COMMON GOOD & PROFIT

Dr Virginie Coulloudon
Maria del Peso

YOUR PUBLIC VALUE

ABOUT THE AUTHORS & ACKNOWLEDGMENTS

Virginie Coulloudon is co-founder and executive director of Your Public Value. She also is a leadership and transformational coach (Animas) and works with value-driven leaders and teams who aspire to bridge the common good and profit. Virginie has vast experience in strategic communications and change management at senior leadership positions in global organisations (Transparency International, Organisation for Security and Co-operation in Europe (OSCE), Radio Free Europe/Radio Liberty). A former investigative journalist and permanent correspondent in Moscow, she was research director at the Harvard Davis Center for Russian Studies, where she focused on elite and patronage in Russia. She is the author of three non-fiction books on Soviet and post-Soviet Russia and of a dozen academic articles on good governance and anti-corruption incentives published with peer review. Virginie holds a PhD in History from the Ecole des Haute Etudes en Sciences Sociales (EHESS) and an MA in Russian language from Sorbonne University.
@coulloudonv

Maria del Peso is co-founder and non-executive vice-chair of Your Public Value. She is also team coach (ICF network) and the founder of the In-Spirente consultancy firm, a sparring partner for CEOs and senior management in major transformations. In addition, Maria conducts research on female leadership in partnership with France's National Scientific Research Centre (CNRS). Maria strives to make business leaders embrace the industry and society trends, and empower teams for collective success. She is actively engaged in the promotion of transformational leadership, diversity, and sustainable development as levers of effective corporate governance. Maria has extensive experience in strategic communications and change management programs at senior leadership positions in global corporations (Veolia, Thales, GEFCO, Samsung Electronics). She graduated from the HEC Paris management school and holds a Master of Arts in European Economic Studies from the College of Europe.
@MariadelPeso

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Please send your remarks to **contact@yourpublicvalue.org**

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COMMON GOOD AND PROFIT

PUBLIC VALUE PRINCIPLES FOR SUSTAINABLE BUSINESS

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PUBLIC VALUE PRINCIPLES FOR SUSTAINABLE BUSINESS

Public value is
value preserved and created through positive action – for ALL and each of us, for society and the environment

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EXECUTIVE SUMMARY

Trust has always been an essential currency in business transactions. That trust is a prerequisite to reputation and legitimacy, and therefore to achieve profitability and sustainability, no longer needs to be earned.

However, as shown by numerous surveys, the repetitive corporate scandals and global crises that have taken place in recent years have turned trust into a scarce currency. It seems that the more a company develops corporate social responsibility (CSR) activities and discourse, the more it is likely to be perceived as greenwashing its brand. Amid the current context of generalised distrust and increased demands for change, it has become urgent for business to rethink its relationships with society.

The equation is simple: the more social and environmental needs are met, the greater the common good.

The primary objective of business has always been to generate profits. When society increasingly requests that the common good becomes a priority but no longer trusts business to do so, what flexibility do business have? The present report is a white book, a reflection on how to bridge profit to the common good and restore trust.

Relying on dialogue and co-creation, we have built a non-profit organisation that strives to benefit all people and to help restore trust in business and the economic elite for the common good. We, at **YOUR PUBLIC VALUE**, believe that business can adopt key practices that, if duly implemented and measured, will eventually lead to positive change and ultimately (re)-establish trust between the public, the political elite, and business leaders.

We believe that public value, in its modern definition:

- positions society and the environment as key stakeholders;
- considers those stakeholders to be sources of legitimacy and support for any public or private organisation as they work together to sustain a balance between self- and collective interest;
- articulates a shared purpose among all stakeholders of any corporation or public project, with the aim of consensus; and
- generates reciprocity --inclusive dialogue and public participation-- to ensure transparency and compliance.

To re-establish public trust towards business, we chose to co-create Public Value Principles. These principles guide us. Taken together, they serve as a foundation for a new belief system which in turn leads to a behavioural system, i.e. to a refreshed corporate culture. The Public Value Principles help us deal with the complexities of global issues and problems; they are not a rulebook meant to tie us down. We see them as a way to reinforce the narrative of the common good and to shape a chain of reasoning and ways of operating within and outside corporations and companies.

Our objective is *not* to draft new performance indicators making the environmental, Social, and governance (ESG) criteria even more complex than they already are. Instead, we want to co-define principles, or guidelines, that companies can use to tailor or reorient their business models and strategies while taking all stakeholders' interests into account and ensuring that collective interest remains their common and shared purpose.

This white book focuses on the nine Public Value Principles that 124 European sustainability and good governance experts co-created in 2020. We will tell the story of their co-creation and the arguments -both positive and negative- that participants articulated during our Public Value Labs™. We'll focus on matters we see as crucial to the well-functioning of public value, or of the current economic system:

- **A stakeholder mapping** that includes both society and the environment;
- **The human aspect** at the centre of corporate strategies and of companies' **social contract**;
- **Business regeneration**, which often leads to systemic change;
- And the elements of what constitutes **modern accountability**.

These co-created Public Value Principles represent a shared understanding of what companies ought to do in order to protect the common good, human beings, and the planet. Although in all nine Principles the word 'we' refers to companies as collective bodies, it is important to consider that all and each of us, together with society and the environment, have similar duties and responsibilities to contribute to public value creation. We all have a role to play in shaping a constructive dialogue between business and society.

PUBLIC VALUE PRINCIPLES

Below are the nine **Public Value Principles** that 124 sustainability and corporate governance experts co-created. We include them again before the conclusion of this white book with recommendations for their implementation.

We govern, lead, and run our company on the principles of fairness, respect and inclusion for the benefit of society.

We empower individuals and lead by example at all levels.

We acknowledge individuals as the owners of their data and their privacy as a human right.

We enable and empower human oversight for an inclusive, transparent, and ethical use and application of technologies, data, and knowledge.

We seek continuous improvement and build trust by measuring, auditing, and sharing intentions, actions, and impact transparently and regularly.

We commit to corrective action in collaboration with our peers and stakeholders at large for any negative impact throughout our value chain.

We are accountable for making a positive contribution to the societies in which we operate through our business models.

We strive for systemic improvement towards circularity and regeneration within planetary boundaries.

We aspire to an inclusive global social contract that will improve the lives of people locally and beyond.

PUBLIC VALUE PRINCIPLES

Value preserved and created through positive action – for **ALL and each of us**, for **society** and the **environment**

FAIRNESS, RESPECT, INCLUSION

LEAD BY EXAMPLE

PRIVACY IS A HUMAN RIGHT

ETHICAL USE OF TECHNOLIGIES

GOOD GOVERNANCE FOR TRUST

CORRECT NEGATIVE IMPACT

POSITIVE CONTRIBUTION TO SOCIETY

SYSTEMIC IMPROVEMENT

SOCIAL CONTRACT

YOUR PUBLIC VALUE

METHODOLOGY:
A qualitative approach

Inspired by the Delphi method, our approach is qualitative. The Delphi process was developed in the 1960s as a methodology to enable experts in any given field to articulate their opinion within a panel and agree on a structured outcome[1]. In the 1970s, the Delphi process was expanded for use in the public sector in order to make complex forecasts with multiple factors. In the early 2000s, this approach was altered for use in business forecasting[2].

The Delphi method is a widely accepted forecasting tool that has been used successfully for thousands of studies in areas ranging from technology forecasting to finding solutions to social challenges or delivering cross-impact analyses[3]. Critics of the Delphi method argue that it is unable to make complex forecasts with multiple factors (future developments are not always predicted correctly by consensus), or that it may predict wrong developments if participants are ignorant of or misinformed about a topic.

To avoid such pitfalls, we decided to limit the scope of our project to the co-creation of Public Value Principles and refrain from specific forecasting. We adopted the approach of Osmo Kuusi of Finland's Turku University, who developed the qualitative Argument Delphi that focuses on discussing and finding relevant arguments, rather than on the output[4]. Like Kuusi, we believed that trusting collective intelligence and offering experts a safe space to articulate their views would enable us to capture all arguments and eventually co-draft principles.

We understood that any qualitative work would depend upon the physical environment in which lab participants live (time and space) and thus decided to co-create Public Value Principles for the European continent only.

Inspired by Kuusi, we believe that the two rules on which the Delphi method is based still carry a potential for consensus. The Delphi approach considers the following:

- Decisions made by a structured group of individuals are more accurate than those agreed upon by unstructured groups;
- Several rounds of questioning are needed in order to reach a clear outcome.

As we have just seen, the Delphi method posits that decisions made by a structured group of participants are more accurate than those reached by unstructured groups. Structured groups are comprised of individuals chosen because of their background and invited to represent a specific sector of activity or community. To ensure that every session reaches an accurate outcome, it is important to collect all existing arguments at a particular time and place. This means that we had to be thorough when inviting experts to our Public Value Labs™. We asked participants to express the aspirations, needs, and boundaries within their professional communities. Each one of them had an active role. Although we were asked on many occasions to allow one or two 'passive' participants, we never accepted any observer to our labs.

"I learned once more about relevant aspects and enjoyed the exchange in the diverse group. Overall it was one of the `good` workshops I participated in over the last years".

Often, we relied on LinkedIn to reach out to experts beyond our personal networks. This created some sort of bias, as experts who accepted our invitation were those who were the most open-minded, curious, and who could relate to public value. Nevertheless, we accepted this bias as we knew it would lead to insightful discussions and consensus over recommendations. We only had to take a quick look at the motivation of participants to convince ourselves that they were eager to learn and had a positive approach, or 'bias' towards co-creation:

"I work in a cross sectorial space, and I see these [Public Value] Labs as extremely valuable resources for better understanding and collaboration".

"My motivation is to facilitate the human rights agenda in an accountable fashion".

"As an ESG professional who works with different stakeholders, I value the power of a good collaborative network!"

"My motivation is general interest and for some work I am doing on good governance and how governments can exercise authority without reverting to authoritarianism (COVID responses have been a good case in point)!"

"My motivation is general interest but also in the role of business in creating fairer society and improving individuals' lives".

"My motivation is to broaden the thinking beyond ESG, seeing ESG in a wider context I am also very interested to hear mention of the need for a multi-disciplinary approach".

"My motivation is the momentum in these moments for companies to engage with internal and external stakeholders to create sustainable impact through their value chains".

"My expectations are that the drafted principles will ensure that business linked to digital technologies operate without negatively impacting the environment (energy & material use), society (bridge and not divide society + while respecting human rights)".

"My expectation is that we articulate principles which can be operationalized, whose value is acknowledged as being co-constructed by multiple companies and the public, over and above laws and regulations, and which specifically relate to how technology impacts corporate responsibility".

"My motivation relates to my work where we firmly believe that (mobile and other) technology can make a huge difference in people's lives and working towards reaching the sustainable development goals IF it's done right, making sure that data privacy guidelines are followed, etc".

"Motivation to be here: take concerns raised here back to my daily work, share my views on tech for good and the balance between 'team human' & technology, learn about the principles so I can share them with my network".

