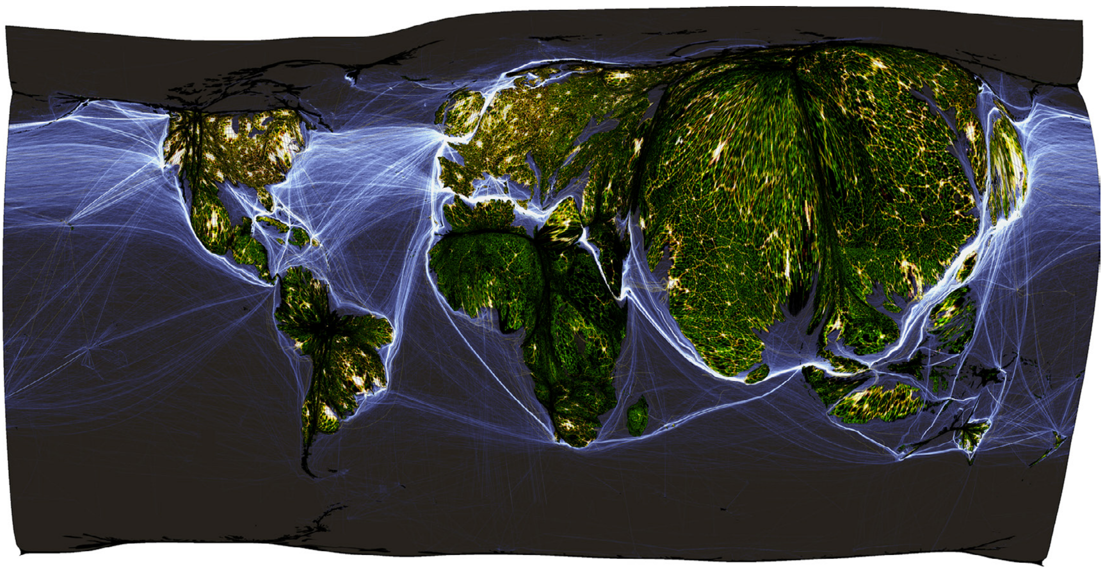
The Stretch Agenda

Breakthrough in the Boardroom



generation foundation

VOLANS

Executive Summary

We are entering the Breakthrough Decade

Capitalism, in an historic economic transformation, is breaking through to new forms of technology, business models and value creation that potentially will be available to billions more people, while being fairer and more sustainable - in that they will operate within better-defined planetary boundaries. For that to happen, new forms of politics will be needed.

Business leads

With governments largely on the back foot, business is helping to crystallize a 'New Normal'. Corporate top teams are adopting stretch agendas rooted in new forms of 'Moonshot' thinking and innovation not yet taught in most business schools.

Stretch is the name of the game

The emerging Stretch Agenda moves Boards and C-suites firmly to center stage. This dramatization of some top team dynamics we have observed offers insight into the types of conversations now beginning to play out around boardrooms in the Global C-Suite. The focus here is on 'MN-Co', a global company of 33,000 people. We zoom in on a group of leaders pondering how to shift their business model to address the profound economic, social and environmental challenges ahead. And asking: If not us, who? If not now, when?

Breakthrough Forecast

To complement ***The Stretch Agenda***, the ***Breakthrough Forecast*** begins to map and assess emerging 'Sweet Spots,' i.e. market growth opportunities that combine multiple forms of value, based on a distillation of market research, interviews and analysis. The *Forecast* can be found at http://www.volans.com/breakthrough.

Scenes from the Boardroom

We hear the company's Chair, Diane Tracker, opening an extraordinary meeting of the Board and C-suite by challenging both business- and change-as-usual in what she calls a 'pressure cooker' future. Next, a number of C-suite members raise key questions:

- CEO (Frank): Where is the business case?
- CFO (Dieter): How will we deal with the merciless realities of financial markets?
- CXO, or Chief Stretch Officer (Indra): Is the organization able to stretch its thinking around RATIOs: Realities, Ambitions, Targets, Incentives and Outcomes?
- CHRO (Monique): How do we mobilize the necessary talent?
- CMO (Jay): How will we "sell" stretch, especially to Millennials?

Can incumbents be insurgents?

This top team embodies years of experience and diverse world views. They know they are incumbents in many markets—and are considering how they can become insurgents. They discuss how their business can shift strategy, focusing both on risks and opportunities. The closing scene sees two future leaders step up to challenge the C-Suite to embrace stretch, with urgency, and a stretch checklist emerges as a first step for MN-Co to explore the stretch agenda.

Your challenge

The Stretch Agenda provides a sneak preview into the future of leadership, suggesting questions, strategies and narratives for the challenges ahead in the Breakthrough Decade, from 2016 to 2025. So how would you answer the RATIO questions on page 50?

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Cast of Characters

Diane Tracker
Chair
Canadian, 54
2 years in role, formerly with International Finance Corporation

Frank Jansen
CEO
South African, 49
3 years in role, formerly with major IT company

Indra Mistry
Incoming Chief Stretch Officer (CXO)
Originally Indian, now with American citizenship, 39
Just recruited from a major New York investment bank

Dieter Schmidt
CFO
German, 47
4 years in role, formerly with DeutscheBank

Monique Desplats
CHRO
French, 41
5 years in role, formerly with UN International Labour Organization (ILO)

Jay Shapiro
CMO
American, 33
18 months in role, previously with Google

Ben Maitland
Young Graduate Leader, Chair's Office
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All characters appearing in this work are fictitious. Any resemblance to real persons, living or dead, is purely coincidental.

Introduction

You are a leader. You see change as a business imperative. You were taught that business is not in business to save the world, but you suspect that it will have no choice but to break through to new forms of value creation. The key questions for you are no longer whether and why, but what, how, where and when?

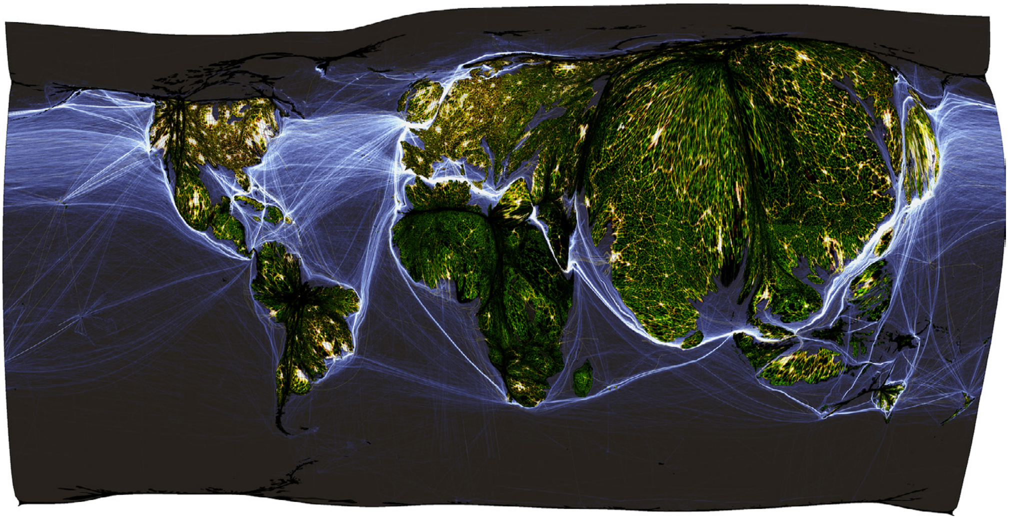
These days, some parts of your organization can run 'Corporate Social Responsibility', 'Shared Value' and other engagement programs without breaking a sweat. That's real progress, but the evidence suggests that **it's time for leaders in all sectors to stretch themselves and their organizations well beyond their comfort zones.**

We must transform capitalism, markets and business to ensure that they are future-fit for the new century. To this end, we must learn how to stretch our thinking, our horizons, our ambitions, ourselves, our teams, our organizations, our economies and ultimately, our civilization. This is a challenge which is very unusual in the history of our species.

To this end, *The Stretch Agenda* is designed to help leaders think differently, to move beyond change-as-usual to a focus on the system dynamics that have the potential to impact—even derail—their businesses in the longer term.

The Stretch Agenda is aimed at people like you: current leaders, plus the rising generation of decision-makers in business. It is also directed at those who advise corporate top teams, whether of publicly listed companies, family businesses or state-owned enterprises. They include consultants, financial analysts and business school professors.

The spirit of the piece is very much that of: (1) The B Team,[1] where we have been involved since the outset and the mast flies our 'People, Planet & Profit' flag, and (2) the B Corporation



movement,[2] where we have been helping to build out the UK chapter. Both Volans and our sister company SustainAbility are B Corps—and we are immensely excited by the way the linked agenda and networks are now developing around the world.

Perhaps the cover image caught your eye? It was created by Benjamin Hennig of Views of the World[3] and Worldmapper.[4] The map projects a future of intensifying trade, shifting demographics, and—implicitly—a planet stretched to (and often beyond) the limits. A New Normal, some call it. But if Normal sounds comfortable, think again. The coming decades will test us all to our limits.

In the following pages, the Stretch Agenda is brought to life in a boardroom. The conversation is dramatized for effect, but is based on real situations experienced by John Elkington over some 40 years of working with leaders responding to early tremors of seismic shifts that have the potential to sink entire industries—and create totally new ones.

We will hear from a number of C-suite leaders, and see the agenda through their eyes. They are experiencing the ups and downs and the highs and lows, of stretch in real time. In addition to the company's Chair, we hear from the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the incoming Chief Stretch Officer (CXO), the Chief Human Resources Officer (CHRO), the Chief Marketing Officer (CMO) and two young leaders.

A companion document, *The Breakthrough Forecast: Market Sweet Spots, 2016-2025*, is viewable and downloadable at http://www.volans.com/breakthrough. It has been a core part of the briefing papers for the MN-Co meeting, which now follows.

Welcome to the challenging, engaging and rapidly evolving world of stretch. And consider, as you read, how you and your colleagues would respond to the same challenges and opportunities.

The Anthropocene world map was created by Benjamin Hennig of Views of the World and Worldmapper. We thank him for permission to use it as a symbol of the Stretch Agenda.

Foreword by Volans

The Stretch Agenda represents a new stage in our Breakthrough program, with some earlier outputs listed on our back cover. This has proved to be a milestone project for us, marking a transition from an early focus on social innovation, dating back to when Volans was founded in 2008, to a deeper—and at times existentially challenging—engagement in the transformational change agenda.

Our storyline distils many conversations we have been part of, around the world over many years. It is presented in the form of a series of exchanges between members of the top team at MN-Co, a fictional multinational company.

This account of an Extraordinary Board Meeting finds both Board and C-suite players at a critical point in the development of their business—which owns a globally recognized family of brands across a number of industry sectors.

Founded in 1969, MN-Co began to wonder how to celebrate its 50th anniversary in 2019. That question quickly shifted to another: how to prepare the company for the next 50 years?

Though it had much longer roots, *The Stretch Agenda* really came together early in 2015, when those interested in driving economic transformation were waiting for the United Nations to launch its Sustainable Development Goals in New York in September and for the COP21 climate summit in Paris in December. The prevailing view was that 2015 would prove to be the Year of Stretch, but we weren't holding our breath.

Nor were we alone in arguing the need to look well beyond 2015. Indeed, it was agreed that early launch platforms for *The Stretch Agenda* would be (1) the Bonn Conference on Global Transformation,[5] starting the EU roll-out, and (2) the UN Global Compact Korea Leaders Summit[6] in Seoul, dedicated to defining the post-2015 agenda, starting the Asian roll-out.

As the sustainability agenda has begun to mainstream, there has been **a growing risk that system-level challenges will be elbowed aside in favour of simpler approaches based on check-boxes and scorecards. Perfectly human, but potentially a betrayal of those who depend on our leadership.**

Despite progress in some sectors, we need a much greater sense of urgency in the Global C-Suite, composed of the top teams of the world's 1,000 most influential businesses. Including MN-Co. A central challenge for Board and C-suite leaders will involve the rapid adoption of new ambitions, goals, targets and incentives, the spread of novel impact metrics, together with a concerted, collective focus on system change.

To help stretch both business ambitions and time horizons, we highlight the potential for transformational change through what we call the **'Breakthrough Decade'**, from 2016 to 2025.

By 2025, marking the end of the Decade, the United Nations predicts that world population will have broken the 8 billion people barrier.[7] Scientists talk of the dawn of the 'Anthropocene', a geological era in which our species has global environmental impacts akin to geological forces. Such pressures are turning up the heat under a global pressure cooker.

