Where are you failing to "meet expectations" or "address fundamentals"?
- **Bring together leaders to evaluate your company's mix of activities within and across each corporate function**—for instance, by asking, are we too focused on "breaking new ground" while not "meeting expectations"?
- **Decide where remediation is needed, and where there are opportunities to be more ambitious and lead in your industry** on each of your equity domains, and how your activities can complement each other to create greater impact, which we will explore further in Practices 4 and 5.
- **Reallocate time and resources according to your choices** and set corresponding expectations, goals, and metrics.

CASE STUDY: ENEL

A global utility in 30 countries, Enel has set ambitious goals with a strategy focused on decarbonization and electrification in a just, sustainable, and inclusive way. Enel is active in all four of the Equity Building Blocks:

Addressing Fundamentals. Bringing forward by 10 years its "Net Zero" commitment for direct and indirect emissions toward a just transition.

Meeting Expectations. Following principles of non-discrimination, equal opportunities and equal dignity for all identities as set in internal procedures, and endorsing the UN Women's Empowerment Principles, among others.

Adopting Best Practices. Promoting reskilling and digital upskilling of employees and workers in local communities to retain talent, build a clean energy workforce, and make sustainable progress through purpose-driven growth.

Breaking New Ground. Deeply engaging regional stakeholders and local communities in every phase of a project in order to tackle energy poverty through inclusive business for people in vulnerable conditions. For example, opening a geothermal plant in Ollagüe, Chile that extends access to affordable, reliable, and clean energy to Indigenous communities and fuels economic development through electrification, sustainable income, and meaningful local employment.

PRACTICE 4: NEW VALUE CREATION
Expanding Your Opportunities

New materiality assessment and selection of equity domains helps business leaders discover new opportunities to create value that may have been invisible to them in the past. As leaders deepen their understanding of the specific inequities their company can impact most, of the system that is holding these inequities in place, and of the stakeholders within the system that impact or are impacted by these inequities, they **expand the way they think about the who, what, and when of their value creation**.

Finding these opportunities requires (1) reconsidering with whom and for whom you can create value, (2) understanding what ways your company can optimize tangible and intangible value, and (3) shifting expectations on the appropriate timeframe for realizing that value. This approach will enable companies to shift **from a short-term mindset to one that is focused on long-term performance and sustainable growth**.

WHAT IS NEW VALUE CREATION?

Developing business strategies that advance equity will set apart leading companies. The companies that are most successful recognize that they need to think about the who, what, and when of their value creation in a new way.

WHO	Considering all your stakeholder groups (customers, employees, communities, partners, government, and investors) and identifying who you are centering your efforts on within each group
WHAT	Understanding how to optimize tangible and intangible value and where opportunities lie for intangibles to become tangible
WHEN	Recognizing that creating value for stakeholders and your business by advancing equity is a long-term play and shift expectations accordingly

PRACTICE 4: NEW VALUE CREATION
Creating Value for All Stakeholders

By reflecting deeply on how inequities influence six key stakeholder groups, companies can discover new ways to create value for and capture value with each of them. Doing so requires being in deep dialogue with each group to understand their needs and how these needs may change over time—due to evolving external dynamics or to your company's own actions—and determining how to ready your company as opportunities and challenges materialize.

CUSTOMERS

Companies can create value for customers by developing products or services that meet the needs of groups that have been marginalized, which can simultaneously increase revenues from customers that need these products or want to associate themselves with the company's efforts.

EMPLOYEES

Companies can create value for employees by eliminating inequities in hiring and advancement, which will improve talent acquisition and retention, and by becoming leaders in equity, which will build employee loyalty and pride in the company.

COMMUNITIES

Companies can create value for communities by setting a higher bar for inclusive and equitable businesses that support community well-being, which can shape purchasing patterns and expansion opportunities in the long term.

PARTNERS

Companies can create value for their partners (suppliers, vendors, NGOs) and for themselves by aligning on shared goals within their respective equity domains, increasing opportunities to co-create and co-invest in equity efforts.