"Curious to see the Public Value Principles condensed to a powerful synthesis".

"Keep contributing to the drafting of much-needed business principles required to conduct business within the limits of our planet".

"To connect with like-minded individuals in a joint effort to contribute to ESG/D acceleration".

"To know the status quo, exchange views with other experts, and have enriching discussions".

"I believe we need to drive the shift in thinking from shareholder value to stakeholder value, and I'm happy to contribute to the further development of that line of thinking".

"Further develop and fine-tune the principles".

"My motivation: I am fascinated to see how this will work out".

"I am back because I experienced a very engaging session of co-creation the last time".

Such a positive 'bias' was fully acceptable as we were looking for open-minded and curious experts who believe in collective intelligence and would be willing to co-draft Public Value Principles. We had to keep in mind that collecting as many arguments as possible was what mattered most. Since participants were all enthusiastic and positive about public value, we had to repeatedly ask them to play the devil's advocate.

Participants' Anonymity

The Delphi method is an anonymous survey. From the onset we made it clear that the identity of lab participants would not be disclosed, even after the completion of the final report, unless they gave their explicit consent. By doing so, we wanted to make sure that the authority, personality, or reputation of individual participants would not dominate the process. Arguably, it also allowed the free expression of opinions, encouraged open critique, and facilitated admission of errors when revising earlier judgments.

All experts, however, agreed to participate "in their personal capacity" and consented to have their respective professional background and specific expertise mentioned. All of them accepted to see their names included in the list of participants distributed ahead of our labs, and many shared their social media profile with other participants.

"It was nice as well to get in advance the names of participants. I took benefit of it to visit their business profile and to connect. The social interaction can certainly happen also via digital channels".

In addition to encouraging social interaction among experts (one of the main reasons why they agreed to participate in the Public Value Labs™), we also wanted to make our workshops platforms for dialogue. At the end of the process, many experts remained in touch with us, gave us a video interview on what Public Value Principles meant for them, and even read our draft report before publication. We are sincerely grateful to all of them, as it was they who led us throughout this co-creation process, up to the adoption of the nine European Public Value Principles.

The various phases of co-creation

As stated above, the Delphi method consists of several rounds of surveys or group discussions. Each round builds upon the previous one to refine the consultation results. Today, many researchers resort to co-creation to legitimise their findings. Co-creation is never enough in itself. When supported by a multiphase structured approach, however, it offers results that are bigger than the sum of participants. It becomes a programme that builds change.

"As this was my first time joining, I was very uncertain about what to expect. But it was a very positive surprise, and an excellent group of people invited. I liked it very much, and I was astonished as to how effective it was, considering the time frame".

"It was great to get pre-readings to understand the context. It may have been interesting to get some explanation at the beginning about the articulation of the session and how the outcome would be used. It became clear to me, only during the process".

To avoid the negative effects of group dynamics, lab facilitators controlled the interaction among participants by processing the information and filtering out irrelevant content. They were authorised to disclose the points of consensus and disagreement of the previous sub-groups in order to feed the debate and get refined answers. Experts in turn were encouraged to revise their earlier answers in light of the replies given by other participants. This approach had the following advantages:

- Participants had time to articulate their reasoning and stand by it;
- It was easy to create a safe space for discussions and maintain confidentiality;
- Results could be obtained relatively quickly, depending on the experts' availability;
- Facilitators could adjust to each expert group depending on its specific needs.

"Good to hear the different perspectives; it was possible to align on principles within the time. Although more deliberation could be good, actually the time pressure forces quick discussions and decisions, so I think it is efficient, provided there will be the longer session for a collective discussion and validation".

"I felt energized following the experience and kept reflecting about what was shared for the following days".

A step-by-step progress

When first joining our Public Value Labs™, participants were often confused as they did not have the full picture and were not certain we would be successful. To be honest, for a long time we were not sure either! The difference between lab participants and ourselves was that we had faith in their intelligence and in the quality of their upcoming interactions. At the start of each lab we always mentioned our trust in collective intelligence. Yet, it often takes participating in a first iteration to understand the process and accept to learn and grow with the information flow. When we launched the second and third rounds of our co-creation process, many participants to the first round found the time and energy to join us again. In the end we almost felt we had created a club of like-minded people.

To the question: "How far along do you feel we are with the Public Value Principles?", lab participants answered in the feedback they sent us:

"That was one of the concerns I had before I joined. But I soon learned that there was a lot of previous work already done. So, it was a nice surprise to me".

"There were some great comments from others which also helped me understand the full picture better and think about principles which I would not have thought of otherwise".

The first step took place in early 2018 when we launched our first anonymous survey. It was our very first activity as an NGO and we were already targeting sustainability and good governance experts. We received 60 answers from across Europe that helped us better understand the profile of experts interested in public value. At this stage we knew we would attract lab participants from companies that were implementing a triple bottom line. We heard the frustration of many sustainability experts who could see a tension around the concepts of transparency and accountability, but didn't have enough leverage to adjust the corporate strategy of their company. We realised how ready they were to enlarge the concept of stakeholders and include society and the environment, but we could also see that most of them were limited in their actions by a lack of awareness among the executive and Board members of their respective companies.

Answers to this first survey also helped us fine-tune the issues we wanted to address and clarify our questions to sustainability experts. Ahead of the pilot Public Value Lab™ we hosted in Berlin in September 2018, we launched a second survey which we later on sent to participants ahead of each subsequent lab, up to June 2020. This second survey asked respondents to reflect on public value examples, on digital transformation, on their company's stakeholders and accountability. We asked them whether stakeholder participation was encouraged in their organisation and how it was organised. Respondents also mapped who was responsible for which accountability aspect within their respective companies.

As described above, answers to the question: "What does public value mean to you?" revealed some confusion around the very concept of public value. Also, many experts told us they had accepted to participate in our labs "to learn more about public value". Training and co-creation seldom go well together. In order for participants to freely invest their creativity and expertise, we had to design our first lab in a way that would be familiar to them.

Not only did the 127 anonymous answers to our first survey help us better understand our own stakeholders, but they also helped us align our labs with the participants' main preoccupations. In addition, lab participants were offered an opportunity to reflect on our main topics of interest and prepare themselves to a full day of knowledge exchange and co-creation.

Our objective was to co-create Public Value Principles. But we were still not sure where to start. Hosted by Vattenfall Berlin, our one-day pilot Public Value Lab™ addressed a two-fold question: how to better understand public value and how to co-create principles. The morning session was devoted to an interactive in-depth discussion on public value. The presence in the room of experts bringing knowledge and case studies from various backgrounds (corporations, investment firms, CSOs, as well as E, S, and G) made this experience extremely rich and, in many ways, unique. At mid-day, lab participants were enthusiastic and willing to continue investing energy in the process.

> *Although the COVID threat had kept us physically separated, it ultimately highlighted not only how much we are wired to collaborate, but also how like-minded and united we actually are. In our seemingly polarised and selfish world (that is supposedly full of echo-chambers), this process served as a striking reminder that collectively 'we' are still moved by common values and can be governed by mutually agreed principles.*
>
> ***Yelena NOVIKOVA***
> ***G20 Young Global Changer***

The afternoon session was structured around challenges in the field of environmental, social and corporate governance (ESG). Participants were divided into three subgroups that remained multi-stakeholder. At the end of the day, they said they were happy to have learned from other participants, as all of them had shared knowledge from their respective fields of expertise. They all spoke highly of this experience and accepted to record interviews. But they were exhausted and still a bit confused. Most of them were not sure of how to best bring lab results back to their company. We realised the way we had shaped our pilot lab was no longer sustainable. Also, our carbon footprint was too high as participants had to join us from all over Europe.

Co-creating with agility

In early 2020, after a full year devoted to fundraising, we were ready to launch our co-creation process. Based on our lessons learned, we imagined organising several rounds of Public Value Labs in various European cities to collect input from different environments, keeping in mind that the situation in Northern Europe was quite different from the situation experts were confronted with in the South or East. In March, however, the COVID-19 outbreak and the ensuing global lockdown forced us to reconsider our approach and break up our one-day labs into two to three hour-digital workshops. We nevertheless maintained our momentum and, by late June 2020, were able to finalise a list of nine Public Value Principles. Before diving into content analysis, we articulate below the most important aspects of our applied methodology and how we kept true to the spirit of the Delphi method throughout the sanitary crisis.

Throughout our Public Value Labs™, we were able to capture all participants' arguments, both positive and negative. Hereinafter we continue to include their voices by adding some of their reflections in *italics*. We also include in **bold** some of the intermediary

Public Value Principles whenever they illustrate the participants' thinking.

Full-day labs

In January 2020, we held our first Public Value Lab in London at the invitation of then-Multiplex Sustainability Director Eva Gkenakou. A global construction contractor, Multiplex invest time and resources into developing a 'net positive' strategy to create positive impact and they were curious to see where the discussion on Public Value Principles would lead.

As mentioned above, participants had been selected in congruence with our multi-stakeholder approach. They were informed in advance about the objectives of the day. They came with a highly positive mind-set, ready to invest their knowledge and energy into co-creating Public Value Principles. Many of them subsequently said they were grateful to be offered a space to share their views on sustainability. Although all participants were experts in their fields, they did appreciate being offered an opportunity to enlarge their respective network and enrich their experience.

"Great people, venue and concept. I love the idea of dialogue and felt that was great. But the workshop also sought to establish a consensual set of recommendations relating to public value. I do not think it succeeded in that".

Is it that we didn't take enough time to explain our methodology to lab participants? Or is it that their focus and appetite overgrew during the day? Be as it may, some of them tried to put their co-creation efforts into a long-term perspective. Others even challenged the idea that other lab participants could correct them later on. From our standpoint it was not necessary to reach consensus at the end of each lab. Our main focus at this stage was to stay on course until we came to Public Value Principles, all the more that we knew other rounds of discussion were to follow. We were also aware that we would eventually reach a point where ideas and principles would start repeating themselves. The only thing we didn't know was when this would happen.

"We did not end up with a consensual view, rather the most vocal view. Further, when you take the conclusions to a second meeting, the second group are likely to tend to remove the conclusions of the first group since they will have had no access to their thinking".

"In the area we work in, there is currently an unclear relationship between the immediate urgency of climate change (environmental) and the necessarily slower needs to change thinking around well-being (social). Our meeting was dominated by people working on climate change which meant the deeper and slower social dimension of the equation was largely drowned out by the more direct and immediate suggestions around climate change. We need to get a clearer understanding with people working in the two different - although interconnected - disciplines about the mutual but different roles of each so that suggestions for narrative can avoid confusion between the two competing time frames and requirements".

"When the conclusion of one session is taken to the second, we should not let the second group's conclusion negate the first group's. Instead, it may be an interesting exercise to gather the conclusions from each of the groups and input them into a zoom-type discussion to achieve consensus. Several ways this could be achieved - remembering that the discussion behind the conclusions is probably more important/useful than the conclusions themselves".