Our window for timely, effective action is narrowing. It's time to stretch, to break through. So, to outline the business and growth opportunities likely to surface through the Decade, we are developing an online *Breakthrough Forecast*, to provide early market intelligence [http://www.volans.com/breakthrough]. We welcome support to develop it further.

We warmly thank The Generation Foundation for their generous support—and acknowledge this and other debts of gratitude on page 52.

John Elkington and the Volans Team

Foreword by Generation

When Generation Investment Management was founded in 2004, the firm understood that many of the sustainability challenges facing the world - ranging from poverty to climate change - were interrelated and growing increasingly acute. To mobilise business and capital around solutions to address these issues, Generation Investment Management created The Generation Foundation with the mission of strengthening the field of Sustainable Capitalism.

The business case for Sustainable Capitalism continues to gain momentum based on new and robust insights into how sustainability enhances traditional financial analysis. Outside of the world of finance, there are important indicators of Sustainable Capitalism's traction as individuals and societies across the globe call out for a more holistic form of capitalism aligned with a prosperous, equitable and healthy future. What is particularly encouraging however, is the growing commitment by Generation Z to prioritize sustainability in their life style, education, and career decisions.

It is through the work of institutions like Volans that sustainability has become a key topic on the corporate agenda and in wider public discourse, and The Generation Foundation is proud to partner with Volans on the Breakthrough Capitalism programme.

We believe that finance and capitalism can be a force for good when deployed well and it is our hope that this report, and Volans' ongoing efforts, will continue to inspire, change and drive us towards a more sustainable future.

Daniela Saltzman
Director
The Generation Foundation

Chair: Pressure Cooking

We pan in to a generously proportioned boardroom on the 33rd floor of an iconic skyscraper, soaring above London and the River Thames. In the room are members of MN-Co's Board, five members of its C-suite, two Young Graduate Leaders, and an external facilitator (who at this stage is simply observing). This is an Extraordinary Board Meeting. The meeting preceding this one included discussion of MN-Co's upcoming 50th anniversary, and catalyzed the company's need and desire to go well beyond change-as-usual, given how fast their operating environment is changing. A police siren wails by far below as the Chair taps her glass to call the meeting to order.

*Aged 54, **Diane Tracker** is Canadian and has been MN-Co's Chair for 2 years. She was formerly with the International Finance Corporation. She champions the Stretch Agenda, but is unsure whether she can persuade key colleagues to follow her because it feels complex, risky.*

Diane:
Seats please! Welcome everyone, especially the three of you who had to travel overnight. I'm thankful we're starting on time, because we've got an unusually packed agenda!

And parts of the conversation will not be easy.

To help get us all on the same page, let me recall what we decided last time, explain why we went way beyond the idea of a celebration for our anniversary to a potential reboot of our strategy, and headline what we plan to do today.

Please, everyone, top up your drinks as we go. And we know it's a bit warm: we're checking to see if we can turn up the air-conditioning a little bit …

So what got us here? Three things stick in my mind from our last meeting, overlooking Shanghai's Bund and Huangpu.

The first was that, after decades of having our pick of the brightest students at the best universities around the world, we have seen rival talent-magnets emerging, especially in Asia.

Then, second, we seem to be slipping in a number of indexes and rankings we take seriously. Some of you may have wondered about the *New York Times* front page Hazel was showing me before we kicked off, and some of you may have already seen it. Happily, it was good news: we have jumped to fourth place in a key gender diversity listing.

Good work, clearly, but I see rankings as lighthouses. You want to keep them in view—but if you steer directly for them you risk ending up on the rocks!

The third point—and the most important one—links to our need to stretch.

[She turns to a projected slide behind her]

This NASA image is a reminder of the fact that MN-Co was launched in the year Neil Armstrong became the first person to step onto the Moon: 1969. We will be talking about a very different sort of Moonshot today—but let's turn the projector off for a moment. I don't want to be blinded!

Later, I will show just one slide, a discipline I have imposed on you all.

But can I first turn our attention to noting formally the **Minutes** of the last meeting *[see Briefing 1]*, which proved to be something of a turning point. Let me play back the headlines of what we decided:

Briefing 1

Minutes of Last Meeting

[Paper 4 / FY2014]

Minutes of last meeting

1. We heard a mix of external and internal presentations designed to stretch our time horizons into the 2020s and beyond, in the context of our upcoming 50th anniversary;

2. We reviewed broad market research suggesting profound shifts in the expectations of exactly the sort of young people we want to attract as colleagues, investors, customers and consumers;

3. We concluded that we should adopt our own Stretch Agenda;

4. We agreed to spend at least 3-4 months exploring all of this—and, crucially, to proceed in the spirit of possibility, instead of assuming breakthrough levels of progress are impossible;

5. We charged our Board members and a number of C-suite leaders to reconvene with their best thinking and practical next steps—and invited them to flag examples of best practice they admire, in our sectors as well as in others we serve;

6. And, as an overarching framework for change, we embraced what has been called **'The Breakthrough Decade'**, a period starting in 2016 and running through to 2025.

“

Let me stress a few points. Today is about sharing your candid views, particularly on possible barriers. There will be many reasons in the coming years to slow down, but that wasn’t the spirit that got MN-Co to where it is today.

[Diane scans faces in the room, sensing no immediate objections]

So, if there are no questions, corrections or additions to those Minutes, I’ll sign them off now. Thank you all.

Incidentally, for clarity, we have agreed in advance of today that Members of the Board and our facilitators from the Change Agency that we have engaged for this afternoon will be observers for this morning session. Thank you all for your forbearance!

Next: **Matters Arising.** The main points involved: (1) getting a better sense of what the Stretch Agenda will require of us all. I’m feeling encouraged that most of us want to push ahead, but, like many of you, I don’t want to downplay the scale of the challenge.

Then, (2), we agreed to tap into insights on how Stretch might play through at MN-Co from three C-suite members we see as being ‘at the sharp end’ of the business, in addition to our CEO, Frank. So, after the morning break, we will have presentations from Dieter, as CFO, from Monique as CHRO, and from our CMO, Jay.

We will also hear from Indra, the newest member of our C-team. Her appointment actually links to another Matters Arising item.

So, (3), at the last meeting we had a very lively discussion around the question, “Should we appoint a Chief Sustainability Officer?” Well, it seems both the Nays and the Yays won out on that!

It’s worth revisiting both sides briefly: I was one of a minority opposed to the idea, because I think responsibility for sustainability should cut across all functions, and be at their core. But the flip-side was energetically argued, that there needs to be someone with a full-time brief, at least for a transitional period.

As we’ll hear, Indra has provided an interesting twist to the CSO role. You’ll already have seen from her paper that she argues for ‘CXO’—as an indication that she is determined to be our ‘Chief Stretch Officer’, and to integrate stretch into every Board and C-suite role *[see Briefing 2, page 24]*.

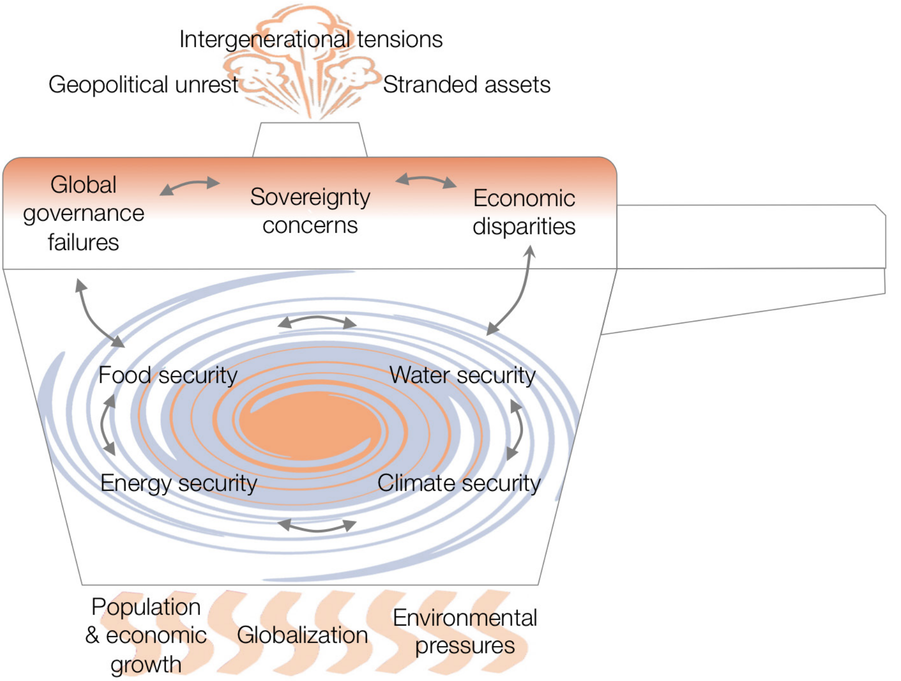
The real surprise is that we found such an extraordinary candidate—and so quickly. We are delighted to welcome you today, Indra, though I know you still have several months to finish up at the bank. We tried to negotiate an earlier move for you, as you know, but your CEO seemed loath to let you go!

It’s perhaps worth noting that none of us expected this role to be filled by someone from one of the world’s leading investment banks. Why? Because, to be blunt, most of us imagined the CSO role to be on the softer side. I hope you’ll tell us in a bit more detail why you decided to rewrite the job description, Indra.

Slide 1

Pressure cooking our future

Source: © Volans, 2015, inspired by the World Economic Forum's work on Global Risks since 1995[8]



Now, I'd like to show my slide *[see Slide 1]*.

When I saw an earlier version of it, at a World Economic Forum event, it struck me as a useful summary of why this agenda is now becoming strategic for us.

It's no accident that the repeated word at the heart of the diagram is **security**—energy, food, water and climate security. What used to be seen as citizenship issues are now evolving into major security issues.

The Forum's mapping struck us as looking very much like a pressure cooker. Thank you, Ben and Mei, for souping up the image—and for working up the other slides for today.

I'm delighted to have Ben and Mei here, incidentally, both members of our Young Graduate Leaders (YGL) program. They will play an active role in this afternoon's session. They are both Millennials: Ben from Edinburgh, Mei from Shanghai.

Yes, Monique?

Monique Desplats (CHRO):
To the earlier rankings point, Diane. Our own survey of Millennials show that larger companies like ours are seen as incumbents. Younger people lean towards insurgents. How can we counter that?

Diane:
Big question. I confess I'm relying on you, Frank and Jay to tackle that one, Monique.

But, as you know, we are having to deal with immense shifts in the economy and geopolitics. None of us were impressed by the way the world handled the post-2007 financial crisis. We got through for now, but any evidence that capitalism can tackle such systemic challenges in good time and good order is weak.

I was fascinated to read a book by Martin Wolf of the *Financial Times* a while back. It's called *The Shift and the Shocks*—and it's a damning critique of the West's failure to seize the opportunity presented by the financial crisis.[9] Whatever happens, we must come to terms with what some call a 'VUCA' world.[10] Its main characteristics, first flagged by the military, are Volatility, Uncertainty, Complexity and Ambiguity.

The nature of strategy shifts in such circumstances. Which is why we are here today.

Worryingly, however, surveys suggest a growing frustration among business leaders with the difficulty of making real progress here without strong government leadership.

For example, the 2013 U.N. Global Compact-Accenture CEO study was billed as the largest investigation to date of top team thinking on sustainability, with insights squeezed out of more than 1,000 CEOs—Frank was one of them—across 103 countries and 27 industries.[11]

What struck me was that—and let me read this out:

"...we committed to embracing a Stretch Agenda because we want to be 'reality-makers' not 'reality-takers'... the easiest way to predict the future is to create it."

Diane Tracker, Chair

1. *CEOs do not believe that the global economy is on track to meet the needs of a growing population within planetary boundaries;*[12]

2. *At the same time, they argue that business is not yet doing enough to address sustainability challenges.*

We agreed we would grasp this nettle. At our last Board meeting we committed to embracing a Stretch Agenda because we want to be 'reality-makers' not 'reality-takers'. That's in the spirit of the saying that the easiest way to predict the future is to create it.

And there are huge market opportunities here. In your briefing packs was *The Breakthrough Forecast*, a work-in-progress at Volans [http:www.volans.com/breakthrough]. It spotlights the Green Transition Scoreboard, which suggests that no less than $6.22 trillion has been privately invested in the ongoing sustainability transition since 2007.[13] The future market valuations would be many times greater. Interesting food for thought!