GOVERNMENT

Companies can create value for local and national governments by co-designing policies that confront historical inequities and by mobilizing industry peers to support these policies. Companies benefit when they work collaboratively with others to unlock barriers to inclusive markets.

INVESTORS

Companies can create value for investors through the business value they generate for themselves by advancing efforts that address inequities, reduce business disruption, and support long-term revenue growth and market expansion.

PRACTICE 4: NEW VALUE CREATION

Understanding Tangible and Intangible Value

One of the biggest challenges companies face as they develop a strategy centered on equity is expanding how they see and capture value. Most business leaders are familiar with how they can create *tangible* and *intangible* value (see sidebar). **Many companies leave opportunities to create more value on the table by failing to actively manage and measure their equity efforts**. Doing so can lead to greater tangible and intangible value.

Companies often invest significantly in gathering data on non-financial performance (e.g., employee and customer satisfaction, disaggregated talent statistics), but **the link between that data and business outcomes is not deeply understood**. This underleverages the ability of this information to drive decisions that could increase a company's investment in advancing equity and lead to more tangible value for the business.

By being intentional about what kind of value companies want to create with whom, companies can capture greater tangible and intangible value through their equity efforts. Keep in mind that some value will take time to accrue, especially intangible value that has the potential to yield tangible value over time, which we explore further on the following page.

WHAT ARE TANGIBLE AND INTANGIBLE VALUE?

TANGIBLE VALUE

Value that can be measured and directly linked to business outcomes

For instance, increased revenue from developing products and services that address inequities, or decreased costs from improving operational efficiencies that simultaneously increase equitable outcomes.

INTANGIBLE VALUE

Value that is not easily measured but is believed to be linked to company success

For instance, a nuanced understanding about equity that leads to more quickly identifying risks and opportunities, or increased attractiveness to communities and partners that value partnering with companies committed to equity.

PRACTICE 4: NEW VALUE CREATION

Shifting the "Intangible" to "Tangible" in Practice

By taking an *active* approach to understanding the link between their equity efforts and their bottom line, **companies can turn previously seen "intangibles" into "tangibles."** Doing so can help leaders shift from assuming their equity efforts have little or no impact on business outcomes to a more nuanced and measured understanding of how they contribute to long-term profitability. Consider the following examples:

FROM CAPTURING INTANGIBLE VALUE	TO REVEALING THE LINK TO TANGIBLE VALUE	TO CAPTURING TANGIBLE VALUE
A company creates a workforce development program for youth facing systemic barriers to employment and measures the number of youth hired by the company, which contributes to employee and community goodwill.	The company starts to actively measure how the program links to employee engagement and uses this information to adapt and expand the program to increase its impact on these outcomes.	The company clearly understands the program's impact on employee engagement, productivity, and retention and links these metrics to cost savings for the company, which further helps scale the program.
A company invests in increasing diversity across its global supply chain by expanding the percentage of its women-owned and SME suppliers, which customers applaud, but the impact of this goodwill is not measured.	The company starts to actively work with suppliers to measure how their partnership leads to improvements in economic outcomes for their staff and organizations, and to monitor impacts on delivery and reliability of supplies for the company.	The company understands the impact of supplier diversity on managing supply chain fluctuations, increasing product availability, and increasing cost savings for the company, which helps scale the program and improve economic outcomes for women and SMEs in their geographies.

PRACTICE 4: NEW VALUE CREATION

Tips for Getting Started

- **Look at the results of your equity alignment exercise and assess what value is being created for each stakeholder group** from your business activities. Ask yourself, “Who is my company centering within each of these groups? How is my company creating value for (and with) each group?”
- **Identify what tangible and intangible value your company realizes** from your business activities, asking, “How does my company capture value from each of our stakeholder groups?”
- **Examine where there are opportunities being left on the table** to create more tangible or intangible value for each of your stakeholder groups, and where opportunities lie to turn what is now seen as intangible into tangible value.
- **Consider the timeframe in which the value will be realized**. In some cases, intangible value (e.g., community support) will set the foundation for future tangible value (e.g., company HQ expansion into the community).
- **Set expectations with internal and external stakeholders** based on your analysis of for whom, what, and when value is created and **identify key metrics and how they will be measured** to inform decision-making and resource allocation.