We concurred with this participant: in our view, discussions leading to the drafting of the final Public Value Principles were as important as the conclusions themselves. We strongly believed that the need to co-shape a narrative on the public good would become clearer in the process. The day was devoted to understanding how personal values should be reflected in the corporate ones, and how corporations should align their values with the way they implement them. ESG criteria and performance indicators were not the main topic of discussion. Instead, the debate focused more on how impact was often linked to regulators and legislation; how short-term thinking was not working; how to communicate on the alignment of long- and short-term results; what drivers or incentives could help boost public value creation; how competencies and diversity should be included in boards; or how to involve the public in creating social pressure and scrutiny --in other words, how participants could bring in evidence that public value is worth the effort. At the end of the day lab participants were re-energised and willing to reach out to companies they thought had put less emphasis on sustainability or business ethics.

Reflecting on the London Public Value Labs™' outcomes, we decided to create an additional group to co-create Public Value Principles in the field of digital technologies. Already in the surveys and interviews, the importance of digital ethics had been mentioned regularly. In London, one participant rightly insisted on the need to enlarge experts' thinking beyond ESG criteria and suggested adopting a political, economic, social, technological, legal, and environmental (PESTLE) approach[5]. This qualitative approach reckons with the environment in which a strategy operates and considers all possible angles to draw the best suitable roadmap. Questions one needs to ask when conducting a PESTLE analysis include:

- The political situation of the country/region in which the organisation operates and how it affects the industry (tax policies or trade tariffs);
- Any prevalent economic factors (inflation rate, interest rates, foreign exchange rates, economic growth patterns, or foreign direct investment);
- The corporate culture – its openness on the external world;
- The social situation (cultural trends, demographics, population analytics);
- Technological innovations and their disruptive potential (automation, research & development);
- Existing legislations that regulate the industry and needs for any legislative change (consumer laws, safety standards, labour laws), or;
- Environmental concerns for the industry[6].

"E & S ARE G issues, and just two of many that need to all be considered when thinking about public value. The separation and focus on E & S make no sense to me".

"I hope some of what we have done survives the next workshops!"

In February 2020, we held our second Public Value Lab™ in Zurich at the invitation of EY Switzerland. Here too, we had a very high-quality debate. EY Senior Partner Markus Thomas Schweizer opened the discussion with a focus on the importance of long-term corporate value. He suggested using the synonym "long-term value process" and explained that, in his mind, public value offers a certain market advantage. *"It relates to the belief system of any company and to its incentive system,"* Schweizer said. *"Public value is certainly a virus you want to spread!"*

"Public Value IS profitable".

In Zurich, we set up four sub-groups to focus on the environment, society, corporate governance, and digital technologies. Lab participants came to the conclusion that positive impact on society and the environment is and should be considered good governance. They expressed their firm belief that it had the ability to increase a company's competitiveness and wondered how citizens could ensure that public value does not become just another form of purpose-washing.

Online labs

By mid-March 2020, the COVID-19 was dramatically spreading across Europe and many countries had already decreed a sanitary lockdown. Heartened by the excellent feedback we had received from our first two labs, we swiftly reconsidered our approach and decided to turn our on-site sessions into digital workshops.

"I think these [online] sessions give a rapid brainstorming. More like catching main themes, which will be discussed again in later labs/ collective conference. It is crucial to get corporate stakeholders into the process now, so the principles have credibility and relevance".

Given that the number of participants had to be reduced to allow for a free-flowing and comfortable discussion, we organised online Labs every other week. By the end of our fourth online lab, we had already collected 76 draft principles. Many principles were repeating themselves; some had important variations that called for further discussion. Time had come to launch our second round of analysis to consolidate our list of draft principles.

"Given the extent to which the number of principles has to be reduced, I think the hard work still lies ahead. Loosing principles will be hard, and so I expect there will be a lot of attempts to squish several principles into one".

As discussed above, the Delphi method requires several rounds of discussion in order to check and double-check the input of previous participants. We then organised specific workshops on the environment (E), society (S), corporate governance (G), digital technologies (D), as well as relations with employees and supply chains. Prior to joining our workshops, participants were asked to read the draft principles with a view to synthesizing them and reducing their number to a maximum of three in each field (E, S, G, D).

Our methodology remained unchanged throughout our online labs:

- Agreement on the areas/main topics to be covered;
- Discussion on whether draft principles meet our criteria;
- Selection of principles and editing;
- Fine tuning, amendments;
- Agreement.

"Very creative exchange of view points, and more importantly, decision-making on a text. The result looked pretty good to me: meaningful, but concise".

This new exercise helped us reduce the number of draft principles to 15 from an initial 76. Yet, these 15 principles still needed to be harmonised and checked in a final round of expertise.

"Co-creation in groups showed its potential, but also its limitations. I might sound old school, but I believe a final review done by very few true experts will improve the quality of the final output significantly".

We then called on the experts who had already participated in one of our previous labs to join us for a wrap-up session to synthesise further the 15 draft principles. Nine lab participants eagerly responded to our invitation. From the start of the session, some participants pointed to redundancies in the draft principles and, since they were all like-minded and shared a similar vision, they thought the streamlining process would not take long. This final workshop, however, lasted over four hours. Four hours of intense discussion that demonstrated how seriously participants were considering this process.

"Please edit the winning Principles as you see fit, we voted on them "in spirit" so if you keep the core essence then it is fine to make them clearer and crispier".

I am very proud of having taken part in this journey, meeting other enthusiasts and co-creating Public Value Principles to help "give a human face to our economic system". I hope this is the beginning of a larger movement which will show business leaders that building a better world should be at the heart of their mission and everyday decisions.

Claire BERTHIER
Trusteam Finance

INTRODUCTION:
Time for action.

Our house is on fire, the world changes at a fast pace, and distrust towards government and business is pervasive. Companies are facing new demands for accountability. They are asked, not only to acknowledge and minimise any negative effect on society and the environment, but also to create a net positive impact. Customers, employees, and citizens now expect to be involved as stakeholders, and they want to connect and collaborate.

Business and political decision-makers have started to integrate this trend. It started with the UN's 2030 Development Agenda that includes the Sustainable Development Goals (SDGs). In August 2019, the Washington-based Business Roundtable non-profit association (BRT) announced that 181 American CEOs had signed a renewed statement on the purpose of a corporation, agreeing to *"lead their companies for the benefit of all stakeholders – customers, employees, suppliers, communities and shareholders"* and to *"deliver value to their customers*[7]*"*. BRT periodically issues principles of corporate governance. It was the first time, however, that American CEOs moved away from their traditional priority to serve their shareholders and acknowledged their duty of care for all, in what they called a *"modern standard for corporate responsibility"*[8].

For the first time since its creation in 1971, the World Economic Forum (WEF) in January 2020 updated its *"Davos Manifesto"* with the assertion that *"the purpose of a company is to engage all its stakeholders in shared and sustained value creation"*. The WEF called attention to the responsibility of business leaders towards climate change and social good. This shift is symptomatic of the increasing interest that the business and finance communities show in sustainable strategies. In September 2020, on the margins of the UN General Assembly and in the context of what the WEF calls its Great Reset initiative, the Forum launched a multi-stakeholder and fully virtual Sustainable Development Impact Summit to *"scale-up entrepreneurial solutions to tackle climate change and advance sustainable development"*[9].

The list of alliances and forums on sustainability continues to increase. The cataclysmic wildfires that have devastated, among others, Siberia's Arctic tundra, Greenland and Canada, as well as California, Oregon, Washington state, Australia or the Amazon Rainforest; the escalation of social protests across the world (France's 'yellow vests' movement, Chile's and Lebanon's social uprisings, and the 'Black Lives Matter' protests in the U.S.), or the societal and economic impact of the COVID-19 crisis have accelerated the pace of this general conscientisation. Citizens have developed a sense of purposefulness and feel empowered to press the political and economic elite, as well as companies, for greater accountability.

Both consumers and employees now demand that companies become common good enablers. A frequently used illustration of this increasing awareness is the annual message BlackRock CEO Larry Fink sends to the CEOs of the companies in which the multinational asset management corporation invests. Addressees of Fink's latest message were reminded that: *"ultimately, purpose is the engine of long-term profitability"*. Fink also called for a fundamental reshaping of finance to achieve a "more sustainable and inclusive capitalism"[10]. Discussion about the need to "pivot" corporate strategies to better align them for the "post COVID-19" world is currently at its peak and encourages visionary leaders to put public value at the top of their agenda. Investors, regulators and politicians understand that what is at stake is trust in the system.

Yet, in the eyes of many, this is seemingly not enough. Sustainability experts, including those we invited to participate in our Public Value Labs™ in early 2020, criticise the pace –too slow-- and the changes –too superficial-- at which economic and political decision-makers have been implementing changes worldwide. Also, if the vast majority of global companies now report on their sustainability strategy and their impact on society and the environment, too few use a triple-bottom line approach (TBL) and extra-financial criteria to assess their global performance[11].

Even though most companies claim that they actually implement positive initiatives, too much remains to be done and the sense of urgency continues to grow. In addition to the low number of explicitly engaged corporations, the numerous and complex indicators used to assess environmental, societal, and corporate governance performance add opacity to the whole issue. All this is happening in a context of distrust towards the elite who are often perceived as defending their self-interest to the detriment of the collective interest[12].

Reconcile business and society to expedite change

Distrust towards the elite has dramatically increased in recent years, thus challenging democracy itself. In all sectors --politics, media, NGOs, and business-- decision-makers have been perceived as failing their mission even if, in some countries, politicians have regained some credibility during the COVID-19 crisis. Today, all eyes are turned towards CEOs. People have shifted their expectations from the public to the private sector for protection against the threat of massive unemployment resulting from hyper-globalisation, automation, gig economy, or artificial intelligence. Seventy-six percent of the 2020 Edelman Trust Barometer's respondents said they believed CEOs should lead change rather than wait for governments to impose it[13].

We created **YOUR PUBLIC VALUE** in 2017 to foster dialogue between business and society; we want to empower civil society. We believe citizens -- corporates, investors, consumers, employees, and journalists -- ought to articulate their expectations towards companies so that decision-makers better understand their priorities and demonstrate their willingness to do good. In other words, what is needed is a new set of easily understandable and measurable Public Value Principles which, eventually, will enable a refreshed corporate culture to pave the way for the establishment or restoration of trust. Relying on dialogue and co-creation, we have built an organisation that strives to restore trust towards business for the common good.

YOUR PUBLIC VALUE defines public value as **value preserved and created through positive action – for ALL and each of us, for society and the environment**

A 25-year old concept that echoes current challenges

Public value is a 25-year-old concept that redefines modern accountability of an organisation as its ability to address the needs of society and the environment since they are active stakeholders in its ecosystem.

At Harvard University, Professor Mark H. Moore's approach is considered to be among the first in modern theory to develop the concept of public value. Moore considered public value as the equivalent of shareholder value in public management[13(1)]. Currently, public value is no longer limited only to the public sector, but rather, it is also used by all types of organisations, including non-profit organisations and private sector firms.