Now for a reality-maker. As our CEO for over three years, and in other roles here for several years before that, Frank has shown a rare ability to think around corners. Like other speakers, he was asked to take a cool, hard look at the issues—and to flag examples of other companies doing good, or great, work in this space.

One stretch initiative is already under way, as part of our 50th anniversary celebrations: our 2019 Fund. This is our new corporate venture capital fund.[14] It is designed to take us well beyond 50-candles-on-a-cake to a deep financial commitment to internal and external stretch.

Now, before I hand over to Frank, let me say that I have asked our Ben and Mei, to take notes of our discussion—not as minutes, but as a stimulus for our afternoon working session *[see A Stretch Checklist, page 50]*.

Now, our first presentation: The Business Case. But we know this isn't just about the numbers!

Takeaways from the **Chair**

- Business is headed into a Pressure Cooker future
- The challenge: to be a reality-maker, not a reality-taker
- Stretch strategies and business models will be key
- The market opportunities will be in the trillions of dollars

CEO: The Business Case

*Several people refill their coffees as **Frank Jansen** moves to the head of the table. He is an imposing figure, exuding confidence and warmth. He is the CEO, South African, 49 years of age. Three years in the role, he spent the previous 7 years in various roles at a major IT company. His approach to the proposed Stretch Agenda is measured—and Diane suspects that his mind is working through the various contradictions implicit in the proposed shift. He knows there are important issues at stake, but would much prefer it if governments addressed them.*

“

Diane:
The question that generally gets asked in business is, “Why?” What’s the business case? Great question, but, as Amazon CEO Jeff Bezos noted, an equally valid question is, “Why Not?”. Few CEOs I have worked with are as open to possibility as Frank, but I’m sure he’ll have some Whys of his own!

Frank:
Thanks, Diane. And I do. On your numbers point, I like the lighthouse metaphor, but we’re moving from a world of lighthouses to a world of GPS, of ubiquitous data. This is about numbers, as you well know! We’re dipping into very different data streams. Or, since you mention Jeff Bezos, data Amazons.

Good morning, everyone.

You know, as CEO, I have to speak a lot of languages across our business; professional languages and, as best I can, the languages of our key markets. But I find the sustainability space bewildering at times. Am I meant to be talking Biomimicry, Circular Economy, Conscious Capitalism, Cradle-to-Cradle, Net Positive, People-Planet-Profit, Shared Value or what?

As CEO of our group of 33,000 people operating in over 40 countries, I inherited businesses now ranging from urban sanitation projects, through to 3-D printing of automotive components, to luxury handbags! Fundamentally, though, I see my role as working out how best to deploy capital and generate competitive returns for shareholders.

Any Stretch Agenda will only be useful—will only survive the test of time—if it serves that goal, and in the timescales that financial markets impose on us.

But for anyone wondering in the wake of Diane’s admission of naysaying during the CSO vote, I voted *for* a CSO—and fully support Diane’s push for stretch. I’m intrigued by the CXO idea, and look forward to hearing more about how that might play out.

The sustainability space continues to evolve, with things like materiality, stakeholder engagement and sustainability reporting now well established. But isn't stretch talking about something different? For me, it's about strategy and business models.

But, to be clear, I'm no roll-over here. It's my job to ensure that anything we do can be justified in terms of value to shareholders. This is far from easy. Despite some interesting initiatives like the Social Stock Exchange,[15] the financial markets haven't yet embraced the triple bottom line, or anything like it.

But change is coming, with climate change and resource security among the key drivers. Thanks for circulating *The Breakthrough Forecast*, Diane—I've got a member of my team beginning to build that out with real data related to our markets.

One thing that stuck in my mind was a quote in the *Forecast* from Unilever's CEO, Paul Polman. He said: "Too few CEOs can properly tell the story of a better business model to their shareholders and the financial community. It took us a while, but now our investor base understands it. The story is about our risk aversion, our closeness to society, our reach, how we energize our employees, and finding new business opportunities. Few CEOs are good at this new form of storytelling. We normally have not been trained for that".

That's true of many of our people—and it's something we're going to have to work on. Looking back, I suppose I had been on a business-as-usual, even change-as-usual, course for years.

Then, out of the blue, Bill Gates rattled the bars on my cage. He was speaking at a TED session and was explaining a recent wake-up call. He seems to have had a number of them! This one came when he saw data comparing China's cement consumption from 2011 to 2013 with U.S. consumption during the entire 20th century.[16]

Did you see the numbers? No? Well, over the space of 100 years the U.S. used 4.5 gigatons of cement, whereas in just three recent years China consumed 6.6 gigatons!

Look, I knew we used a lot of cement in our operations, particularly in Asia, but this was mind-boggling. And cement is only part of the story in terms of bigger picture challenges. I went on a yachting trip in the Pacific a couple of years ago, and had shocking, first-hand experience of the outer reaches of the 'Great Pacific Garbage Patch'.

However you look at it, we're part of that problem.

"Too few CEOs can properly tell the story of a better business model to their shareholders and the financial community"

Paul Polman, CEO of Unilever

You could ask whether we routinely talk to our investors and financial analysts about all of this? Is this front and center in our investor relations activities? No, it isn't. And I make no apology for that. Tom Wolfe's Masters of the Universe—you may recall he wrote *Bonfire of the Vanities*—are still struggling to get their brains around this 'New Normal'.

We should be pushing this harder, clearly. I met Peter Bakker, former CFO and CEO of TNT, shortly after he took over as president of WBCSD. As such, he speaks for hundreds of major companies—including MN-Co.

Here's what he said: "Either we throw away capitalism and start again, or we transform capitalism".[17]

Is he mad? I don't think so, but he's way ahead of Wall Street. Still, we owe it to our people—our shareholders, our customers and our employees—to dig deeper.

Some of you know I did my MBA at Harvard Business School. Bob Eccles and George Serafeim are professors there.[18] They conclude that globalization has concentrated economic power within a group of large companies now able to change the world at a scale historically reserved for nations.

Unlike Occupy activists, though, Bob and George see real upsides. They argue that just 1,000 businesses are now responsible for around half of the total market value of the world's more than 60,000 publicly traded companies. We're one of them.

They conclude that this vast concentration of power and influence is an excellent starting point for any strategy of change toward a truly sustainable economy. Personally, though, I worry about the corporatization of democracy! We should be very careful how far we push this…

Still, it's a sign of the times that HBS professors are spotlighting that companies and their supply chains consume vast amounts of natural resources. That they pollute the local and global environments at little or no cost. And that they damage employees' well-being where wages and working conditions are inadequate. In the pressure cooker world, any or all of these could blow up in our faces.

Yes, Diane?

Diane:
Where are we in all of this? What's the trajectory?

Frank:
Great timing, as it happens! Let me show my slide, which should help.

[Brings up Slide 2 on the projector (see Page 17]

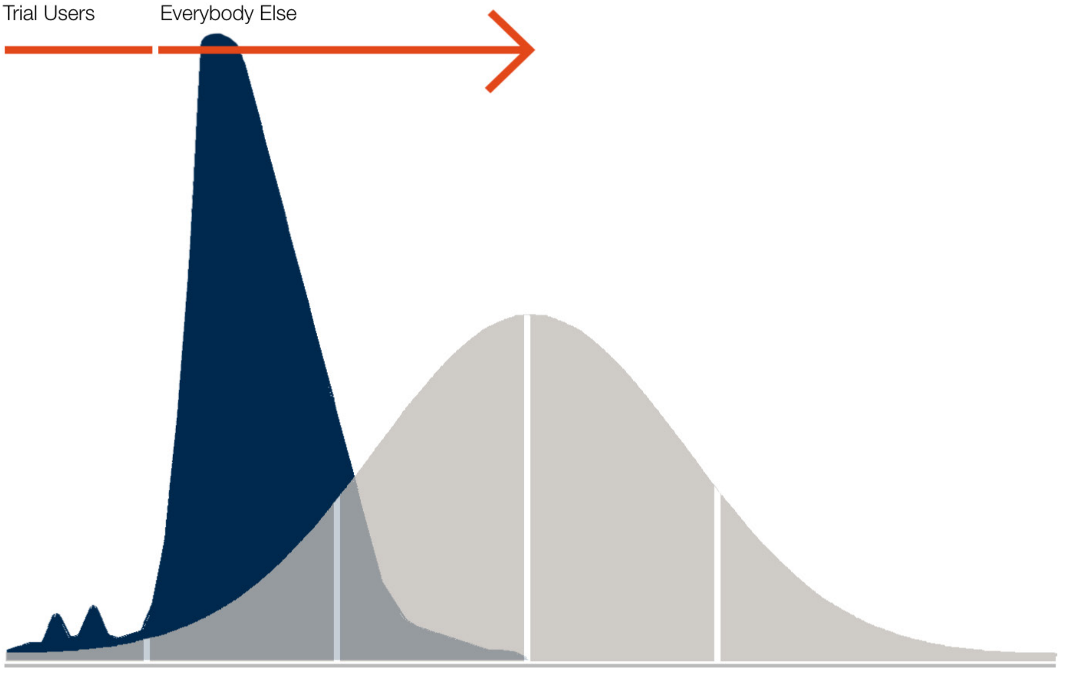
"Either we throw away capitalism and start again, or we transform capitalism."

Peter Bakker, President of WBCSD

Slide 2

Shark's Fin Model of Change

Source: Larry Downes and Paul Nunes, featured on *Wired.com on January 3, 2014*[19]



As you see, we have two different adoption curves here. On the right, the classic adoption curve we all cut our teeth on, shaped like a tortoise shell. On the left, and in the wake of the New Economy era, we have had to get used to the 'Big Bang Disruption' pattern of adoption of potentially breakthrough technologies and business models. For perhaps obvious reasons, some call it the 'Shark's-Fin' model.

This new type of disruption kicks off as a series of low-level, often unrelated experiments with different combinations of technologies. The apparent calm can give incumbents a false sense of security. Whatever is going on is not happening quickly enough to trigger a competitive response.

Then *bang*! The insurgents elbow aside the incumbents.

MN-Co is an incumbent in many of its markets, an insurgent in too few. We have to get much better at thinking like an insurgent, *being* insurgents. We must be bold enough to move forward even where the market does not reward early movers.

Which brings me to my big problem here. I don't doubt we could be stronger as an early mover rather than as a late follower, but I genuinely question whether this isn't a job for politicians and for governments? This is a ferociously tough sell to most investors and consumers.

Before I hand over to Indra, I wanted to flag a recent conversation I had with Rodolphe d'Arjuzon, managing director of Verdantix, a market research firm.

I was fishing for market projections and valuations that were not just financial, talking to people like Bloomberg. But it wasn't a Bloomberg or Verdantix data point that stuck in my mind.

D'Arjuzon told me that one business top team he had talked to had been faced with requests from SRI analysts to explain how they take account of natural capital. Their response: Would it help, they asked, if they "put beehives on the roof?"

Yes, we laugh, but this is often the level of the debate.

You know we're moving on from traditional sustainability reporting, as evolved by the Global Reporting Initiative, to truly integrated reporting—along lines suggested by the GRI, CDP, previously known as the Carbon Disclosure Project, and the IIRC, which if memory, serves stands for International Integrated Reporting Council.

All helpful, but for me CDP, GRI and IIRC are milestones, not destinations. They only take us so far. Even if we're not asking the beehive questions, I'm concerned that we're still not yet truly integrated across all the relevant dimensions of value creation.

"I want us to be on—or ahead of the next change wave—rather than being wiped out by it."

Frank Jansen, CEO

[He looks at various members of the Board seated around the table]

Nor, forgive me, are our Board and C-suite. This gap has to be at the heart of any Stretch Agenda.

Look, I'm not naïve. This can be a bruising world. Our colleagues in the BRIC and MINT markets think very differently about this. China demonstrated that when it banned the anti-pollution video Under the Dome, viewed a 100 million times in a week. India promptly banned live reporting of air quality data in its major cities.

Multiple realities are at work—and our businesses straddle many of them. Our exploration of stretch will be taxing, and any outcomes may not justify the direct costs for quite a while. Most of our investors don't yet know what they will want a few years from now, though for me the pressure cooker makes the ultimate direction of travel increasingly clear.

[Points to his slide again]

Make no mistake. I want us to be on—or ahead of the next change wave—rather than being wiped out by it. But surfing is challenging—I know. As a one-time semi-professional surfer, I've wiped out more times than I care to remember!