CASE STUDY: DISCOVERY

To broaden affordable access to high-quality private healthcare for all stakeholders, Discovery Health, South Africa’s leading health insurer and a subsidiary of Discovery Ltd., created a digital pay-as-you-use health insurance product in 2020 to help in part cover South Africans working in the informal economy—a market of 24 million people.

The program, available to all South Africans, creates tangible and intangible value for society and for the company.

For Society:

- Tangible: Better health through affordable access to high-quality private healthcare; a healthier, more engaged, and more productive society
- Intangible: Patient peace of mind; greater trust in the health system

For the Company:

- Tangible: Market expansion; revenue
- Intangible: Name brand recognition and goodwill with a new market; stronger emotional connection with members

The company understands this is a long-term value play and is working through full regulatory approvals. In better connecting communities with the medical system, Discovery is helping to improve health outcomes for communities previously excluded from the system, while setting the foundation for long-term revenue growth for the business.

PRACTICE 5: A PORTFOLIO APPROACH
Deploying a Set of Solutions

Problems of inequity are extremely complex. No individual activity a company takes, no matter how strategic and well considered, will be wholly effective on its own. Instead, companies **need to deploy a set of solutions that reflects a deep understanding of their equity domains.**

This portfolio approach starts with identifying the range of solutions the company has at its disposal and then combines them in a way that considers time, cost, and impact. We believe it's important that companies recognize that their **equity commitments will bring both benefits and costs, and there will be trade-offs to manage.** Some problems will demand quick interventions that require direct outlays of cash (e.g., philanthropy, payroll), while others will benefit from efforts that change the way the business operates (e.g., systematically including community voice and building power) and create an opportunity for shared value, which takes time to establish.

As companies piece their portfolio puzzle together, they should explore different combinations to find the set of solutions best suited to the problem they are trying to solve. They should be prepared to adjust this set of solutions as the problem evolves over time.

A PORTFOLIO APPROACH IN ACTION

When deploying a portfolio approach, companies must consider:

Timeframe of the solution
- What can be deployed quickly, but not sustained?
- What can be deployed quickly and sustained?
- What will take time to build, but can be sustained?

Cost of the solution
- What is a one-time expense?
- What is a recurring expense?
- What can be breakeven?
- What creates value for business and society?

Impact of the solution
- Is the core of the equity domain addressed?
- What investments are being made in supporting activities?
- What value is created for various stakeholders, including the company?
- To what degree is power being shared to drive greater equity?

PRACTICE 5: A PORTFOLIO APPROACH

The Role of Shared Value

In the simplest terms, shared value is defined as practices that increase a company's profitability by helping to solve social problems. It is based on the notion that the competitiveness of a company and the health of the communities around it are interdependent and the success of one fortifies the other.

When applied intentionally as part of a comprehensive portfolio, shared value can be a powerful tool to advance equity. When companies include shared value in their portfolio, they look at inequities through their core business to see their relationship with the problem and their opportunities to develop solutions. Because the business can drive innovation, strengthen sustainability, and provide incentives for growth, equity strategies grounded in shared value and complemented by other efforts have the chance to create significant and lasting change.

We must underscore that while shared value is an important tool to advance equity, **shared value alone will not be enough**. It needs to exist in a portfolio of practices that complement its impact in order to effectively address inequities.

SHARED VALUE IN YOUR EQUITY SOLUTION SET

Companies must remember that in order to effectively address their equity domains with shared value, they must carefully explore what other solutions complement and extend the impact of shared value.

For example, if your company has a shared value supplier diversity program, ensure that you're examining standard business practices such as contracts for terms and agreements to avoid undercutting your overall intentions. Establish a feedback and support mechanism to help safeguard the success of new vendors. Consider using skilled employee volunteers to train new vendors on how to work with large corporations and meet their expectations. Deploy philanthropy and partner with NGOs, government, and other companies if your effort requires deep systems change.