Public value describes the value that an organisation contributes to society. Value is defined by what society considers to be valuable. Public value is accordingly the technical term for the societal contribution any corporation or company makes through its business. It is also taken up by private sector companies that want to maintain a "licence to operate" and understand what implications entrepreneurial activity, business strategies and projects might have in terms of contribution to the common good. Interestingly, an increasing number of start-ups include public value creation in their original business models.

We, at **YOUR PUBLIC VALUE**, believe that business can adopt three key practices that, if duly implemented and measured, could lead to positive change and ultimately (re)-establish trust between the public, the political elite, and business leaders. These practices are as follows:

> Introduce a stakeholder approach leading to more collaborative behaviours

A stakeholder approach should rest on a deep understanding of who the stakeholders of an ecosystem are, including the less visible ones. It should also articulate all stakeholders' needs, aspirations, and roles. It is noteworthy that Professor Mark H. Moore's work was among the first approaches, where society and the environment were considered as active stakeholders. Moore also believed that failure to actively consider the needs, aspirations, and specific role of society and the environment would bring imbalance.

> Apply a new accountability framework addressing the needs of society and the environment

Peter Drucker, one of the most influential management thinkers and a prolific writer, repeatedly stated that business primarily fulfils a social function[14]. Society provides corporations with a mandate to exist ("license to operate") in exchange for a positive contribution. Contributing to society becomes not only the responsibility of companies or corporations, but also a precondition for profit and, ultimately, for legitimacy and long-term survival.

> Adapt new measurement standards that consider well-being and SDG reporting

Further developed at the University of St. Gallen and the HHL Leipzig Graduate School of Management, notably by Professor Timo Meynhardt, the concept of public value for business has been increasingly making inroads into managerial practice[15]. More and more companies recognise public value as an indicator of success and try to measure and manage it in multiple ways. With this in view, Meynhardt created the Public Value Scorecard that considers five essential dimensions and seeks answers to the following questions when assessing any given business opportunity or decision[16]:

- Is it useful?
- Is it decent?
- Is it politically acceptable?
- Is it a positive experience?
- Is it profitable?

To encourage start-ups to include the concept of public value in their corporate strategies, Meynhardt also created an annual Public Value Award, where small companies articulate their purpose and added value along the public value scorecard questions[17].

The debate has grown in academia to determine whether corporate social responsibility (CSR) and public value are complementary, mutually exclusive, or inclusive. Although CSR should be an essential part of any corporate strategy, we should not overestimate its impact as it is often limited to local social impact, instead of meeting genuine societal needs, and too often depends on corporations' opportunities, and on marketing or public relations strategies.

As an answer to societal and environmental needs, public value is a larger concept that includes CSR. To build legitimacy, companies need to produce and report on positive outcomes beyond their CSR activities. Only positive outcomes can lead to positive impact and help measure value creation for the common good.

YOUR PUBLIC VALUE

PUBLIC VALUE IMPACT

Public value is created only when companies' activities are translated into positive individual and collective experience, and when it reaches the minds and hearts of people. Its impact therefore depends on the societal and cultural background of businesses and obviously varies from one region to another, and depends on industrial sectors. What is common to all businesses is the need for societal value creation and preservation. It is therefore essential for businesses to identify the target outcomes they must achieve (beyond activities and outputs) in order to preserve and create public value. We believe this should become a key variable for management.

The debate on public value has produced a new "common good" discourse, both in academia and in practice. The concept of the common good is connected to individual and collective experiences via basic human needs and is translated into everyday life. The relevance of contributing to the common good is connected to the long-term success and resilience of corporations or companies. Public value or the common good can also be destroyed when corporations, in the eyes of the general public, bring harm to society.

The contributions that business makes to the common good become visible only when stakeholders experience and acknowledge them. It is through what it does or does not do that business creates or destroys value for society. Indeed, business not only reflects society, it also shapes it.

In other words, the more social and environmental needs are met, the greater the common good.

In the survey we conducted prior to launching our Public Value Labs™, we asked respondents to tell us what public value meant to them. The 127 responses we received showed both an emotional aspiration and a need for measurement tools.

Based on these multiple views on what public value means today, we can assert one thing: demand for public value has never been so high.

In its modern definition, we believe that Public Value:

- Positions society and the environment as key stakeholders.
- Considers stakeholders as the sources of legitimacy and support of any public or private organisation, as they sustain a balance between self- and collective interests.
- Articulates a shared purpose among all stakeholders of any corporation or public project, with the aim of consensus.
- Generates reciprocity --inclusive dialogue and public participation-- to encourage transparency and compliance.

This means that beyond dialogue and reconciliation, business and the public need to work together. Keeping the results of the above-mentioned survey in view, we asked our sustainability experts to speak in one voice and bridge civil society with the economic world. All Public Value Labs™ participants were interested in fostering a better understanding, among corporations and the public, of their mutual stakes. They were also willing to request action from companies in a constructive manner.

The outcome of public value creation and preservation is twofold. On the one hand, citizens feel empowered and contribute to make positive change happen; on the other hand, business leaders are explicitly made accountable for the public value that their respective organisations create or destroy, and they earn or lose legitimacy accordingly.

Public Value Principles to build trust

Trust is the keyword. Trust is the reason why we chose to develop principles building upon standards. Principles guide us. Taken together, they serve as a foundation for a new belief system which in turn leads to a behavioural system, i.e. to a refreshed corporate culture. These principles help us deal with the complexities of global issues and problems; they are not a rulebook meant to tie us down. We see them as a way to reinforce the narrative of the common good and to shape a chain of reasoning and ways of operating within and outside corporations and companies.

"Public value should secure both abstract and tangible goods for our collective benefit".

Principles always represent a general framework that ought to be developed through special applications with suggested standards and indicators. Often, we have heard the argument that the field of sustainability is already full of such standards and indicators and that the Sustainable Development Goals (SDGs) already provide for a comprehensive strategic framework. This argument prompted some experts to voice scepticism at our approach as they pointed to possible confusion and redundancy. They argued that the SDGs were sufficiently articulate to provide guidance in the shaping of a more sustainable world. Existing ESG standards, those experts said, were also extensive enough to show a common direction. All these goals and standards were the result of a fastidious multi-stakeholder process. Even though they were barely implemented, they were now consensual. So why open Pandora's box again?

ESG investing --also known as sustainable investing-- is growing in popularity, and investors increasingly prioritise environmental, social and governance metrics in their decision-making. "ESG" has become a buzzword as companies are facing growing pressure from governing bodies and investors to demonstrate the positive impact of their operations. But as the popularity of non-financial factors grows, so does their criticism, not least because scoring a company on these metrics is inherently subjective. One strong critical argument lies in the opportunity to make ESG investing both a marketing ploy and a way to either get free money or borrow from, e.g., the European Central Bank at negative rates[18].

The UN Guiding Principles on Business and Human Rights (UNGPs) have now become a consensual tool, to such an extent that corporations can no longer afford to not show that care for human rights and the environment is integrated into their business strategy[19]. The UN-supported Principles for Responsible Investment (PRI) have also demonstrated their purpose long ago[20]. These principles are essential to the proper functioning of today's economy and they take basic human and environmental rights into account. Although the UN Global Compact (UNGC) notes an increase in the number of corporations reporting on their progress towards the SDGs, they remain the exception and they rarely include all 17 SDGs in their reporting[21]. In addition, a question remains as to whether the general public understand them enough to create proper dialogue with business.

Companies developing a dual-purpose striving for both financial and non-financial values, anchoring it throughout the organization, and enriching and endorsing it bottom-up, will be the winners of the 20ies and beyond.

Bernhard WIRTZ
Make Ideas Real

While international standards do play a role in shaping a more sustainable world, the big picture often looks blurry. Sustainability standards being so numerous, one persistent concern is that corporations may pick and choose among them, thus "greening" their production without jeopardising their operational structure. As explained below, Public Value Labs™ participants repeatedly highlight the need for "regeneration" and "cultural change" if we want to live sustainably on our planet while addressing climate change, inequality, and poverty. In other words, if properly implemented, Public Value Principles could lead to corporate cultural change (some even mentioned systemic change) in a way that would support the SDGs, PRIs, UNGPs, and ESG standards. This is all the more important that concerns remain as to whether the SDGs will be reached by 2030, especially if the current pace is maintained. As an illustration, here are a few comments made by participants:

"These [Public Value] Principles can be used for guidance and [become a] base for further discussion in public, but also within organisations. They are aligned with the Business Roundtable Statement on corporations' purpose. They illustrate that we are all parts of an embedded system with a collective interest in its wealth and vibrancy for individual fulfilment".

"I liked the precision formulated: no philosophical or moral discussion and no KPIs either. It has to set or contribute to an achievable direction".

"[It's the] way to go, especially as it relates to post COVID-19 and the economic, human, and labour consequences".

The Public Value Principles have yet another advantage: they focus on both values and needs at a particular time and are flexible enough to be adjusted whenever needed. Today, companies are aware that citizens' values may have shifted during the global lockdown, and this new awareness ought to be reflected in corporate strategies.

"The [Public Value] Principles consider both individuals and communities in a holistic approach".

"The [Public Value] Principles were created for all stakeholders – the visible and the invisible ones".

Many Public Value Lab™ participants emphasised that these principles needed to remain flexible and be regularly updated to fully align with citizens' expectations and needs.

"It is a comprehensive list, but it also gives space for flexibility and future fit. The list can easily be adapted in the future".

"The [Public Value] Principles take people/ planet/ profit into account and go beyond, focusing on the positive aspect".

Again, our objective is not to draft new performance indicators, at the risk of making the ESG criteria even more complex than they actually are. Instead, we want to co-define principles, or guidelines, that companies can use to tailor or reorient their business models and strategies while taking the interests of all stakeholders into account and ensuring that collective interest remains their common and shared purpose.

In our mind, such principles should be kept simple and easily understandable by the public at large, leaving enough room for operational implementation via practical roadmaps. For decision-makers, adopting Public Value Principles means developing criteria not only for current and future employees but also consumers, shareholders, investors, and partners, with a particular interest for those stakeholders which have so far remained "invisible". In an era where there is a growing demand for transparency and reciprocity, it is necessary to assess, quickly but holistically, each corporation's sustainable commitment.

In that sense, co-creating a set of nine

Public Value Principles was just a first step in public value creation. It is our belief that any company that will acknowledge/support these principles will be willing to take into account the shift in citizens' minds and values, will stand ready to adjust its vision and mission to the changes every one of us is experiencing, and will reinforce its sustainability strategy or realign it to address today's new externalities.

This report focuses on the nine Public Value Principles per se, the story of their co-creation, and the arguments -both positive and negative- that participants articulated during our labs. Below each Public Value Principle, we include a set of general recommendations to the private sector, but the present report does not focus on the opportunities and obstacles that business could face when implementing these principles. Instead, we believe that it is up to corporations and companies to examine these Public Value Principles against the background of their own corporate values and strategy and decide how to implement them. Other reports will follow after we organise new Public Value Labs™ to discuss how to implement these principles in various industrial sectors.