Summing up, we're a *business*—and there must be a convincing business case for whatever actions we decide on today.

Indra, please do say something about how your work as Chief Stretch Officer will help us make sense of this. But any advice you have on how to supercharge the business case would also be immensely welcome.

Given the centrality of your session, we've reworked the agenda so you have more time than the rest of us…

"

Takeaways from the **CEO**

- Switching the world's top 1,000 companies on to stretch is key
- New types of market adoption curves are at work
- Integrated value creation has to be central
- Government action is vital to reinforce the market drivers

CXO: Bridging the Chasm

Indra Mistry *is dressed in a dark blue, strikingly conservative suit, like the New York investment banker she has been. But she is lively, energetic, engaged. She was hired as Chief Sustainability Officer but has a different vision for her role, arguing for CXO—or Chief Stretch Officer. She is 39 years old, originally Indian, now with US citizenship. She sees the Stretch Agenda not just in terms of policy and goals but as a massive challenge in terms of mindsets, behaviors and cultures. She is acutely aware that for most of her new colleagues many of the issues under discussion have been second-order priorities, at best.*

"

Diane:
Indra, who we again bid welcome to MN-Co London, completes a trio of presentations setting up our new Stretch Agenda.

We will then hear from Human Resources and Marketing on the delivery side—and I'm only sorry our Chief Operating Officer, Carlos, couldn't be with us today. He has first-hand experience of pressure cooker dynamics impacting us in a number of our businesses. And he's sorting out the mess in Angola right now, which we agreed had to take priority. We will brief him later on the outcomes, alongside other C-suite members who aren't here today.

Indra's bio was included in your meeting packs, alongside the pieces that *Bloomberg Businessweek* and *Forbes* ran recently on her impending move here. The *Businessweek* piece was particularly interesting, suggesting that this new role was a bit like taking gardening leave. You're hardly dressed for digging, Indra!

Indra:
No, but the piece did say that the latest version of the CXO job description was, how did they put it, "intriguing"?

Hello, everyone, and thank you Diane and Frank for the set-up. Thank you, too, for offering me additional time. There's so much to cover!

I will explain why I'm here—and what I expect to be doing. I know many of us struggle with the complexity of all this, so I will also test out a framework I have been working on.

But, first, what convinced me to join MN-Co? Honestly, I'm still getting used to the idea myself! It was not part of my life plan to be a CSO, or CXO, until I took a closer look at the company and the role and the possibilities around both. Then it was like uncorking champagne!

My branching point came about 5 years ago when I was on the bank's fast-track—and was invited to dinner with Hank Paulson. He had by then moved on from his role as U.S. Treasury Secretary, but still trailed that aura of power.

He sketched a bigger picture. As he later put it, "When the credit bubble burst in 2008, the damage was devastating. Millions of people suffered. Many still do." Then he continued, and let me read this out, "We're making the same mistake today with climate change. We're staring down a climate bubble that poses enormous risks to both our environment and economy. The warning signs are clear and growing more urgent as the risks go unchecked."

So why did this strike home for me?

Not for the obvious reasons. This was very much my left brain at work, whereas several Chief Sustainability Officers I spoke to had come to this through right-brain processes, including intuition and empathy.

For me, it had more to do with the messenger than the message. Paulson saw the next crash coming, this one on a planetary scale. He said that we're sitting on our hands, rather than altering course.

What was unnerving was that I'd heard similar stories before, but from people like Greenpeace and people on the left. It had sounded like elitist idealism. But here was a member of my own party, a Republican for heaven's sake, taking the agenda seriously for economic—for business—reasons.

About the same time, I went to the Skoll World Forum, in Oxford, UK, as part of my personal development. As you probably know, this is an extraordinary annual gathering of social entrepreneurs and innovators. We heard from people like Muhammad Yunus and Desmond Tutu. I was deeply impressed by what eBay co-founder Jeff Skoll and his team have achieved.

Then, at a side event, I picked up a short report they had co-funded, *The Social Intrapreneur*,[20] which gave me useful insights into how change agents have been working inside major businesses—and into the kinds of impacts they are having, or hoping to have. It was clear that their task is both complex and challenging. But it helped me see the power of business in a different way.

You won't be surprised to hear that I am comfortable with complexity, but most people aren't. So I cast around for a way of simplifying what I was hearing.

> "We're staring down a climate bubble that poses enormous risks to both our environment and economy. The warning signs are clear and growing more urgent as the risks go unchecked."
>
> **Hank Paulson**, former U.S. Secretary of the Treasury

I was getting the strong sense that business is well placed to lead the charge on tackling a lot of big issues. Actually I had begun this work some months before Diane called. My brain still hurts from it, but in the last few weeks I've worked up what I call the R-A-T-I-O, or **RATIO**, framework. I will explain that in a moment.

Clearly, it's a play on 'ratios,' which are—or ought to be—at the heart of the stretch agenda.

Think of it this way: many companies are reporting their sustainability numbers—and setting targets—with little or no reference to the wider context. The assumption is that others will deal with the externalities in that wider world. Meanwhile most corporate reporting simply disappears into the void. I have read a number of corporate sustainability reports in recent weeks, but few of them were really useful.

For capital markets to do their work properly, we need a much better sense of how ***every*** level of the global economy contributes to building, or undermining, economic, social and environmental value.

People like Sir Richard Branson's B Team talk in terms of 'People, Planet & Profit,' which can work well. But for me this still seems to imply some sort of balancing act, or trade-off. I'm interested in how we open up the 'sweet spots' where different forms of value creation overlap. And how MN-Co can operate in the overlaps between these zones of value creation.

The more I look into this, the more it strikes me that the world is teetering on the edge of what some call the 'Chasm,' where the Innovators and Early Adopters are already involved, but Early and Late Majorities aren't. Partly this is because the Laggards are way behind, partly because the sceptics are intentionally muddying the waters. And, as we all know, real change is hard.

So here's my slide *[see Slide 3, page 23]*.

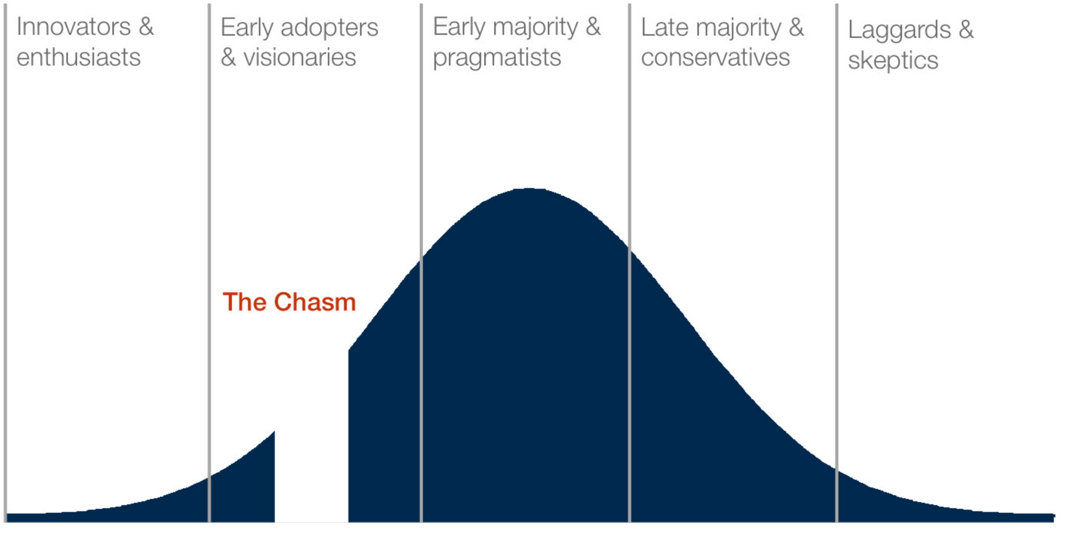
The central question here: How can we help bridge this Chasm, the **'Sustainability Chasm'**, both inside and outside our main spheres of operation?

I believe the RATIO framework can help us, both because the name itself links into the urgent need to think about the ratios between what we are doing and what we ought to be doing; and, second, because there is a huge gap between today's solutions that work poorly for a world population of 7 billion today and those needed for an eventual population of between 9 and 11 billion tomorrow.

Slide 3

Early Adopters at the Chasm's Edge

Source: © Volans, 2015, inspired by Geoffrey Moore's work on *Crossing the Chasm*[21]



You will have seen the RATIO briefing in your pre-reading *[see Briefing 2, page 24]*. The five elements are: **R** for Reality, **A** for Ambition, **T** for Targets, **I** for Incentives, and **O** for Outcomes.

Ultimately, such frameworks are only useful if they drive real-world outcomes. While considering your job offer, I pitched the framework—to Diane, Frank and the internal appointments committee—as the core of a future CXO's brief.

The aim is to help an organization expand its horizons, building a better sense of emerging realities, raising the level of ambition, setting stretch goals and targets, aligning financial and non-financial incentives, and working out how to measure new types of outcomes—and how to get markets to reward them.

> "I'm interested in how we open up the 'sweet spots' where different forms of value creation overlap."
>
> **Indra Mistry**, CXO

[Extract from Indra's original outline of CXO role]

The RATIO Framework

Some thoughts on focus areas for the CXO role:

R for **Reality**

Task 1 will be an across-the-business reality check, commissioned by the Board and managed across the C-suite. The future can creep up on us, because we don't see it, because it's not what we're looking for, or is on the edge of our field of vision. Think of William Gibson's line, 'The future's already here—it's just not evenly distributed'.

- Leaders must get out of their reality bubbles.
- This principle must operate at all levels of the organization, becoming part of the culture, what people do when no-one's looking over their shoulders.

A for **Ambition**

Ambition is the essence of stretch. 'C-small x-O' is used generically to refer to those with 'Chief' and 'Officer' in their title, but CXO could capture the 'Moonshot' spirit of initiatives like Google X, The X Prize Foundation and Solve for X.

- The CXO must coach and support C-suite colleagues as they begin to expand their horizons and ambitions.
- Note: a CXO cannot drive ambition, only catalyse and shape it.

T for **Targets**

Anyone can set a target—but setting the right targets is a different matter. 'Talent hits targets that no one else can hit,' said Arthur Schopenhauer. But genius, he noted, 'hits targets no-one else can see'.[22]

- Companies must set their goals and targets in the context of global goals and planetary boundaries.
- A possible building block: Andrew Winston's PivotGoals.com, a searchable database of ESG targets set by Fortune Global 500 companies.[23]

I for **Incentives**

There is a long history of internal financial incentives being used to drive safety, health and environmental performance. Surprisingly, most businesses have still not used financial carrots (or sticks) in relation to wider sustainability targets.

- Financial and non-financial internal incentives can help drive action.
- But the CXO must help shape external incentives for action, including such things as taxation, government purchasing or the level of premium discounts offered by insurers if certain criteria are met.

O for **Outcomes**

Reality-checks project likely outcomes on current trajectories—and identify preferred outcomes. That analysis, in turn, shapes group ambitions, and the strategies and tactics needed to achieve them.

- Engage impact investors to evolve the toolkit needed to manage, track and value the outcomes of RATIO programs.
- Consider adopting the Future-Fit Business Benchmark, as context.[24]
- Build a feedback loop to external incentives. Markets and public policy must reward the relevant outcomes, or they won't happen.

My thinking runs as follows:

1. Getting a better grip on **reality** will be key. I recall one top executive saying she wished anti-business activists could swallow a pill that would help them see the world through business eyes! Actually, today's business leaders could learn a lesson or two from the 1999 film, *The Matrix*. Here, you had to choose between two pills. The blue one ensures you continued to enjoy the blissful ignorance of illusion. The red one opens you up to potentially painful realities. True leaders swallow the red pill.

As CXO, I will pull together an advisory panel of breakthrough innovators. But rather than have them come to us, I plan to ensure that our best people go out to see them in action, getting their hands dirty.

2. **Ambition**, not greed, is good. Google co-founder Larry Page was celebrated as *Fortune's* '2014 Businessperson of the Year'.[25] He is attracted by what he calls the 'zero-million-dollar research problem, an interesting challenge that no-one else is working on.' Google X is his company's 'Moonshot factory'.

If we could bottle and prescribe a spirit of the new order, I'd love this to be among the essential active ingredients.

But we know that betting on the future can be risky.