PRACTICE 5: A PORTFOLIO APPROACH
Tips for Getting Started

- **Leverage the evaluation of where your activities stand on the Equity Building Blocks** to revisit where there are opportunities to be more ambitious and lead in your industry.
- **Among these opportunities, explore where you can intentionally apply a shared value approach** to address your equity domains.
- **Next, identify which complementary activities are needed to effectively address your equity domains,** recognizing that some of these activities can and will result in a cost to the company (e.g., philanthropy, changes to business operations).
- **Review the economics of your portfolio of practices** to decide how to manage trade-offs in costs and impact over the short, medium, and long term, and your business's ability to sustain these investments.
- **Examine and adjust your portfolio of practices over time** to continuously be in relationship with the problem and the people affected by it as needs and business circumstances shift (e.g., philanthropy dollars may be applied quickly but may be hard to sustain).

CASE STUDY: PEARSON

Pearson, the world's leading learning company, uses a combination of activities to help advance access to learning and inclusive education, particularly for women, minorities, low-income families, and people living with disabilities, by taking a portfolio approach to their equity efforts.

Some activities involve launch expenses and moderate ongoing support for immediate impact—for instance, making complimentary social equity educational resources available to the public.

Others are medium-term investments, such as engaging with diverse communities to develop mentorship, inclusive learning experiences, and increased supplier diversity.

Others require longer time horizons, such as building affordable and accessible digital learning technologies that reach previously excluded and underserved learners and provide authentic portrayals of the histories and experiences of learners. These shared value strategies drive lasting societal and business impact at scale.

With this holistic approach, Pearson reaches new markets and makes meaningful contributions toward improving learning and employability outcomes across all ages and stages of education while strengthening its business.

RECAP OF THE 5 PRACTICES

Changing Your Approach To Achieve a New Outcome

#	Practice	HOW TO EVOLVE FROM TRADITIONAL STRATEGY	TO A STRATEGY CENTERED ON EQUITY
1	New Materiality	From conducting materiality assessments to understand what risks companies face and what they can do to mitigate those risks	To examining what matters to your business with an "equity lens" and recognizing that inequities are material even if they do not represent an evident financial risk
2	Equity Domains	From focusing on broad issue areas that are thematically aligned with your company's business strategy	To selecting the specific dimensions of equity that your company can impact most, both on its own and through cross-sector collaboration
3	Equity Alignment	From episodic or siloed efforts to address inequities that are developed and managed by select departments, such as HR, CSR, or D&I	To pulling together leaders across all functions to define your equity ambitions in an intentional, consistent, and coherent way
4	New Value Creation	From passively evaluating equity efforts without identifying and measuring their contribution to financial outcomes	To actively mining and measuring the results of your equity efforts to understand their contribution to long-term financial performance
5	A Portfolio Approach	From focusing on single solutions, such as philanthropy or shared value or payroll, to address issues of equity on their own	To deploying a holistic portfolio of solutions that reflects a deep understanding of the problem and the root causes holding it in place

Enabling Conditions for Change

"A strategy centered in equity cannot be fully realized without an investment in changing the conditions within the organization to embed equity into the fabric of its culture."

Strategy Cannot Come to Fruition Without Changing the Conditions in the Organization that Enable Its Success

Until now we have focused on how centering equity in corporate purpose alters how business leaders develop and deliver strategy. Strategy is a critical element to centering equity in a company's purpose, but it is insufficient on its own. A strategy centered in equity cannot be fully realized without an investment in changing the conditions within the organization to embed equity into the fabric of its culture.

Much work has been done to help leaders transform their organizations to become fully inclusive and equitable. Drawing on this work and reflecting on our experience working with business leaders around the world, we see four conditions that underpin the success of a strategy centered on equity:

- Leadership with authenticity and values anchored in equity
- Comprehensive learning and reflection to advance equity
- Intentional measurement that drives accountability on equity
- Connection and trust through reimagined relationships

Enabling:
Making something possible or easier

Conditions:
Something essential to the occurrence of something else

ENABLING CONDITIONS

Leadership with Authenticity and Values Anchored in Equity

Bringing to life a corporate purpose centered on equity cannot happen without leaders embodying authenticity, humility, and courage.