What Public Value Principles are NOT: an update of UN Global Compact 10 principles, a replication of OECD Guidelines for Multinational Enterprises, or additional sets of ESG criteria.

What Public Value Principles are:

- A modern accountability framework that is easy to grasp and activate by every group of stakeholders of a corporation to assess its commitment in sustainability, the progress it makes, and the public value it generates.
- Easy to understand by the public at large.
- A contribution to global advocacy on the business community's major responsibility and power of action to build a more sustainable world.
- A comprehensive approach to the different dimensions of corporate citizenship: environment, society, governance, and digital activities.
- A guide that can be translated into operational roadmaps with sets of metrics to measure impact and progress.
- A framework that can lead to a rigorous assessment of whether participants/companies are complying with the Public Value Principles.
- The basis of a barometer and a "name and fame" approach.

A multi-stakeholder group

Inspired by the Delphi method, our approach is qualitative (see chapter on methodology). To be as helpful as possible to business, and in order to break the usual silos between those who work in corporations or companies, investment firms, and civil society organisations (CSOs), we set up a multi-stakeholder group of experts in the fields of the environment, society, good governance, and digital technologies (see chart below).

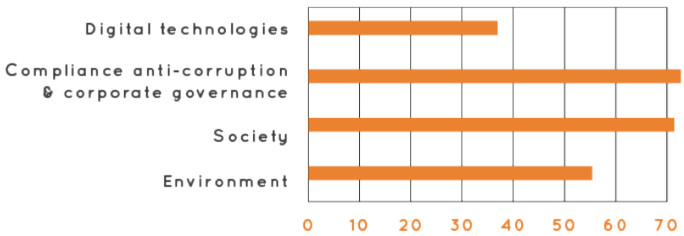
PUBLIC VALUE LABS PARTICIPANTS
Activity fields

Experts attended our Public Value Labs™ in their personal capacity and represented their respective fields of expertise. They fed the discussion with all the positive and negative arguments they could come up with, taking into account their sector's viewpoint.

We also articulated the co-creation of Public Value Principles around three phases over a six-month period (see chapter on methodology). The objective was to capture all arguments made by lab participants until they were growing and built upon by various participants, and until a consensus was reached. With this approach, we knew that our Public Value Labs™ would be an inspiring platform for dialogue. Among the 124 experts who participated in our Public Value Labs™, 49% represented the corporate sector; 17% represented the responsible investment world; 27% had key responsibilities in civil society organizations, and 7% worked in public institutions. All participants had leadership positions and decision-making powers.

PUBLIC VALUE LABS PARTICIPANTS

Expertise domains



We also attracted the largest possible spectrum of expertise. Some participants had had a professional journey that enabled them to represent several fields of expertise. This was also the case for most investors who are active in ESG investing. Most of these participants came back to our second and third round of Public Value Labs™. This explains why the number of subject-matter experts is higher than the actual number of lab participants. Indeed, by trusting the expertise of the 124 participants, we were able to count on 55 experts in environmental matters; 71 experts in societal matters; 72 experts in compliance, anti-corruption, and corporate governance; and 37 experts in digital technologies.

Before discussing the content of the draft principles, participants focused on corporate values and language. They argued that values had considerably evolved over time:

- In the 1990s the focus was on transparency;
- In the 2000s it shifted to responsibility;
- In the 2010s integrity became the new buzzword to define accountability;
- And in 2020 lab participants focused on the importance of ethics.

Many lab participants said they saw co-creation of Public Value Principles as a way to define the corporate ethics of the near future:

"We take action in our growth to retain positive impact".

As they envisioned it, CEOs would consider our Public Value Principles potentially helpful to define:

- What they should aspire to,
- And what they should urgently do.

To address these concerns, participants therefore suggested adding the following verbs that they thought were missing in the draft principles:

- To enable,
- To empower;
- To engage;
- To create.

And the following words:

- Resilience
- Forward-thinking

The following parts of the present report focus on the content of our group discussions. We chose to concentrate on matters we consider crucial to the well-functioning of public value, or of the current economic system:

- A stakeholder mapping that includes both society and the environment;
- The human aspect at the centre of corporate strategies and of companies' social contract;
- Business regeneration which often

leads to systemic change;

- And the elements of what constitutes modern accountability.

We conclude the report with a presentation of our nine co-created Public Value Principles and the guidance participants discussed while co-drafting each of them.

AN ECONOMIC SYSTEM WITH A HUMAN FACE

Recent investments in CSR and communications may have proved useful in showcasing companies' transparency and integrity, but they have often failed to build trust between governments, business and society. Transparency in procurement or other processes is no longer enough. Customers need more; staffs need more; and shareholders need to be reassured over their company's ability to inspire long-lasting trust. Despite seemingly different needs, all stakeholders share the same demands towards companies: they want them "to act as members of society", reduce their environmental impact, and control their supply chain to make sure that their products are ethically manufactured. These needs are all the more convergent now that the new information and communication technologies, together with social media and its power of recommendation, distortion, and amplification, have broken down the traditional barriers between the internal and external audiences of companies.

Before Public Value Labs™ became digital, we would start our discussion with an 'impromptu networking', during which each guest was asked to greet another participant he/she did not know and exchange views on what public value meant to him/her. We also asked participants to describe why they considered public value to be a valuable approach for the private sector. They wrote their answers on post-it notes that were then tacked to 'walls'. By doing so, we wanted them to design their working environment for the day, and shape the boundaries of the upcoming co-creation. Like our initial surveys (see methodology chapter) these 'impromptu networking' exercises showed that participants understood public value under three large categories:

- A transition planning and support from traditional economy to a 'future' stakeholder capitalism;
- A value-driven business that puts human beings at the centre of companies' purpose and understands profitability as a positive impact;
- A necessary accountability tool that includes mandatory measurement and reporting on the impact companies have on society and the environment.

Here are some participants' unedited thoughts on what public value is:

"Sustain big values or there is no future".

"Need to prove our contribution to a brighter future".

"Living together - ground rules to survive and flourish".

"I'm a mother, I care about our future".

"I have grand-children, I care about their future".

"Past experience changes the mind-set".

"Protecting rights is part of Public Value".

"Realise the purpose".

"Public Value benefits all parts of the system that is society".

"Rediscovering purpose, understanding change processes".

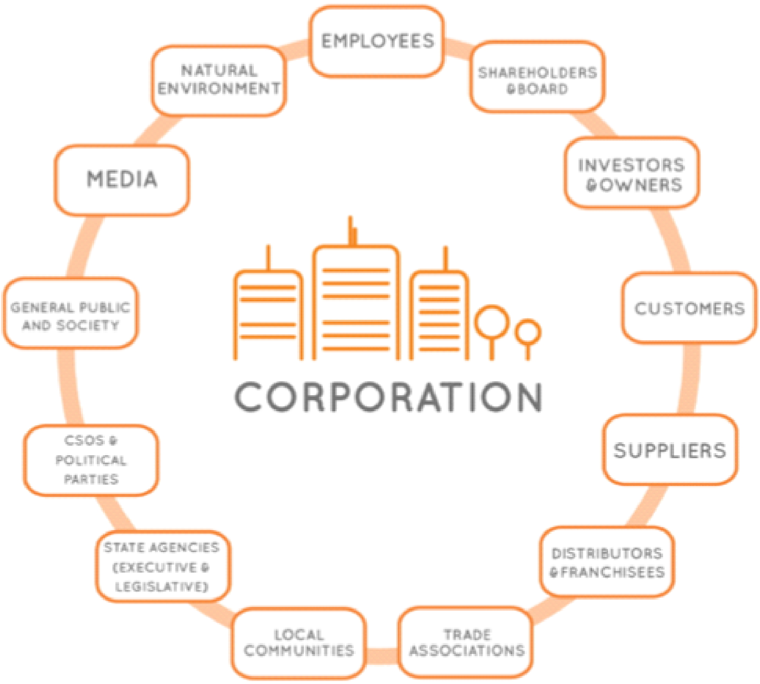
"To ensure a sustainable business moel".

"Walk the talk".

"To live by and espouse universal/ humanistic values which also reflect the values of our stakeholders".

"Well-being of stakeholders".

Public value and stakeholders



All definitions of public value participants came up with have one thing in common: they are all rooted in a refreshed understanding of what stakeholders are. Consensus was rapidly reached around the belief that, if companies were to be considered as public value creators, they needed to identify all their stakeholders, stand on their side, and proactively defend their interests. All participants said they believed people --employees, customers, and the public at large—were central to corporate success. We did collectively decipher what 'people' and 'success' meant to our participants – and a large part of the present report is based on their collective understanding.

Following a series of already heavy and negative trends at the global level, the years 2018-2020 have witnessed inter alia youth demonstrations over climate change (such as Fridays for Future or Extension Rebellion), popular protests in Hong Kong, France, Hungary, and Poland (to cite only a few countries), and an unprecedented global health crisis. These developments have shown that we need to revise our understanding of who stakeholders really are.

All of a sudden, people who had been kept hidden in the background of the economy --and whose existence had often been ignored by states-- were propelled to the forefront and gained visibility, either because they openly challenged governmental decisions (the 'yellow vests' movement in France, for example) or because they were now seen as key to the well-being of the societies they lived in (medical workers, teachers, garbage collectors, and supermarket cashiers during the COVID-19 lockdown). Today, society and the environment are more easily identifiable as stakeholders than three years ago, when we founded **YOUR PUBLIC VALUE**.

We asked participants to define who they would consider to be 'invisible stakeholders' in their respective ecosystems. They listed inter alia the following categories:

- Children and young people
- Elderly people
- Migrants and internally displaced persons
- Poorly or non-connected people with no access to legal or administrative support
- Poor and marginalised people, often unable to actively participate as citizens
- Site workers who manipulate polluting materials or install polluting equipment
- Animals and nature affected by human action (e.g. wildfires, mining, excessive fishing)

The conversation soon developed into a discussion on governance design (whose interests are at stake?). Participants reached a consensus around the idea that corporate stakeholders should be divided into two groups:

• People who have an interest at stake
• People who are affected by corporate behaviours

Lab participants recurrently acknowledged the current political instability, which sees class interests heavily impacting society as a whole; therefore, class interests loosen state control over governance.

Participants then discussed in groups what could be done to break this vicious cycle or limit its effects, and to better incorporate 'invisible stakeholders'. They came up with the following three proposals:

• Bridge the internal and external stakeholders with a coherent strategy
• Focus on the long term and, therefore, on the current and next generations
• Consider stakeholder relations as a key pillar of accountability

Bridge internal and external stakeholders

The expectations of consumers, employees and shareholders have evolved at a fast pace and in many different ways. As technology provides consumers with personalised services, customised solutions, and opportunities of interaction, they have developed a new kind of relationship with brands. Employees no longer want to be seen as mere cogs in the machine, rather, they expect increased autonomy and empowerment in their job to maintain control over their professional development. Shareholder activists have gained influence and are also changing some of the game rules.