We admire ambitious people when they succeed, yet feel uncomfortable when the ambition seems to go off the scale. So we should ask: What is the scale here? Spinal Tap—the spoof rock band—were famously taken with 'turning their sound system up to 11', on a dial that only went to 10. That style of thinking has to be at the heart of our Stretch Agenda.

In that spirit, Diane, I'm going to break your rule by using a second image *[see Slide 4, page 26]*, showing a version of that turn-it-up-to-11 dial. The interesting twist is that it also indicates the number of people impacted by a particular decision, technology or business model. We should test all our major businesses against such stretch metrics.

3. The art of setting **targets**—particularly stretch targets—is complex. And the processes used to set global goals for business, like the U.N. Sustainable Development Goals, can be cumbersome. How effective can the SDGs be when there are 17 of them, with 169 targets?

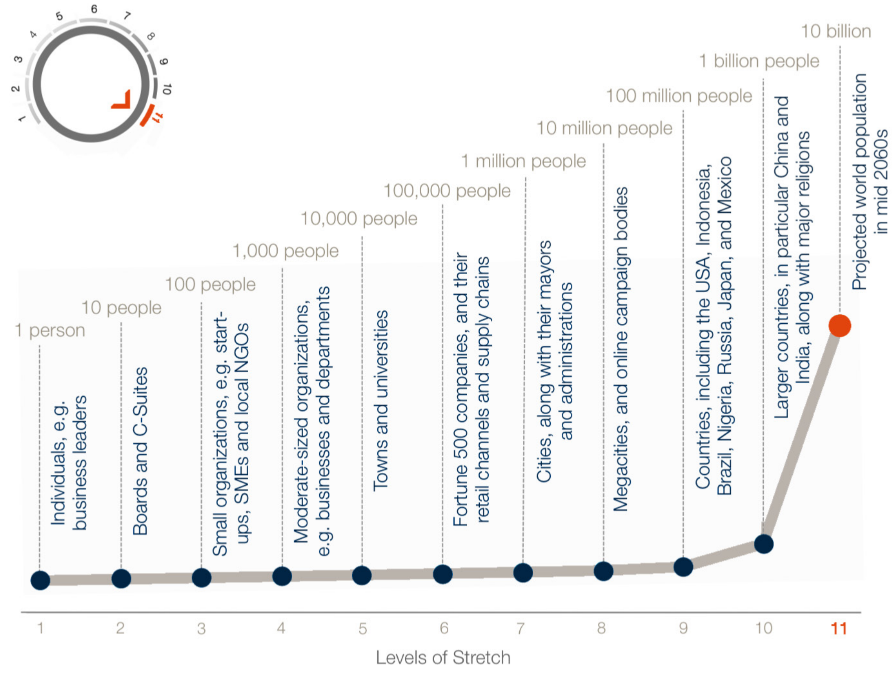
Remarkably, few companies currently set their goals and targets in the wider context of global goals and planetary boundaries. Indeed, many companies still worry about publishing their targets, even where they have them.

Why? Some people pursuing incremental approaches might not want to spotlight the relative insignificance of what they are attempting. Others may not want to over-promise, or may want to keep competitive information close to their corporate chests. And there's always a potential fear of failure at play.

Conversely, companies embracing zero-based, 'net positive' or 100% targets—as in renewable energy or recycling—implicitly address the issue of *context*.

One interesting initiative, RE100, links The Climate Group and the CDP. This promotes the benefits of going '100% renewable'.[26] We should consider going down this track.

Slide 4
Dialling it up to 11
Source: © Volans, 2015



One company I have been looking at is Procter & Gamble, which adopted 14 sustainability goals in 2010. In 2014 they revised one and added four more. Among other things, they set out to power all their plants with 100% renewable energy, using 100% renewable or recycled material for all products and packaging. And they are pushing for zero manufacturing waste—and, much more challenging, zero consumer waste going to landfill. Some 70% of P&G plants—half of them—sent zero waste to landfill by 2014.[27]

Frank, you asked us to focus on the business case. Well, when I last looked, across a company with $80 billion in revenues at the time, just this one waste-to-landfill program had already contributed $1.6 billion in savings! That feels like a case to me.

4. Call them what you will, **incentives** are what get people to work harder,' said Nikita Kruschev, president of the Soviet Union, well before I was born. In the end, though, the targets and incentives his regime used were more push than pull—and the Soviet Union came off the rails.

So, if our Stretch Agenda is to work, we need carefully designed and aligned combinations of internal and external incentives. The first are typically set by organizations to guide their employees, the second by wider society to shape corporate priorities and behaviors.

A 2013 study of 2,000 U.N. Global Compact signatory companies, 90% said they had developed or evaluated sustainability strategies at the CEO level, yet only 35% reported training managers to integrate issues into strategy and operations—and just 8% had linked executive remuneration packages to sustainability performance.[28]

And, as I noted in the original paper, internal incentives are only part of the story. A key part of my task will be working out how to influence governments about the need for the necessary external incentives for action, including such things as taxation, government purchasing or lower premiums offered by insurers if certain criteria are met.

5. When it comes to **outcomes**, I have been increasingly involved in the emerging field of impact investing. A new breed of investor is emerging, co-evolving new generations of accounting methods and metrics. Keeping track of this burgeoning field will be a key part of my CXO role.

We need to explore new types of technology, including business dashboards, to help navigate through the complexity. Among companies that have launched different types of sustainability dashboard for business are Cisco, CloudApps, thinkstep (formerly known as PE International) and SAP.

Among the growing number of experiments, prototypes and marketed products and services, I am particularly interested in the Social Stock Exchange and the Future-Fit Business Benchmark. I can brief you on those later.

So, that's a quick canter through the RATIO framework. I look forward to your comments. Oh, sorry Frank—I didn't see your hand.

Frank:
How are you thinking about timescales here?

Indra:
Any business needs to operate in multiple time-frames, Frank, as you well know. But for this agenda I think the **Breakthrough Decade** is a sensible timetable. It gives us more time, yet helps inject a sense of urgency.

Finally, one reason why companies join business-to-business platforms like WBCSD, The Prince of Wales's Corporate Leaders Group, The B Team or the Global Compact is that they know they cannot do this on their own. I plan to take a close look at all our involvements in B2B platforms, worldwide, with a view to ensuring that they support our stretch mission.

Everything I have mentioned will be part of my 100-day plan. Back to you, Diane.

Diane:
Interesting, Indra. You've shaken my kaleidoscope and new patterns are emerging. Much of this cuts across the way we're taught to think, but the future often does. It will be interesting to hear what some of our more commercially-oriented colleagues have to say. But, first, a cup of coffee.

Takeaways from the **CXO**

- The agenda is complex—and needs simplifying
- Think **R**eality, **A**mbition, **T**argets, **I**ncentives and **O**utcomes, or **RATIO**
- New stretch metrics can help 'turn the dial up to 11'
- Business is key, but can't do this alone: governments and B2B platforms are vital

CFO: Bottom Lines

After a short break, the meeting reconvenes. ***Dieter Schmidt*** *is 47 years old, tall and elegantly dressed. He has been 4 years in the role, and was previously in senior roles with DeutscheBank. He projects a degree of agitation as he places his folder of papers at the head of the table, preparing to address the room. Other participants have noted that he was distracted during Indra's session and during the break. His concern is that one company cannot change 'the system'. It sounds Quixotic to him. He has argued that the notion of stretch is still too vague. So how—he asks—can roadmaps, plans and above all budgets be created around it? And what will it cost?*

Diane:
Dieter watches both lighthouses and GPS signals in the world's financial markets. And he routinely pulls us back to basics. But, for my money, when it comes to the Bezos questions, he's a 'Why not?' man.

Dieter:
It's true, Diane—and hello, everyone. But my job is to think and speak money.

Don't misunderstand me. I support the general thrust of the Stretch Agenda. But it hasn't crystallized for me yet. And I suspect that some of my more traditional colleagues are even further back on the commitment curve.

Try on my money lenses for a moment. Consider that iconic London panorama outside. Ben was helping me with skyscraper-spotting a moment ago. And Monique made a link between hubris, skyscrapers and the late stages of economic booms.

She told us that soon after it opened, our neighbour in New York City, the Empire State Building, was known as the *Empty* State Building!

Look around you. Worldwide, nearly 100 buildings over 200 meters tall went up in 2014 alone.

I don't read today's skyline as signaling an imminent crash, incidentally, but don't be surprised if I strike a note of caution.

I'm still mentally scribbling notes after hearing you talk, Indra. I wish I'd heard your presentation before preparing my own comments, but here we go.

We talk of a 'New Normal'. Well it's coming, no question. But the inconvenient truth is that we must operate within the rules of capitalism as they are, not as we would like them to be. And the geopolitical picture is scary. The Arab world is in turmoil, Putin is on the warpath, and many of our competitors are hoarding cash or buying back shares, rather than investing.

Like it or not, my role often involves slamming on the brakes. Fact. And in that spirit, Diane sent me a *strategy + business* article arguing that the CFO's crucial tool is the word *no*.[29]

I see you smiling! But it went on to argue that the core challenge for tomorrow's CFO will be getting from that initial no to a qualified yes. "A superior kind of *yes*", was the phrase the authors concluded with.

So my team and I have been trying to reimagine our role in service of this emerging Stretch Agenda.

Happily, CFOs are no longer seen simply as financial gatekeepers. Instead, the role is evolving into that of a strategic partner and advisor to CEOs, and that's certainly the case here. Frank and I have developed a close and, I think, highly productive working relationship. Traditionally, of course, CFOs were not deeply or directly engaged in sustainability efforts, viewing them as too soft or happily outside their realm of responsibility.

Strikingly, however, a recent Ernst & Young survey in 2012 of 272 respondents from 24 industry sectors, employed by companies generating revenue greater than $1 billion, noted that 65% of respondents said that their CFO had become involved in various aspects of the sustainability agenda.[30]

I confess that surprised me!

So what are such people doing in this area? 74% of respondents cited cost reductions and 61% managing risks as two of the three key drivers of their company's sustainability agenda.

A key reason for this growing CFO involvement, according to E&Y, has been the growing scrutiny of the relevant issues and performance by equity analysts.

No less than 80% said new revenue opportunities are driving related initiatives—and 66% said they had seen an increase in inquiries about sustainability-related issues in the previous 12 months from investors and shareholders.

For CFOs, this is a relatively new trend—and it's helping firm up some parts of the business case for action. It's also pushed along by the growing availability of new forms of data on analysts' computer terminals from financial reporting services, including Bloomberg.

I'm not totally sure I believe these numbers, but 38% of respondents believed that the equity analysts who cover their company already consider triple bottom line performance in their evaluations, while a further 23% predicted that this will happen within five years.

That leaves quite a gap—a chasm, if you like—which we must bridge.

Which brings me to the theme of my presentation. 'Bottom Lines'. The way I understand it, how we calculate *tomorrow's* bottom line will vary across geographies, sectors, and ownership structures. **But at its heart will be a new appreciation of longer-term thinking, strategy, and investment.**

Critically, while progressively placing a higher value on ESG outcomes—that's environmental, social and governance, it will place a higher value on ambition and stretch goals and targets.[31] You have already talked about that, Indra.

It will track new forms of capital and value, using numbers and algorithms that would seem alien to most of today's financial analysts. Examples of relevant approaches include the Environmental Profit & Loss (EP&L) method co-evolved by Puma, PwC and Trucost.[32] And its still-struggling-to-be-born Social Profit & Loss twin sister.

It will be integrated in new ways, linking to wider metrics on the health and wellbeing of individuals, communities, and ecosystems. And, we are told, it will favor businesses that learn from nature and play into the emerging circular economy.

Let's see, but I agree that there is much we can learn from the SRI and impact investment worlds, in terms of how to wrap in ethical, social, environmental and governance factors. Our new corporate venture fund offers us a hugely valuable learning opportunity for the reasons Diane explained.

And on natural capital, Frank, I heard Richard Mattison of Trucost say that, "In 1997 researchers estimated the annual economic value of 17 ecosystem services for the entire biosphere at $33 trillion. In today's dollars, that's about $47 trillion—more than two-thirds of current global GDP, estimated at $69 trillion".[33]

And now for my single slide *[see Slide 5, page 31]*—at least I know to follow the rules!