Every company has a set of values infused into its culture, whether these are stated or unstated. For companies with a purpose centered in equity, these values are supported by principles of inclusion, fairness, justice, and willingness to build power in others. **Diverse leadership teams that embody these values are intentionally built and supported by the company's board of directors, and leaders at all levels consistently infuse equity into messaging and behaviors to unite their workforce, investors, partners, and communities in driving forward their purpose.** For example, this could include sharing the company's equity ambitions or progress in addressing its equity domains in investor calls, meetings of the board of directors, employee town halls, or community outreach.

This requires leaders **dedicating time to learning and reflection, and doing the inner work necessary to model authenticity, humility, and courage for their teams, peers, and partners**. In doing so, leaders openly share their own learning journey and engage in productive discussion to deepen their understanding of the root causes of inequity. This in turn **reinforces equity leadership and nurtures champions within the organization to further lead on equity across teams and functions**. As a result, equity becomes embedded into the culture more deeply, which serves as a call to action for teams to deliver on their equity ambitions.

KEY TAKEAWAYS

- *Infuse **principles of inclusion, fairness, justice, and willingness to build power in others** into your company's culture and values.*
- *Build and nurture a **diverse leadership team**, including D&I leadership in the C-suite and at the board level.*
- ***Dedicate time for leaders to do the inner work** necessary to embody values anchored in equity for their teams, peers, and partners.*
- *Create **space for leaders to share** their own learning journey and engage in productive discussions on issues of equity with their teams.*
- ***Infuse equity into messaging across forums** that unites your workforce, investors, partners, communities, and other stakeholders to drive forward your purpose and equity domains.*

ENABLING CONDITIONS

Comprehensive Learning and Reflection to Advance Equity

Embedding equity into the fabric of your company requires challenging existing norms and mindsets with an ongoing commitment to learning.

Every employee should understand, be energized by, and embody a company's purpose. For companies with a purpose centered in equity, this means **creating the space, safety, and support for all staff to reflect and discuss issues of equity, to authentically interrogate individual and business practices and power structures that uphold inequities, to confront their conscious and unconscious biases, and to understand the company's role in systemically dismantling these inequities**. For instance, this could include equity training and a briefing on the company's purpose and equity domains as part of new employee onboarding; educating all staff on the equity implications specific to their function (e.g., sales, HR, supply chain) and how their role contributes to the company's purpose; helping leaders manage the tension between a sense of urgency and the need to be deliberate in equity work; investing in continuous learning among supply chain partners; and working with the board of directors to ensure that commitments to equity endure beyond the current management team.

Doing so will require companies to be in conversation with the communities whom they are centering in their equity efforts. It also will require companies to cultivate a safe and open culture that acts on these learnings by being willing **to challenge the status quo, to challenge existing business models that contribute to inequity, and to challenge the norms and mindsets that may intentionally or unintentionally be creating barriers to change**.

KEY TAKEAWAYS

- *Provide **education and training at all staff levels** on issues of equity to support staff in understanding their role, their function's role, and the company's role in systematically dismantling inequities.*
- ***Extend learning efforts to partners** (e.g., global supply chain) and **broaden your sphere of influence** to dismantle inequities and deliver on your equity domains.*
- *Cultivate a **culture that is willing to challenge the status quo**, engage in productive dialogue, and shift mindsets that may be creating barriers to change.*
- *Engage your **board of directors to ensure commitments to equity endure** beyond the current management team.*

ENABLING CONDITIONS

Intentional Measurement that Drives Accountability on Equity

Investing in measuring progress against your equity ambitions and linking these measures to performance will maximize your impact.

Measurement is a challenge for any company that is authentically evaluating its role in advancing equity. Delivering on a company's equity ambitions and realizing value from these efforts requires companies to **build a strategic measurement, evaluation, and learning system that enables them to set clear targets and track progress against their activities from the beginning**. Companies that center equity in their corporate purpose take measurement seriously for all their equity efforts so that leaders can link these efforts to financial performance where possible, identify trade-offs and win-wins, and make decisions on where changes to strategy are needed.