Legitimacy and trust cannot be bought. They need to be understood and accepted by all, both within and outside companies or corporations, all the way down to supply chains. No value can be created alone – one needs an audience to appreciate it. These values go beyond reputation. They are evidence-based and are rooted in dialogue and genuine openness. By 'external stakeholders', participants generally meant the public at large or society.

"Broadly consider the public as one stakeholder".

"Because the public forms the foundation of companies".

Today, being both citizens and consumers, we all expect to be heard. Some of us even want a chance to play an active role in shaping our environment. Conscious citizens are clearly interested in having a positive impact on the business and industries they care about. Lab participants pointed to the proliferation of self-help groups whose members provide mutual support for each other. They also mentioned the numerous tools that can provide the 'invisible ones' with a voice: e.g., every single labour migrant today has a mobile phone and it has never been easier to launch an App to reach out to workers along supply chains.

Scientists have highlighted the correlation between trust in corporate management and profitability[22]. Focusing on the separate value offered to customers, shareholders, and other stakeholders is no longer enough to ensure sustainable trust. To maintain relevance and gain legitimacy, one needs to open new channels for dialogue. When companies proactively listen to all stakeholders in their respective ecosystems, they enrich their perspective with valuable feedback; they win by giving a proof of their authenticity and integrity. Through inclusive dialogue and consideration, these companies build a sustainable business.

Maintaining dialogue between internal and external stakeholders means building bridges with the public and communicating with transparency, an open mind, and an interest in their needs.

"Be self-aware of your values before exporting them to the world".

In a perfectly logical way, this broader understanding of what stakeholders are led to discussions on how companies should treat them. Some participants insisted that workers [or community representatives] should systematically be offered a seat on corporate boards[23]. Others said they believed the remuneration of most CEOs should be lowered in order for workers to receive their wages, including in times of crisis. Moreover, participants highlighted the urgent need to increase consumers' awareness of all internal strategic debates and to reduce the information gap between the executive management and its internal and external stakeholders.

Failure to care about all stakeholders and to devise solutions to the current challenges, participants added, could be considered as marketing manipulation and green- or purpose-washing.

Humanity faces unprecedented challenges. Climate change, unsustainable resource extraction, destruction of ecosystems, biodiversity loss, inequality, breach of privacy, and campaigns to spread misinformation and discredit science constitute a cocktail that forces us to leave the twentieth century paradigms behind in the fastest and most pervasive change humanity has ever experienced. This also includes a total reinvention of the role of business in society: The economic mantra that business only exists for the sake of profit has proven to be a fallacy.

Lars OLESEN

For a Sustainable Tomorrow

Here are two intermediate principles on stakeholders that participants discussed and co-drafted:

We value the need for preparedness and rapid response to better serve citizens in an interconnected world.

We care about an inclusive value system at the global level.

Interestingly, some participants developed an opposite idea, saying they considered companies to be active stakeholders of society. Companies, they argued, are key pillars of society. They expand thanks to the needs of society. Therefore, it is only fair to consider companies as active participants and ask them to serve the communities and societies that have welcomed them.

We consider ourselves [our company] as a stakeholder of society and engage other stakeholders in an active participation to address environmental issues – for the sake of society.

Calling for broader dialogue between companies and their respective stakeholders must not prevent us from acknowledging the difficulties many corporations face in understanding– and even identifying - the whole range of their suppliers, especially in global and complex value chains. During the Public Value Lab™ dedicated to supply chain management, experts in sustainable procurement and supply chains highlighted breaches in governance that were amplified by the COVID-19 pandemic. Asking Tier-1 suppliers to be compliant with fair labour practices and environmental responsibility is not enough if Tier-2 and Tier-3 suppliers are not also involved in the process. With this in mind, participants to this particular lab co-created the following intermediate principle:

We understand our supply chain and are accountable to achieve ambitious goals from a sustainable perspective in order to drive

environmental end-to-end value by collaborating with all stakeholders.

Requesting companies to be fully accountable throughout their supply chains may sound unrealistic if they don't exert full control over their providers and are not fully informed about all their stakeholders. But we believe they should at least invest considerable efforts in better understanding their respective supply chains, sharing common sustainable objectives with their suppliers, and improving measurement tools.

As participants repeatedly said: *"a supply chain is only as strong as its weakest link"*. To be fair, an increasing number of multinational corporations are trying to address their supply chains' 'weakest link', but too few of them manage to address both their societal and environmental weaknesses.

Bridging internal and external stakeholders means focusing on the company's long-term purpose, (re)considering its role and place in society and with regards to environmental challenges, and building legitimacy over the long term.

We fully acknowledge our social and societal responsibilities vis-à-vis our internal and external stakeholders, recognise the complex and competitive environment we are living in, and fully commit to these responsibilities to the best of our capabilities.

Long-term value and the next generation

At the invitation of EY Switzerland, we organised a Public Value Lab™ in Zurich in February 2020. For many years, EY have been the only consulting firm among the "Big Four" to take public value into consideration when advising their clients[24]. Today, they prefer to call it a "long-term value": *"Long-term value is created by focusing on a broad set of stakeholders, with a distinct purpose in mind, to sustain a business for the long term"*[25]. This definition directly links together stakeholder relations, long-term value, and business sustainability.

Opening our Zurich Public Value Lab™, Markus Thomas Schweizer, EY Managing Partner for Japan Business Services, Europe, Middle East, India, and Africa, went as far as saying that he considered short-term value to be "backward looking". The COVID-19 crisis had then already struck China, but was only nascent on our continent where no country had yet locked down. *"We need a more comprehensive value concept going forward"*, Schweizer said, anticipating what many would soon call the "after-COVID approach". *"This value concept should be representative enough to cover all aspects value takes in any organisation. We have developed a "long-term value concept" that, we believe, bridges public value and well-being in the long term".*

In Schweizer's mind, companies should look beyond short-term profitability, reputation, and even risks. Before the COVID-19 crisis hit Europe in full, few companies organised meetings to discuss pandemic preparedness, in fact, the majority of them considered this a waste of time. It did not take long for everyone to see the value of developing long-term risk management frameworks. The same goes for reputation and legacy. In Schweizer's opinion, a caring strategy, coupled with responsible management, is the best way to build cohesion and trust.

Even before the COVID-19 crisis erupted, EY said: "Boards should strengthen their oversight role by guiding management to focus on the long term, understand stakeholder objectives and communicate the many ways their companies create value"[26].

"Public value means to me something that needs to be defined in the context of value creation".

In most Public Value Labs™, participants linked public value to value creation and initiated discussions on corporate values and their implementation. As one lab participant put it, "a corporate value is the opposite of what outrages you". In other words, corporate values remain cultural and largely depend on the ecosystem in which the company navigates. They correspond to a societal principle proposal and are designed to resonate among internal, as well as external stakeholders. Needless to add, they also evolve alongside society's values and needs.

The corporate values that were most often mentioned in the context of public value creation were:

- Humility and a non-judgmental attitude
- Agility and adaptability to unforeseen situations
- Diversity
- Strong ethics
- And a purpose-driven strategy, together with the skills needed so that all employees benefit from its implementation

A few years ago, participants would have most probably mentioned transparency and risk management, in addition to teamwork, customer-focus, innovation or excellence, as popular corporate values. In the past decade, corporate values were indeed related to establishing good governance in competitive landscapes. Compliance officers started to flourish, offering companies a good governance stand that was part of their positive reputation package.

Today, the European legislation has caught up with societal needs to tackle embezzlement and bribery, and to limit carbon emissions. In Europe, it is now no longer possible to ignore the corporate values of transparency and responsibility. This progress leaves space to address the way society has developed in the past decade.

Stakeholder representation raises another question, that of diversity and inclusion. Creating a culture of inclusion, making sure there is no gender, race, or age discrimination seems a logical corollary of any public value-based approach. To illustrate this point, one participant mentioned an expert group a company had convened to address the ongoing pandemic and pointed to the fact that only 2 of its 26 members were women...

"The gender imbalance has an impact on results. Certain issues are not considered without having more women on the board".

"It goes back to the definition of governance. One must take into account the interests of those affected. Even if the board is composed solely of men, they should determine methods to ensure all interests are represented".

"They must establish a diversity expert group to address what they have to take into account".

We, at **YOUR PUBLIC VALUE**, also believe that today's corporate values should address the aspirations and well-being of stakeholders and put human values at the core of corporate culture and identity. Lab participants clearly integrated new risk management frameworks, and mentioned agility, preparedness, and symbiosis within the company's ecosystem. They also resonated with youth demands to live in harmony with nature. The intermediary Public Value Principles participants co-created during our labs are proof of this. As an illustration, here are two of these principles:

We invest in the future of our communities.

We encourage creativity and humanity in addressing the needs of all our stakeholders.

To address the issue of how to efficiently develop values throughout the value chain, some participants floated the idea of creating a position of Chief Value Officer, who would solely focus on ethical values and be responsible for moving the agenda forward:

"It is a 'new frontier' for business. The Chief Value Officer can neither be the CEO, nor the head of the HR department. It should be an autonomous position reporting only to the Board".

Despite - or probably because of - its innovative approach, this idea is far from unanimous. However, it conveys a strong message: to appoint a Chief Value Officer (or Chief Ethics Officer) and give the position sufficient clout to independently monitor senior anagement would be a good indicator of how much a company cares for its values and stakeholders.

A NEW SOCIAL CONTRACT

During Public Value Labs™, participants repeatedly invoked the need to define a new social contract. Participants argued that requesting companies to establish a social contract would be a good way to encourage them to include long-term aspirational goals into their corporate strategy and to match their corporate needs with those of society, the environment, and all other stakeholders. Corporate social contracts would appear as an exclusive tool for both corporate governance and accountability. Based on the collective work of the 124 experts who participated in the Public Value Labs™, we advocate a social contract between business and society that includes special care for employees, the environment, and all impacted communities.

Calling on business to enter into a social contract led to passionate discussions, particularly when mentioning corporate governance and transversal topics.

"Social contract is being actively discussed in corporate literature!"

"According to the UN, the Sustainable Development Goals already serve as a global social contract, and these have been signed by all countries..."

"The issue is that we are not sure if 2030 targets will be reached. It is still important for companies to say they are signing up for a global social contract".

Mainly derived from the 17th and 18th centuries' philosophical theories that examined the relationships between governments and people, the concept of social contract theory has also been analysed in modern economics to take into account the role business plays in society. Nevertheless, business literature has often described the social contract theory from the exclusive angle of employer-employee relations.

We, at **YOUR PUBLIC VALUE**, believe that the latter approach is too restrictive. Although we consider the relationships between employees and employers to be core in public value generation, our approach encompasses the rights and duties of any company towards its stakeholders, including society and the environment. We call on business to develop a social contract with society that considers special care for employees, the environment, and all impacted communities.