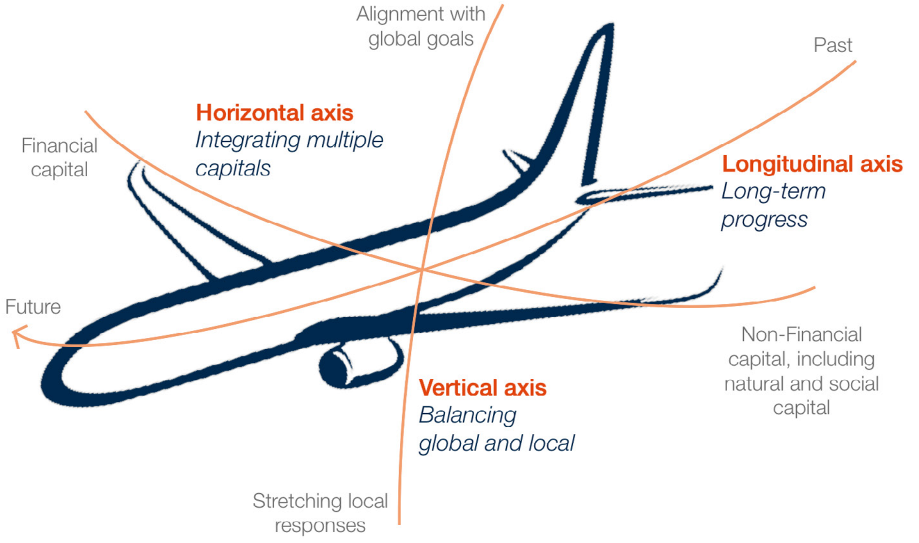
This is not yet my recommendation, I should stress, but I asked members of my team to come up with a mapping of where the future of accounting and reporting might take us.

First, the horizontal dimension—which I'm now perfectly comfortable with—involves greater integration of different forms of capital. That's where we're currently focusing with our integrated reporting activities.

Here, we're working out how to integrate new forms of value into our accounting—financial, human, intellectual, social and natural capital, for example.

"Currently, our dashboards ignore crucial data on trends that could crash parts of our economy. As a CFO, this seems a fair

Slide 5
3 Axes of Stretch
Source: © Volans, 2015



Second, the vertical dimension highlights the growing need to integrate a growing range of contextual information from local to global levels. Eventually, we will need a continuous flow of information from the local level to that of the entire biosphere. One initiative we are watching here is The Ecological Sequestration Trust's efforts to build a 3-D resilience model for countries, cities and companies.[34]

Currently, our dashboards ignore crucial data on trends that could crash parts of the economy. As a CFO, this seems a fair distance from what I normally do, but tomorrow's integrated reporting will have to cover such risks—and opportunities—in growing detail.

distance from what I normally do, but tomorrow's integrated reporting will have to cover such risks in growing detail."

Dieter Schmidt, CFO

Then, third, there is the longitudinal dimension, tracking progress over time. In an era of quarterly and annual reporting, this will be a real stretch. Increasingly, we must track the impact of externalities over decades. Like it or not, we are talking about a revolution in accounting.

Diane:
I see the horizontal dimension. And I can see how we can begin to address elements of the vertical axis. But I'm struggling with what we might do, practically, on the time dimension. Any thoughts?

Dieter:
Think about activist investors, Diane. Some of these people are now attracting growing funding from long-term investors who see them playing an important hygiene role in cleaning up global markets.

The question here is whether we can help them expand their focus from shareholder value to wider stakeholder value? Unless we do, their activities will massively constrain our ability to stretch.

I remain worried about the impact of dark pool trading and the casino nature of much of modern capitalism—but you have heard me on that many times!

Unilever's CEO Paul Polman may have told hedge funds he didn't want their money if they wanted quarterly earnings guidance, but we continue to need their money!

One key driver has been the perceived need to boost returns after the 2007-08 financial crisis. The focus is shifting, however. Once the aim was to trigger various types of market transaction, including acquisitions, divestitures, increased stock buybacks or the payment of dividends but now, according to E&Y partner Gregory Stemler, 'the activist investor appears to be more focused on shaking up boards and management teams, seeking operational improvements and organizational changes to create value.'

> "The money side of my brain says this won't work, can't work. Not in my working lifetime. But I know people change their minds. Politicians, too. So I'm open to persuasion!"
>
> **Dieter Schmidt**, CFO

It's not a huge step from these approaches to challenges based on new types of analysis about the exposure to new types of risks. These might include climate, water or cybersecurity threats to smart grids.

And then there are the opportunities, new types of markets—think of cleantech or microfinance.

Some big players are already repositioning. Think of Citibank's recent announcement. It said it would lend, invest and facilitate a total of $100 billion within the next 10 years to finance activities tackling the impacts of climate change and to create environmental solutions.[35] I was interested to see that their previous $50 billion goal was met 3 years early in 2013.

Tomorrow's activist investors may not always welcome announcements like Citibank's. But there's a huge opportunity to change the way they think over time.

Frankly speaking, and alongside Frank, as it happens, my greatest concern is that—whatever we may feel is the right thing to do here—we can't move without governments. And most governments don't seem minded to move. So, instead of the Why/Why Not question, for me it's more about 'How'.

The money side of my brain says this won't work, can't work. Not in my working lifetime. But I know people change their minds. Politicians, too. So I'm open to persuasion!

Persuade me and you'll have no greater ally. But I'm not there yet.

On which note, expanding our focus from profits to people, I'm intrigued to hear what Monique has to say.

Takeaways from the **CFO**

- CFO's role in relation to sustainability is expanding
- New forms of capital need valuing and managing
- There are at least 3 axes of stretch: horizontal, vertical and longitudinal—integration across them will be key
- Financial markets slow to respond, but change is coming

CHRO: Growing Our Talent

There is something mischievous about ***Monique Desplats****, Chief Human Resources Officer. Aged 41, and a much-travelled French national, she has been in her current role for 5 years, following senior roles at Coca-Cola and a family-owned travel company in Germany. Also formerly with the UN International Labour Organization (ILO). Her approach to stretch is to embrace the challenge, but not underestimate how long change can take. She sees a growing appetite among younger recruits to be involved in meaningful social change, but suspects MN-Co won't change fast enough to hold many of them. Some of Dieter's comments have amplified that concern.*

Diane:
Some people take the economy's pulse by taking a tape measure to skyscrapers, others by checking how our businesses are doing in attracting talent. We aren't in the red zone yet, Monique, but I understand that an amber light is blinking?

Monique:
It is, at least in some areas of MN-Co's operations, though I think the problem is addressable. Thank you, Diane. Before I get stuck in, however, can I ask everyone—I mean everyone, Dieter—to just stand up for a moment and physically stretch?

[It's a tribute to her quiet authority that everyone does what she asks. Some laugh.]

OK, hopefully that's got the blood moving again? If anyone wants to move around while I talk, feel free, I'm going to talk people. And I'm going to skew toward the Millennials, though I know we have some pretty significant problems internally with cultural barriers to change among some of our older colleagues.

Since Dieter explained how CFOs play into this space, perhaps I should do the same for our HR function?

Some sustainability people I know continue to paint HR professionals as a barrier to change. No question that has been true, at times, for various reasons. But I'm determined to ensure that we get the people part of our stretch equation right.

Let me distil some conclusions from headhunters Heidrich & Struggles.[36] They say that "today's top CEOs now expect the CHRO to be adept in general management skills, with broad business perspectives and a strategic mindset as a business leader." The key charge for the CHRO, they explain, "is to turn talent management into an instrument of business transformation".

So, how can a CHRO like me pull together these strategic and operational demands? I think the Heidrich & Struggles prescription applies: by becoming, in effect, one of the chief change officers of the organization. I'm delighted we have a CXO, but the role could equally well have gone to an HR professional.

[She smiles wryly at Indra]

Like Dieter, I'm not pitching, but trying to explain how yet another C-suite role is changing.

Like money, talent is core; in order to transform business, transform people. Hire and develop people who can transform teams, management systems, business models and, ultimately, cultures.

Wherever we look, demographic shifts and technologies are upending markets. They impact talent pools and change the terms of competition.

In the process, new dimensions are being added to the CHRO role. One recruiter we work with put it this way: "For the HR professional, being an 'employer of choice' is synonymous with sustainability. After all, one of the main tenets of sustainability is maximizing the positive benefits of a business' operations for all stakeholders".[37]

And a key part of the task, already mentioned in Indra's RATIO framework, will be the design and implementation of the *right* incentive schemes.

"For the HR professional, being an 'employer of choice' is synonymous with sustainability. After all, one of the main tenets of sustainability is maximizing the positive benefits of a business' operations for all stakeholders."

Monique Desplats, CHRO

Frank mentioned Bob Eccles and George Serafeim. On the perverse aspects of incentives, Eccles and Serafeim pointed to companies like BP, with its accidents and oil spills, to Apple, and to UBS—all examples of what can go wrong when top teams prioritize financial over wider ESG performance.[38]

In interviews with more than 200 executives, and on the basis of in-depth research on 30 companies, they identified four barriers to change. One, and I quote, was the fact that:

> *"… many employees, including senior managers, are rewarded for short-term performance. Because addressing most sustainability issues requires a long-term outlook, firms' incentive structures often* ***undermine*** *their ability to improve on ESG measures.*
>
> *Moreover, employees are frequently given incentives to boost the performance of their division or unit, but not corporate-wide performance.*
>
> *This also works against ESG improvement as it* ***discourages*** *the cross-division collaboration that's essential to innovation."*

The key words I emphasised there are 'undermine' and 'discourage'. We don't want to go there if we don't have to.

More positively, they noted that resources company BHP Billiton had created a group-wide executive compensation scheme to protect its license to operate.

In 2011, for example, the company started using a balanced scorecard to manage its ESG metrics. These include fatalities; environmental incidents; health, safety, and environment risk management; human rights impact assessment; and occupational health.[39]

Interestingly, 15% of their executives' short-term incentives were based on delivering on relevant goals.

Meanwhile, someone whose work has had a significant impact on my own thinking is Richard Barrett, of the Barrett Values Centre. He concludes that incentives should come in several forms, financial and non-financial.[40]

So here's my slide. I see Richard's seven levels of consciousness model *[see Slide 6, page 37]* as a useful guide to designing tomorrow's incentives.

"Because addressing most sustainability issues requires a long-term outlook, firms' incentive structures often undermine their ability to improve on ESG measures."

Bob Eccles & George Serafeim,
Harvard Business School

Slide 6

Shifting from Survival to Service

Source: © Barrett Values Centre, slightly adapted by Volans, 2015

The focus is on things like financial stability, shareholder value, and employee health and safety in Level 1; on employee recognition, customer satisfaction and friendly and supportive working environments in Level 2; and on performance, systems, quality and pride in performance in Level 3. The relevant incentives include opportunities to learn, grow professionally and be mentored.

Then something pretty major happens at Level 4, where there is a growing goals orientation and new types of teamwork. Here the focus is on accountability, continuous renewal and the learning organization.

Next, Level 5 involves building a sense of corporate community, with an enhanced focus on creativity, transparency and trust, plus the alignment of personal goals with those of the organization.

“

‘Making a difference’ is language that you tend to hear at Level 6, where people look for opportunities to drive positive change in the wider world—and the focus is on strategic alliances and partnerships.

Finally, Level 7. This focuses on wider definitions of service. Here, individuals, teams and organizations increasingly define their core purpose not just in terms of meeting customer and shareholder needs, but also those of society and future generations.

Frank:
Level 7 sounds like an NGO agenda to me!

Monique *[laughs]***:**
Sure, but today’s unmet needs are often tomorrow’s markets—even if it’s hard to see how people could pay. Henry Ford had the same problem! And there’s another factor. Many younger recruits we’re pulling in, the Millennials, strongly skew toward levels 6 and 7. For example, I’m sure that’s true of Ben and Mei—I thought so!

Ultimately, this is a cultural challenge—linked to our own culture and to wider cultural dynamics. In the good old days, we saw NGOs as leading indicators of change, but today it’s the Millennials, whatever NGOs or networks they may belong to.

Over time, our biggest market challenges will require business, governments and non-profits to work together to create effective and durable solutions. We know that.

But that will only be possible if more executives are what Dominic Barton, worldwide managing director of McKinsey & Company, calls ‘tri-sector athletes’—able to engage and collaborate across all three sectors.[41]

Many of these tri-sector leaders will come from Generations X, Y and, increasingly, Z. Interestingly, meanwhile, the idea is moving into the educational mainstream. For example, we have been watching closely a related initiative at the Singapore Management University.[42]

“... no single generation will have all the answers—or resources... we must find ways to bridge the generations in service of the Stretch Agenda.”