They also go further to **connect their equity ambitions to objective setting for teams, using progress against objectives as a tool for performance management**, especially for leaders, to ensure accountability. This includes measuring employees' individual and collective performance in embodying the company's equity principles. Some companies are starting to link executive compensation to meaningful progress on embedding equity in operations, with the board of directors holding leadership accountable. Doing so increases leadership's focus on maximizing their team's impact in equity, in turn driving greater value for the company's stakeholders and for the business.

KEY TAKEAWAYS

- *Build a **strategic measurement, evaluation, and learning system** that sets clear targets for and enables your company to track progress toward your equity ambitions.*
- *Embed quantitative and qualitative metrics that measure progress toward your equity ambitions into **performance management for teams and for leadership** to ensure accountability.*
- *Create **feedback loops with stakeholders** to ensure your company is embodying your equity principles and acknowledging where there may be inconsistencies.*
- *Dedicate **adequate resources** to ongoing measurement of equity metrics (qualitative and quantitative) and **build processes and practices** to ensure decisions are informed by the results.*

ENABLING CONDITIONS

Connection and Trust Through Reimagined Relationships

Anchoring in people and relationships will help your staff, teams, and business transform themselves as part of a collective to advance equity.

No single individual, team, or organization can meaningfully advance equity by itself. Delivering on a company's equity ambitions will require rethinking traditionally siloed functions and roles within, as well as outside of, the company's walls. Companies need to **reconsider all processes and practices to be inclusive**—from actively recruiting and nurturing a diverse workforce; to creating a welcoming, safe, productive environment for all employees to thrive; to establishing inclusive design structures (such as human-centered design principles); to developing open avenues for feedback between employees across teams and levels.

In addition to breaking down silos and designing inclusive practices and policies within the organization, companies will need to **build an ongoing relationship with a wide set of partners to include perspectives and insights from communities that have historically been marginalized in strategic and operational decision-making**. Transforming relationships with all stakeholders (employees, suppliers, communities, peers, governments) influences the design and improvements of equitable products and services, policies, regulations, and structures, which in turn increases innovation, stimulates further learning and dialogue on equity, and unlocks additional value and capabilities for the company to deliver on its purpose.

KEY TAKEAWAYS

- ***Evaluate all processes and practices*** *(e.g., procurement, governance, design) and* ***identify opportunities to increase inclusion,*** *especially of perspectives from communities facing the greatest disparities in your company's equity domains.*
- *Intentionally build a diverse,* ***welcoming, safe, and inclusive workplace environment*** *for all employees to thrive and contribute to strategic and operational decision-making.*
- ***Build deep and ongoing partnerships*** *to include voices from communities that are marginalized and to be in relationship with the problem.*
- *Continuously invest in stakeholder relationships by* ***developing trust with and shifting power to communities that are marginalized****.*

Our Journey Continues

The journey to advance equity is neither linear nor inevitable. It requires continuous reflection and adaptation as we move forward and as the contexts in which we are operating continue to evolve.

We see ourselves early in this journey. **Our learning, unlearning, thinking, rethinking, and growing are ongoing—and we don't have it all right.** We are sharing what we have learned as part of our journey and in working with business leaders to support their efforts to put equity at the center of their corporate purpose. We will continue to work with our colleagues to bring forward new thinking on equity as our collective work progresses, and to share our reflections and ideas as we build our knowledge and insights. We encourage readers to do the same.

We close with a huge sense of gratitude to those who have worked for years to dismantle inequities and who have helped the rest of us see the system that is holding them in place and how we contribute to and benefit from that system. **We hope this effort to put equity at the center of corporate purpose honors that work and makes a contribution toward creating a more fair, just, and equitable world.**

We'd like to hear from you at comments@fsg.org.

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CENTERING EQUITY IN CORPORATE PURPOSE

FSG REIMAGINING SOCIAL CHANGE

Shared Value Initiative