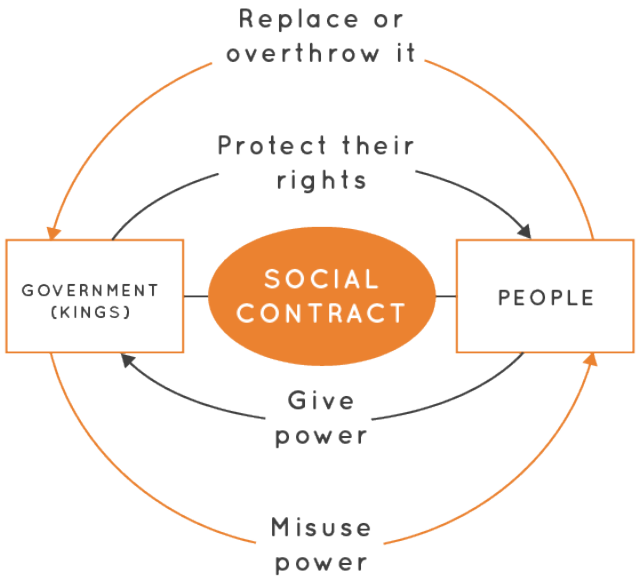
Philosophical and moral roots offer legitimacy

"The concept of social contract has been discussed for centuries, and it only really exists in small utopian societies".

Discussions in Public Value Labs™ recurrently referred to the philosophical and moral origins of the concept to justify its current usage. Here is a quick reminder of how the concept of social contract theory developed over time:

Since it was first introduced by Greek and Stoic philosophers and further developed by Thomas Hobbes, John Locke, Jean-Jacques Rousseau, and other Enlightenment thinkers, the social contract theory has been used as a leading doctrine for political legitimacy and a basis for democracy throughout the history of the modern West[27]. According to the social contract theory (also referred to as contractarianism), the legitimacy of political authority stems from a mutual agreement by which individuals consent, either explicitly or tacitly, to waiver some of their freedoms to the state in return for protection of their remaining rights or maintenance of social order[28].

In John Wiedhofft Gough's modern reading, the social contract can also be considered as *"the contract of government ... [that defines] the terms on which a society is to be governed: the people have made a contract with their ruler which determines their relations with him. They promise him obedience, while he promises his protection and good governance. While he keeps his part of the bargain, they must keep theirs, but if he misgoverns the contract is broken and allegiance is at an end[28(1)]"*.



In the second half of the 20th century the concept was modelled with rising living standards as a basis for stable societies, the state becoming a welfare state. As underlined by Sharan Burrow, the General Secretary of the International Trade Union Confederation, after the Great Depression and World Wars, *"world leaders understood it was important to build a social floor of democratic rights and freedoms and systems of social protection. This was a social contract with the world's people"[29]*.

The legitimacy of the 20th century Western social contract was rooted in mechanisms of wealth redistribution and a broad perception of fairness. During the post-war economic boom experienced by the OECD countries, post-war generations could expect to be more prosperous than the previous ones. But trust collapsed with the 2008 financial crisis and the austerity-induced recession that followed[30]. Analysts underline that the fracturing of the contract, however, had started earlier with stagnant median incomes, rising job insecurity, and widening income inequalities. In Burrow's views, global trade and competition have been underpinned for years with offshoring production to maximise low wages and reduce employment responsibilities. In addition, the denial of fundamental labour rights in some countries and sectors has never allowed the social contract to become universal.

More recently, the topic has also been developed in modern business literature. If the traditional theory focuses on the relationships between the individuals and society (or the state), some authors analyse the relationships between business and society in an attempt to acknowledge the place of companies in society. Such literature has paved the way to broader research on the social and political impacts of business, both inside and outside organisations.

In particular, Thomas Donaldson uses the social contract theory to address questions related to business actors' responsibilities. In an effort to justify the existence of for-profit organisations he argues that, although they cannot be considered as moral persons, they still qualify as moral agents; in other words, they can use moral criteria in decision-making[31].

People's demands for transparency, massive political and social protest movements, environmental depredation, numerous dysfunctions of our current economic system... The list is long of the trends calling for a new social contract where business would play an active role to support the common good.

In addition, the initial phase of the COVID-19 crisis has generated unprecedented sanitary, social, economic, and political situations worldwide. While states and governments stood at the forefront of the fight against the pandemic and its sanitary and economic impacts, the public kept its eyes on corporations to see how they managed this unprecedented crisis situation, how they treated their direct stakeholders (employees, customers, suppliers). Also closely observed was their ability –or lack of ability- to extend their action to the communities they interact with. Their strategies were scrutinised and sometimes questioned for their impact on globalisation, supply chains, or human resources.

> *"The response to the pandemic, and to the widespread discontent that preceded it, must be based on a New Social Contract and a New Global Deal that create equal opportunities for all and respect the rights and freedoms of all."*
> **UN Secretary-General António Guterres, 18th Nelson Mandela Annual Lecture, 18 July 2020[32].**

In the speech he delivered this year at the 18th Nelson Mandela Annual Lecture, UN Secretary General António Guterres took aim at the various layers of inequality that were being exposed and exacerbated by the COVID-19 crisis[33]. The UN qualifies the pandemic as *"an unprecedented wake-up call, laying bare deep inequalities and exposing precisely the failures that are addressed in the 2030 Agenda for Sustainable Development and the Paris Agreement on climate change"*[34].

In their article, The *Post-pandemic social contract*, economists David Rodrik and Stefanie Stantcheva remind us of the spillover effects of companies' decisions related to employment, investment, and innovation[35]. Commonly known as 'externalities', such effects may be positive for companies' ecosystems, like Research & Development policies (with impact on learning) and 'good jobs' (allowing reasonable living standard with security and savings, and career progression opportunities). But many other externalities – such as environmental pollution or the effects of greenhouse-gas emission on climate– have obvious negative effects on corporations' communities. From that perspective, Rodrik and Stantcheva argue, *"the onus should be on firms to internalise the economic and social spill-overs they cause"*, with a reconfiguration of their production systems and strategies.

Business, society, and the environment

When calling for a social contract of a new type, lab participants asserted that businesses must align their governance with a public-value-centred purpose and develop a corporate culture of accountability and transparency at all levels. Hence the necessity for companies to develop new leadership models.

Participants conveyed these ideas up to the final nine Public Value Principles, where the need for a social contract is stated explicitly. The concept came up early on in the following draft principles:

We uphold a social contract with our stakeholders.

We aspire to an inclusive global social contract for circularity and regeneration, But we should make the global social contract broader than just environmental themes.

We conduct business according to Public Value Principles and we don't collaborate with anyone violating these principles.

When advocating a new social contract, participants implied strategies that would go beyond existing CSR activities. They meant designing new governance schemes and implementing new business models so as to give a human face to the current economic system.

For many participants, a 'social contract' is an implicit agreement at meta-level among all stakeholders of a certain society (or ecosystem) on the rights, obligations and responsibilities towards each other. The UN's

SDGs are sometimes referred to as a 'new global social contract'.

On few occasions, particularly when discussing the need to consider the environment in an organisation's social contract, lab participants were quite close to French philosopher Michel Serres' definition of a 'natural contract', i.e. a contract where nature is a stakeholder per se[36].

It is not our purpose to enter into a philosophical debate on the boundaries of modern social and natural contracts. Instead, at YOUR PUBLIC VALUE, we believe that any social contract approach can empower business by acknowledging their rights (license to operate) and responsibilities (creating /preserving value for all and each of us).

In their social contract with stakeholders, businesses should define what specific public value they have in mind. As repeatedly mentioned in this report, stakeholders include society and the environment, employees, customers, shareholders, partners, suppliers, regulators, communities, and opinion leaders, in a 360-degree approach. The public sector and territorial authorities are also stakeholders able to foster partnerships for the common good.

Like any other agreement, a social contract would:

• Inform on its specific objectives and approach;
• Identify parties while defining their mutual rights and obligations;
• Express the terms and conditions for enforcement;
• Consider modalities of managing potential disputes; and
• Decide how it will be binding.

The chart below captures the main elements discussed and agreed upon during Public Value Labs™ that could shape a framework for any corporate social contract. The objective remains to enhance the strategic role business can play in building a sustainable future.

A Social Contract to enhance business' strategic role in shaping the common good		
Objective	Public value creation ('circularity, regeneration') or preservation ('do-no-harm') The objective of any social contract is to support the company's purpose.	
Parties	• Each company and its respective stakeholders: society (or the public), the environment, shareholders, employees, customers, partners, suppliers, regulators, communities, opinion leaders, government/public authorities: • people who have an interest at stake • people who are affected by corporate behaviours	
Duties	Financial & non-financial value to stakeholders: - safety, protection & well-being - innovation - empowerment - collaboration through basic & innovative products, services & solutions; jobs & skills development; taxes, etc.	Contribution to companies' purpose: - engagement - collaboration
Rights	Implicit 'licence to operate'	'Name and fame'/ 'Name and shame' = free speech or whistleblowing. Participation to drafting the company's purpose.
Terms & Conditions	Free and informed consent - Transparency - Privacy - Ethics - Walk the talk	
Enforcement	Corporations commit to follow Public Value Principles	Impact measurement. Stakeholders make their best efforts to participate, collaborate, and share

Employer-Employees relationships

Recently, business literature has also developed the social contract concept with a focus on employer-employee relationships and their evolution. We mentioned earlier the 2020 Edelman Trust Barometer which shows that 78% of respondents consider that the way a company treats its employees is one of the best indicators of its level of trustworthiness. Lab participants also emphasised that employees expect both their CEO and their company to protect them in times of crisis and prepare them for the future of work.

Since the outbreak of the COVID-19 pandemic, numerous surveys have confirmed that companies which make protection of the health and safety of their staff a priority have won or regained the trust of their employees[37]. Whether they provided staff with personal protection equipment on site, gave them access to digital tools and remote work, or showed concern over burnout and harassment risks as a result of crisis living experiences, these companies were awarded the trust of their employees.

This reaffirms the duty of care companies have to their staff. But it also confirms a deeper trend previously observed in employees' and citizens' expectations: in a context of widespread mistrust, citizens call on business to act where states are seen as failing. The Edelman yearly reports have been reporting a steady loss of trust towards the political and economic elites (as well as towards media and NGOs). To a large extent, this mistrust is the result of a widely shared perception among citizens that their political and economic elites no longer protect them from the perceived threats of globalisation, migration, automation, or gig economy, and their combined impact on the job market. Fear of the future largely explains why 83% of employees worry about being redundant[38]. There is a growing sense of inequality and a pervasive feeling that institutions do not try hard enough to push the current economic system towards a 'fairer' system (although 'fairness' is a concept understood differently in various parts of the world).

As many of sustainability experts said that they considered the 'future of work' as being key to any social contract, we dedicated an entire Public Value Lab™ to exploring this issue further. This time, we invited mainly experts in human resources and gender issues. Discussions focused on corporate accountability in the fields of digitalisation of work, health, and well-being. Participants underscored the need to co-create new ways of working and leading change towards sustainability.