Monique Desplats, CHRO

Younger people are just as preoccupied as the rest of us with emerging risks in such areas as energy, food, health, water and climate security—but they are much more likely to come at this with an emphasis on opportunity, entrepreneurship, positive impact and collaboration.

Even so, no single generation will have all the answers—or resources. In fact, the Boomers are likely to hold considerable political and financial sway, as well as invaluable experience, as they move into retirement. So we must find ways to bridge the generations in service of the Stretch Agenda.

In the process, Frank, we will *all* have to speak many different languages. The sustainability space may seem like a Tower of Babel, but that's inevitable: it's evolving rapidly, finding its way. For a time, we all need to learn the art of 'Babelfishing', as in, hooking meaning out of background chatter. That's a key part of my role, I think.

In terms of best practice, a few companies, including Royal DSM, have pioneered new ways of engaging younger employees. In their case, that has involved launching DSM Next, which now has hubs around the world.[43]

Other businesses seek to engage some of the wider networks that have formed in this space, such as Net Impact, Sandbox and the World Economic Forum's Young Global Leaders platform.

Ultimately, we have to pick and develop people for whom it is second nature to stretch. I like something Susan Lyne said recently—she's President of BBG Ventures at AOL. She encouraged business leaders to: "Let your managers do their jobs. Give them goals, give them targets and give them rope."[44]

This is about people. In a stretch organization, we need to spool out the rope at all levels. And move quickly if people get tied up in knots. But the ultimate test comes in the market—how do investors, customers and consumers respond?

Which brings us to Jay and the world of marketing.

”

Takeaways from the **CHRO**

- Responses to stretch agenda span a spectrum from scorecards to culture change
- Effective incentives can be both financial and non-financial, but must shift in focus from survival to service
- True stretch needs talent, increasingly from Millennials, as well as tri-sector athletes

CMO: Who's Buying It?

__Jay Shapiro__ is 33 years old, from Idaho and then California. He has been in the MN-Co role for 18 months and was previously with Google, in San Francisco. He is dressed in business casual, unlike the others. He has a goatee-beard-in-the-making and could pass for a venture capitalist or film producer. His manner is easy, and engaging. Jay is excited about the Stretch Agenda because he thrives on possibility. He sees the potential barrier of 'sellability' as a welcome challenge. But he worries that the sheer size of MN-Co may dull its reflexes.

Diane:
Larry Page wasn't particularly happy when we poached Jay to be our Chief Marketing Officer! And since getting to know him, and the way he lives and breathes markets, I can see why. Again, Jay, the question is 'Why not?'—and don't worry, we all know that moving too far ahead of the market can be risky …

Jay:
True, Diane. But that's not to say we should be risk averse.

People, it's just me between you and what I understand will be a great lunch, from a social enterprise set up by a celebrity chef—though I confess I hadn't heard of her.

And if you think you can smell burning, it's not the lunch—it's because this is another area where we are really going to have to burn rubber!

OK, let me get serious... If we go Stretch, we have to go all in. This will be tough, really tough, particularly in my area.

Like the rest of you, I've been listening, learning. Among other things, we've heard pitches for why the new CXO, and our CFO have make-or-break roles—as does our CHRO. *[Smiles]* All true, of course. But not much help to me.

Indeed, if we swallowed wholesale what *Forbes* magazine said a few years back, we'd conclude the role of Chief Marketing Officer is dead.[45] Over.

I took this job despite reading that obituary!

Diane:
And never a moment's regret?

Jay:
Actually no, Diane. But that piece rattled my bars. It argued that CMOs are 'increasingly powerless and peripheral.' That CEOs—hello Frank—now set the overall strategy. That R&D and innovation teams beaver away designing products and services for people like me to sell. And that CFOs—hello Dieter—work out things like product pricing and, for the rest of us, departmental budgets.

We were told that the typical CMO reports to a chief executive, who often has a poor understanding of customer needs and expectations. That's not true of Frank. But it's no wonder, as *Forbes* concluded, that 'some CMOs are considering a career change.'

Full disclosure: I'm not!

Not only am I actually digging in here, but I'm determined to work out how to pitch stretch to our most important audiences: our customers and consumers. Get that right and the investors follow, Dieter.

I'm looking forward to the toughest challenge of my career.

If we don't work out how to do this, getting it right most of the time, we'll be dead in the water.

Still, full disclosure again, I don't yet know *how* we are going to do this across all the markets we serve. Really.

Yes, there are early examples of interesting people pushing into this space, as we've heard. In our brief for this meeting, we were invited to say which business leaders we most admire—in my case presumably in terms of marketing prowess.

My shortlist kicks off, no surprise, with Steve Jobs—and his successor at Apple, Tim Cook. Tim has been doing pretty well in ensuring Apple continues to astound.

Second, I admire what Ingvar Kamprad has done at IKEA—particularly the way they've embraced the sustainability agenda as a core part of their strategy. I imagine they'll do well under the leadership of Stephen Howard, former CEO of The Climate Group because he's a social intrapreneur on speed.

And, some time back, there was Anita Roddick at The Body Shop who led the way on challenging the old order as a business campaigner. I met her shortly before she died—what a dynamo!

Radically different businesses and styles, but these are people who wanted to get into the hearts and minds of their customers—in Anita's case, not just onto but *under their skin*.

She got the sustainability agenda more or less from the outset. Steve Jobs, on the other hand, never really got the environmental or sustainability agendas.

For ages it didn't make much difference in terms of their brand appeal and sales, but then they hit the Foxconn speed bump. You can't outrun reality forever. But Apple has now pulled in some top-notch people to help them sort this out. Maybe we'll see iStretch soon?

Whatever some surveys may say, our market research shows conclusively that customers and consumers aren't clamoring for sustainability in most markets we operate in. *Yet*, you may say.

"I'm looking forward to the toughest challenge of my career."

Jay Shapiro, CMO

True, some pressure comes from retailers, in their market gatekeeper and choice editing roles. Rather than leaving these choices to consumers, they are wading in here and there.

For me, one wake-up moment was Walmart's announcement that it was going to spotlight 10,000 best-in-class products in 80 categories as part of its 'Sustainability Leaders' program. As some of you know, that all tracks back to 2005, when Hurricane Katrina whacked Walmart where it hurt.[46]

Reality intruded, you might say!

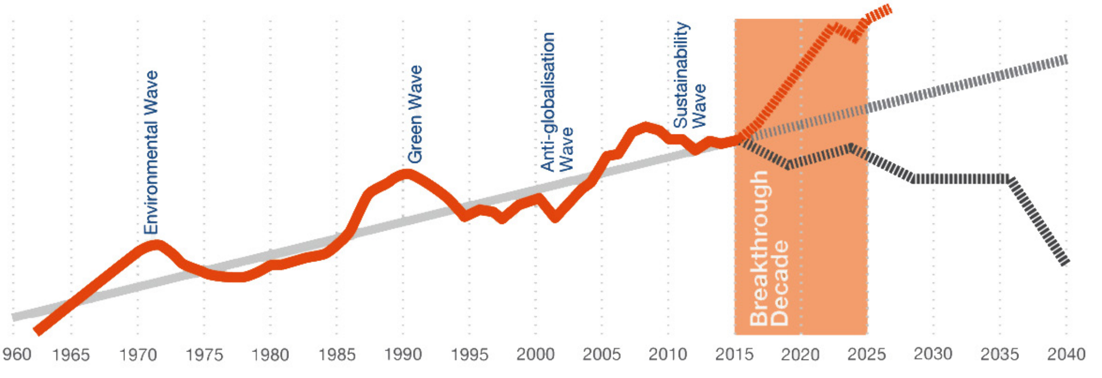
Accidents and disasters have driven much of this. My slide *[see Slide 7]* tracks a series of societal pressure waves from 1960, as early versions of the stretch agenda evolved.

The marketing challenge has mutated at each stage. After Wave 1, activists learned that there was a good deal of leverage in attacking brands—an approach that exploded in the wake of Wave 2, with campaigns against companies like Shell and Nike.

Wave 2 saw the rise of the Green Consumer, triggering a boom in green marketing and advertising. Much of it ill-informed, even fraudulent. We're more sophisticated now, but our agencies still struggle with the question whether this is sexy—or a turn-off for most consumers.

In Waves 3 and 4 some business leaders worked to get ahead of at least some issues, sometimes way ahead of most consumers and investors.

Slide 7
Entering the Breakthrough Decade
Source: © Volans, 2015



The three lines beyond 2015 represent three scenarios addressed in earlier work on Breakthrough Capitalism: Breakdown, Change-as-Usual, and Breakthrough.

But now, as we wait for Wave 5, and it's coming, city mayors are stepping into the fray on issues like climate change. Cities, remember, are where the overwhelming majority of our consumers live or work.

So, if we stretch our time horizons a bit, the pressure cooker dynamics will shape a growing number of our markets, no question.

A couple of you mentioned learning journeys. I did one of those before taking on this role. This was a 'Clean & Cool' trade mission, taking founders and CEOs of cleantech companies to meet their counterparts and potential investors in California.[47]

I joined them in the Bay Area, effectively for the ride. But I also helped brief all sides on the market dynamics I was seeing in my previous role. And as I did so, something clicked in my brain.

To be honest, the pace of change can be dizzying even for us Millennials. Thanks for that look of surprise, Diane—but at 33 I technically scrape in!

For those who aren't Millennials, you probably already know that these people are different—as Monique suggested.

I woke up to the fact that the so-called 'maker' world, with ordinary folk able to do in their garages or bedrooms, even, what big companies would once have struggled to do in their R&D labs, is bringing extraordinary levels of cross-pollination.

We should be both excited and, I think, concerned. And I was interested to see some of this flagged in *The Breakthrough Forecast*.

I like the way the proposed analysis will track both the upsides and downsides of the different technologies which will drive the evolution of tomorrow's markets.

Think about the downsides for a moment. It's not just that people may build germ warfare weapons in their bathrooms! Somewhere, someone is also working on products that could side-swipe some of our most successful businesses. We talk of disruptive innovation—well, a teenager could disrupt the hell out of us. We have to build a culture that attracts and holds the best talent of any generation.

And now are what WPP calls the *Centennials*. I bumped into Sir Martin Sorrell, WPP's Chairman, on my last visit to London. He handed me the results of a survey one of his companies, The Futures Company, had done on young people born since 1997—the Centennials.[48]

"... as we wait for Wave 5, and it's coming, city mayors are stepping into the fray on issues like climate change. Cities, remember, are where the overwhelming majority of our consumers live or work."

Jay Shapiro, CMO

They predict some interesting generational dynamics. If the Millennials were savvy consumers, 'expert at working the system', the signs suggest that Centennials will be 'bold consumers', with an appetite to change the system.

A growing number of tools allow them to 'create their own workarounds if your brand doesn't spot and eliminate friction before they do'.

And often they won't give you any warning before they go off with a competing solution, so The Futures Company suggests giving up some control to work with these people.

Some of them will be extraordinary entrepreneurs, too. Many of my friends are involved in early-stage companies, many of them Millennials. Often, even I don't really understand what they're up to. But I'm increasingly interested in drilling down into such fields as robotics, autonomous vehicles, big and little data, the Internet of Things, genomic testing, nanoscience, geoengineering and synthetic biology—things younger people are working on will sideswipe some of our businesses.

Indra:
What does our Chief Technology Officer think about this?

Jay:
Actually, we're interviewing for a new CTO. Andrew, our former CTO, has opted for a life in the country with his young family. To be honest, I think the pace of change got to him.

Interestingly, a Googler friend sent me an article on the work of Vaclav Smil. It underscored how fast things have changed.

In just 30 years, the amount of material used to make one PC fell 68%. Each machine now houses 250,000 times more RAM memory. By 2011, PC makers were using 'only' 54 times more material to create 38 million times more processing power.[49]

Unbelievable—and it's only just getting started!

The twist, though, is that demographic and lifestyle factors mean that our overall consumption keeps growing.

Remember Bill Gates on cement? If you turned the clock back to 1900, you would find that less than one metric ton of materials was extracted annually for each of the 1.6 billion people then alive. By 2010, per capita extraction had nearly quadrupled—and the global population had also grown fourfold.[50]

This new world makes many new things possible, but also raises new issues, from conflict minerals to cyberhacking.

On the upside, a growing number of apps help consumers to live more sustainable lifestyles and make ethical buying decisions. They cover everything from product credentials to the availability of sharing economy services.[51]

As the consultancy firm SustainAbility noted in a recent analysis of market trends,[52] 29 leading corporations and non-profits including Coca-Cola, IKEA, and PepsiCo recently joined forces to launch Collectively—a digital platform intended to engage Millennials in sustainable lifestyles.[53]

We can expect more of this to cascade to the sort of screens we carry in our bags or pockets. Maybe we're moving from the Green Consumer to the 'Screen Consumer'?

However people engage with the information we provide, we'll have to do this in countries and cultures that are less familiar to many of our people.

Euromonitor International predicts that emerging market economies will grow nearly three times faster than developed ones—accounting for an average of 65% of global economic growth through 2020.[54] Think about the implications of that!

And as you do, a few final thoughts.

First, we must experiment like crazy. Whichever way we jump, the Shark's Fin adoption curve that Frank showed us is a warning that some breakthrough solutions can take markets by storm, as cell phones have in Africa. We have to lean into the future, fail fast, learn from our inevitable mistakes.

We're kicking off a global series of Google hang-outs and social media events on related trends. Several of you are involved in at least some of them, and we'd be delighted to involve you, Indra, when you have time in your diary.

We have to work out how to sell this effectively. That means selling stretch to customers and consumers, and selling it to investors. By selling we really mean 'influencing culture', our own included. So we fundamentally have to sell it to our own people. I really like the Breakthrough Decade framing to help make this doable.

It'll be grinding work at times, but I'm as determined to make this work as you probably are to move to next door for the lunch!

But, wait up, people! You look as if you've something else on your mind, Diane?

”

Takeaways from the **CMO**

- Selling stretch/breakthrough forms of sustainability is tough
- But a new societal pressure wave is building and new technologies will be central; we need to fail and learn fast
- The shift to Millennials and Centennials is an opportunity
- The **Breakthrough Decade** provides a stretch timescale

Chair: Breaking Through

Diane *moves back to the head of the table. She remains standing, in momentary reflection. There are sounds of cutlery and crockery being laid out in the break-out room nearby, indicating the imminent end of the morning session, followed by lunch. The sun has full command of the city outside, the sky a dazzling blue, cross-hatched with condensation trails. Then she speaks, with growing determination.*

Diane:
As a multinational, the world's our stage—and, increasingly, our responsibility. Looking down on St Paul's Cathedral reminded me of something Sir Christopher Wren is meant to have said: 'A time will come when men will stretch out their eyes. They should see planets like our Earth.'

Remember that earlier image of the lunar bootprint? Well, now we've seen our planet from outside. Our worldview has changed profoundly—and that simmering pressure cooker reality will have huge implications for the future of our business. I need time to reflect on what we've heard so far, but—I hope you agree—it feels like we're making progress.

Happily, too it looks as if the weather is with us! I suggest we take a full two hours for the lunch break, so we can clear our heads, catch up on email, enjoy the food and company—perhaps even take a walk down by the river.

But can I ask for a few moments more?

[Ben and Mei begin handing out a memo as Diane speaks]

We're circulating a note called 'A Stretch Checklist' *[see page 50]* that Ben and Mei have worked up, capturing questions raised by this morning's discussions. I won't read them out, but they're clustered under Indra's five RATIO headings. This may help us in this afternoon's working session.

[Moving back towards her seat, Mei stops in her tracks and looks over to Ben. Together they whisper to Diane, their body language expressing a sense of urgency. Diane listens intently. She recognizes the relevance of the points they are raising—and decides on the spot to give them a formal voice in the meeting.]

Well, this is a first! I've just experienced something of a Millennial coup! Ben and Mei have raised several points with me that I feel you should all hear first hand.

[Diane gestures to Mei and Ben, inviting them to address the room.]

Mei:
Many thanks, Diane—we didn't plan this. But Ben and I have been listening very carefully to your discussions and presentations, and are worried about how all of this might play out through 2025. That's the period, no disrespect, when our generation will begin to take over from most of the people in this room. The commitments we have heard here have been encouraging—and the respect for everyone's feelings has been moving, but …

Ben:
… but both Mei and I've been pretty uneasy about the sense of comfort, of ease, of privilege in this room. Neither of us are from anywhere near the bottom of the pyramid, but we both struggled to get where we are, and over the break we agreed that we were struck that there hasn't been more anger, impatience or passion. You all seem to be wonderfully civilized, well educated, well fed and well watered! But our generation is going to have to deal with that pressure cooker as it begins to blow its top…

Mei:
… we'll stop there. But we felt a slightly different perspective on all this might help catalyse our afternoon session!

[There is deep silence, though several heads begin to nod.]

Jay:
Ouch! Thanks, both, for reminding us why we wanted you here! Diane, could we prioritize some of these thoughts before the afternoon session is in full swing?

Diane:
Yes, I agree. We have no choice. I have been walking a fine line between professionalism and a felt need to rock the boat—maybe I've got the balance wrong here?

Dieter:
Cheer up! I began this meeting sceptical, and I was honest about that. I remain concerned about the business case. Nothing I have heard today changes that, though I am beginning to see ways forward.

But, Mei, Ben, you have done us a real service—you have brought some numbers to life for me.

> "... but both Mei and I have been pretty uneasy about the sense of comfort, of ease, of privilege in this room."
>
> **Ben Maitland**, YGL

Kurt Kuehn, CFO at UPS, mentioned to me that Gen Y now makes up a quarter to a third of today's workforce.[55] With upwards of 40% of current employees planning to retire within 10 years, this Breakthrough Decade of ours, the need to align our values with those of the Millennials and Centennials, will be a critical business imperative.

You are making this real for me.

So, colleagues, a small breakthrough, but you can count on me. I'm in.

Diane:
My! Thank you, Ben and Mei! That was unexpected, but perhaps a case of right and left brain working together.

Let me now summarize several themes I think have emerged so far.

1. We have Lift-Off!

From what we have heard this morning, it's clear that we have a potentially volatile mix of energies here. But that's also true of the fuel that drove the rockets that took astronauts to the Moon.

Indra, your framework was helpful. Could you work that up a bit? And maybe we could add further resources to the *Breakthrough Forecast* domain we have been building? The URL was in your pack, but here it is again: http://www.volans.com/breakthrough.

Let's involve other C-suite leaders in the conversation, fast. Next time I vote that we include Carlos, our COO; Hiro Akita, our Chief Purchasing Officer; and our new Chief Technology Officer, once he or she is in place. Stretch must be part of that job description, if it isn't already. And we must also engage our Chief Economist, Hilton, though he's retiring soon.

2. Let's Explore

Monique, the mention of learning journeys had me wondering whether we could put a core group of our fast-trackers, as well as others that could be invited to pitch for the opportunity, through a similar experience? I know people at Bain, Barclays and PwC who have taken this route.

[Diane gestures to the external facilitator who has been observing this meeting.]

"With upwards of 40% of current employees planning to retire within 10 years, this Breakthrough Decade of ours, the need to align our values with those of the Millennials and Centennials, will be a critical business imperative."

Dieter Schmidt, CFO

Let's also engage our change consultants about our stretch mission and see if they can help develop a bespoke journey for us? Let's get Ben, Mei and their colleagues involved in the process too, for their pan-generational perspectives. I'm sure we'll end up going places we've never heard of, and doing things we've never thought of!

3. Are our Business Models Future-Fit?

An urgent priority is to work out how to road-test our business models against the Stretch Agenda. Frank, can you please push this forward as a matter of urgency?

Also, can we accelerate effort around getting certified as a B Corp. I understand it's an online impact assessment. I've heard Natura have already certified and Unilever is looking into it.[56] It's a rapidly evolving initiative that helps level the market playing field *upwards*.

In terms of seed money for the Stretch Agenda, we should commit funds from the outset. I want a **Stretch Fund**, with sensible resources for at least the first three years of the Breakthrough Decade. Dieter, Frank, can we make this happen?

4. Intelligence Matters

Thank you all. Genuinely, I've learned much that's new to me. I found the briefings, including *The Breakthrough Forecast*, provocative—though there is a lot to be done to tighten up that analysis.

I wonder if we might develop or commission an online casebook, to pull together and analyze everything we can get our hands on in the field of stretch and breakthrough innovation? We will circulate a case study of Interface's Mission Zero,[57] as one possible model.

5. Breaking Out of our Echo Chambers

Finally, let's run a review of all our advisory and consultancy relationships. Are we getting—or can we get—the right sort of stretch challenges and advice from these people?

Frank, Indra, Mei and Ben, will you all sit with me for a while over lunch? I want to test a few changes for this afternoon's session with our external facilitator.

Now, with apologies for the delay, let's break for lunch. Bon appetit everyone! I'll let the servers explain the story behind your food.

But please let's be back here at 3pm prompt, and ready to turn that dial up to 11!

At this point, with people rising from their places, we pan back. After the break comes Act 4, a facilitated process involving all the Board and C-suite members present in the morning using the Stretch Checklist (see page 50) as a stimulus.

This brief glimpse into the world of MN-Co now draws to a close. But, as you leave, ask yourself: How might this type of conversation play out in your own boardroom and/or C-suite? And how might that process be triggered?

A Stretch Checklist

A list of preliminary questions to consider using the RATIO Framework

Realities

1. How do the pressure cooker dynamics impact our business today—and how might this change over time?
2. What would be our version of the 'red pill'?
3. How aligned are our Board and C-suite when it comes to implementing the Stretch Agenda in the face of competing priorities?
4. Who will hold us on course?
5. Where will the budget come from?
6. What can we do to better engage Generations X, Y and Z?

Ambitions

1. How do we decide what level of ambition to embrace in such areas as corporate social responsibility, shared value or sustainability?
2. Have we ever turned the dial up to 11? If so, when, why and how?
3. Who else is doing it already? And what can we learn from them?

Targets

1. SMART (i.e. specific, measurable, attainable, realistic and timely)? (And perhaps we should consider replacing 'Attainable' with 'Ambitious'?)
2. Linked to broadly accepted societal goals and outcomes?
3. Science-based?
4. Focused on closing the gap between where the organization is and where it needs to be?
5. Absolute or relative (e.g. related to intensity of production)?
6. Applied to positive impacts, not just negative ones?
7. Focused on the organization's direct operations—or (ideally) also embracing its supply chain and wider value web?
8. Accompanied by pathways, roadmap, milestones and timescales?
9. Public or confidential?

Incentives

1. What is our current experience of using incentives?
2. Who currently 'owns' the different types of incentives in play—and how can we best engage them?
3. What is the best balance between individual, team and organizational incentives—and between financial and non-financial (e.g. values-based and cultural) incentives?
4. Is there potential for incentives in one area of the business to interfere with those in others?
5. How are stretch incentives best rolled out through the supply chain to good effect?
6. Where external incentives are perverse, potentially producing poor outcomes, how can they be dropped or changed?

Outcomes

1. How sure are we that our current goals, targets and incentives are optimal for achieving our desired stretch outcomes?
2. Do conventional accounting methods capture the new forms of outcome and impacts we want to achieve?
3. If not, where can we look to find improved methods? For example, what lessons can be learned from the world of impact investment?
4. What B2B platforms and other initiatives should we join to help co-evolve next generation tools?
5. Are the positive outcomes and impacts we create rewarded by key stakeholders—and, if not, what can we do to ensure that they are properly valued?
6. Where government and governance processes are weak or less effective than they should be, how can we help improve the situation?

Afterword

The scenes we have conjured may be a figment of our collective imagination, but similar conversations are playing out in boardrooms and C-suites around the world. We know, having been involved in a fair number, over many years.

Leaders like Diane Tracker were once rare, but we see a growing number of senior executives embracing at least part of the Stretch Agenda. We expect this trend to build rapidly through the Breakthrough Decade.

The increasing number of CSOs is welcome. They are part of the advance guard of change. But Indra Mistry's choice of the CXO title signals a growing appetite for breakthrough innovation and change. What would it take to get a CXO appointed in your organization?

For Volans, both *The Stretch Agenda* and the *Breakthrough Forecast* are works in progress. We would very much welcome your comments, questions and support in developing them further.

We are particularly interested to test out the Stretch Agenda with senior executives—and with the rising generation of decision-makers currently going through business schools and executive education programs.

Contact Us

If you are interested in exploring various ways of stretching or breaking through, please contact **John Elkington** at john@volans.com or **Sam Lakha** at sam@volans.com. Also, visit our website for more information [http://www.volans.com/breakthrough].

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It is time for leaders in all sectors to stretch themselves and their organizations way beyond their comfort zones, way beyond change-as-usual as we move into the **Breakthrough Decade (2016-2025)**.

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