In the past decades, as a result of globalisation, successive unemployment waves, business restructuring, digital revolution, and other macro-economic trends, the supply and demand of labour have dramatically changed, both quantitatively and qualitatively. In the late 1990s, economists and HR specialists promoted the idea of a 'new social contract' with the assumption that employer-employee relationships were shifting toward a shorter-term timeframe based on convenience and mutual benefit. Under the terms of this 'new social contract', employees manage their careers themselves to increase their long-term value and employers provide the necessary means for continual workforce development. Job security and stable positions have disappeared, resulting in few tenure arrangements and pay for value added. Paternalism has given way to far less top-down relations. Today the focus is increasingly put on team building and projects rather than on individual accomplishments[39].

Research conducted by McKinsey & Company shows how the current pace and scale of technological disruption threaten jobs and aggravate income inequality, a concern shared by governments, society, and business[40]. From that perspective, employers are best placed to be in the vanguard of change and to make positive societal impact.

Sought-after young talents are increasingly enquiring about the purpose of companies before choosing where to apply for jobs. If they want to attract and retain the best talents, companies would be well advised to have a meaningful answer. McKinsey & Company highlight that companies can equip their employees with new skills, and advocate upskilling and reskilling of staff. Nevertheless, McKinsey & Company add, only one half of U.S. and European executives agree that companies should take the lead in closing the global skill gap and preparing employees for the future of work.

New ways of working

Tomorrow's corporate culture will embrace new working methods, shifting the focus from physical presence towards impact. With the increase of remote working, companies will adjust their operations and require from employees that they develop new digital skills. Most of them already prepare to shift from performance goal setting and employee evaluation to a remote or hybrid working style (combination of telecommuting and in-office work).

Participants insisted on the need for companies to shift *"from micro-management to a culture of trust"*:

"We have inflexible organisations which are based on systems of command and control... with structures maintained to ensure an output is created, whereas the energy should be put on developing autonomy and trust for the job to be done".

New working styles require more flexibility from both employers and employees. Freedom to choose when and where to work is in greater demand. More and more employees expect their company to not just lead them, but also to empower them. Therefore, in order to be future-proof, companies will need to develop among their staff such new skills as autonomy, an ability to cope with complex situations and solve problems in times of uncertainty, as well as non-linear thinking, creativity, and communication.

"Business must introduce new ways of working which are outside these systems to think, act, and work".

"It's about keeping the human dimension in future work".

Duty of care

Participants in the Public Value Lab™ devoted to the future of work reflected on the best practices of companies that have put health and safety at the centre of their corporate culture and operations. Using sectorial and cross-field benchmarks, these companies encourage employees and suppliers to identify health and safety problems in order to fix them and develop new key performance indicators (KPIs). Some of them, particularly in the construction and engineering industries or among cement manufacturers, have enshrined these objectives in their mission statements. The outcome is an improved employee well-being which often generates a greater engagement on the part of the staff.

Companies are increasingly mindful of mental health and often take psychological risks very seriously. Some have opened reporting platforms and/or put whistleblowing policies in place to help better protect their employees. These companies are proactive in avoiding burnouts or harassment situations which often lead to mental disorders.

Willis Towers Watson report that mental health disorders in the workforce have become common at global level with approximately three employees out of ten suffering from severe stress, anxiety or depression[41]. All around the world, depression and anxiety rates have increased 15 to 20% in the past decade. Global economic losses related to mental health disorders between 2011 and 2030 are expected to total $16.3 trillion, comparable to those of cardiovascular diseases, and are higher than cancer, chronic respiratory diseases, and diabetes. Impacts on productivity and absenteeism are an argument for making it a matter of immediate concern for employers[42].

The pandemic, the lockdown, and their economic impacts have generated stressful situations. The recent sanitary and economic crises have heightened citizens' expectations towards employers' responsibility. This is also true in health protection as, in many countries, business often supersedes deficient public healthcare systems. Here is another intermediary principle that calls for greater corporate responsibility:

We develop the workforce to reach their full potential through a well-being culture, systematic skill building, empowerment of diversity, and responsible social protection systems.

A human focus in a digital world

Opportunities for business growth in the digital economy are vast. Among them lies an untapped potential for solutions leading to public value.

However, the risk of deepening the existing digital divide is real. Companies have a responsibility both in developing digital skills to prepare their staff for the future of work and in ensuring that the benefits of the digital economy are equitably shared.

Data is perceived as the new 'black gold'. The digital or technology-based companies --the so-called GAFAM, i.e. Google, Apple, Facebook, Amazon, and Microsoft-- are ubiquitous in our daily lives and are now among the top ranked companies in the world.

"This pervasiveness of the rule by data presents threats to human rights and individual rights. As citizens, we need to put more pressure on this kind of corporations to establish databases and processes that ensure benefits for their stakeholders with no threat to one's privacy".

Most lab participants said they considered all companies –not only the GAFAM-- to be software companies as they all rely on various software programs. Given the complexity of digital technologies and the potential consequences of their misuse, participants said they believed it was imperative to raise public awareness on the risks attached to digital technologies. Companies should ensure that engineers working on digital technologies not only receive technical training, but also ethics training.

When discussing digital disruption, participants kept a human-centred approach and called on the private sector to follow human-centred guidelines when devising their business strategies and operations:

"We foster awareness that the digital world is not neutral and represents in itself a real world with human interactions".

"Human dignity, human diversity, human relations and human rights are our way o operating".

"All governments should be run by humans, not robots, machines, artificial intelligence (AI). The United Nations already acknowledges the benefit of using AI and robotics in criminal justice. However, humans should be the ultimate decision-makers. Also, if the machines become self-maintaining, then humans become superfluous".

Participants were also concerned about predictive analysis. One of them cited Douglas Rushkoff who tempers the high expectations we have on technologies. The Digital Renaissance that started with the beginning of the Internet in the mid-1990s was meant to unleash human creativity and ability to connect. Yet, big tech-companies repress creativity by using individual data to predict and influence people's behaviours. Instead of being encouraged to create and connect, Rushkoff says, humans are only as valuable as their data: *"The more we learn to conform to the available choices, the more predictable and machine-like we become ourselves"*[43].

> *"[It is urgent that] we stop using technology to optimise people for the market and start using it to build a future centred on our pre-digital values of connection, creativity and respect"*. **- Douglas Rushkoff**

The challenge of job creation exceeding job destruction

Digital transformation is on everyone's mind. The COVID-19 global lockdown and concomitant restrictions on mobility and transportation have undoubtedly accelerated this transformation. On the one hand, digital tools may induce lasting effects on the way work is being performed in companies that will opt for a combination of remote and in-office work. On the other hand, increased contactless and online activities are dramatically changing business models in many market and economic fields. What impact will digital transformation have on job creation? Will it destroy or create jobs? Most likely both, as part of a broader reshuffling of the labour market. The WEF considers that 65% of children entering school today will ultimately end up in careers that do not even exist yet[44].

Lab participants voiced their concerns over digital skills becoming critical and leading to a new form of inequality. They also strongly emphasised that companies are responsible for maintaining staff employability via up-to-date training and job creations. They said they believed business should play a greater role in education and lifelong learning in partnership with academics and public authorities:

"Increased automation has an impact on the labour force. However, there are other issues to be taken into consideration, such as the aging population in certain countries".

"Companies should have a duty of care towards their employees when implementing automation or artificial intelligence".

Lab participants co-created the following intermediary principle:

We ensure no one is left behind due to digitalisation and automation.

Discussing the digitalisation of work from a public value perspective led us to focus on the safety and privacy of employee data. Ever-expanding employee data collection ranges from engagement surveys, exit questionnaires, and talent analytics to data mining of publicly available professional data and highly experimental employee monitoring solutions such as microchipping[45]. Too often, such methods happen to not respect employees' privacy.

Lab participants called on business to consider safety and privacy of individual data as a human right. Recent highly publicised privacy breaches have led companies to become more vigilant about customer data[46]; they should now pay equal attention to employee data. With this in view, corporate codes of ethics should include the privacy of employee data and be extensively shared among staff[47].

Modern leadership: competence and ethics on top

"Digital technologies are just tools, not an objective per se, they cannot replace management behaviours and deeds".

As mentioned above, current and future technological developments imply that companies ought to develop new ways of working. In times of crisis, management and leadership need to adjust to meet the expectations of employees. Especially in a context of uncertainty and vulnerability, it is an ever-greater challenge to maintain common goals and a shared vision at all levels.

"How do we follow the visions and goals of the company? The manager must share information - necessary information and tools to reach professional goals - and employees must inform the manager when something goes wrong".

"The important thing is that employees remain result-oriented, meet deadlines, are kind to clients and do not abuse the trust of the manager. All parties should share a common purpose".

To successfully lead the transition towards sustainable business models, corporate decision-makers and leaders need to show by example. Role modelling is key to restoring trust with employees and stakeholders and generating public value.

"Managers should lead by example. In a company, there can be a code of ethics but if the CEO shows a lack of respect in her/ his behaviours towards employees, then the managers – or at least some of them – may adopt the same behaviours".

"If not, at the end, it will create a toxic culture that annihilates any effort on well-being or public value that may be done elsewhere in the company".

Lab participants agreed that public value creation implies a value-based corporate culture, in which senior leadership demonstrates values and behaviours. They also insisted that such a model must become a corporate culture and involve every single person in the company regardless of his or her position, since we are talking here about leading by example at all levels:

"The board governs, the executives lead and the middle management run the company and model corporate values. They should correct behaviours whenever there is a breach in governance rules".

"If sustainability is a key part of your purpose and strategy, you don't have time for leaders who won't embrace it. I gave all my leaders a chance to step up and participate. Although I gave them all a chance, if they didn't get it or support it, they didn't belong at the company. Leaders need to walk their talk".
Denise Morrison, Independent director, Visa – Former CEO, Campbell's Soup Company[46(1)]

Concern for transparency, consistency, and ethics is becoming predominant in citizens' demands. The 2020 Edelman Trust Barometer underlines that trust towards government and business is built on both competence (the capacity of the political or economic leadership to deliver on promises) and ethical behaviour (their ability to do the right thing and work to improve society)[48]. Respondents even considered ethics to be three times more important than competence when deciding which company to trust.

Free & informed consent and privacy respect

No contract based on force, fraud, or deception can ever be legitimate. Contract parties must fully apprehend all issues at stake and consent to the constitutive exchange. If understanding and consent seem obvious when the contract is explicit and formalised – for example between a newly-hired employee and an employer who can consequently proceed to a mutually beneficial exchange -, how can a company obtain the free consent of its stakeholders to subscribe to its social contract, and how can stakeholders make their own proposal?

Lab participants discussed this issue at length, notably when reviewing the crucial role digital economy plays today. The ever-expanding importance of the Internet, the pervasiveness of digital applications and the exponential outbreak of data have made data protection and privacy burning issues. If most individuals are not even aware of the data that is being collected about them, about their consumption behaviours or more intimate habits, then how can they possibly control how their data will be used? To control the collection and use of personal data, they need to be informed about the kind of data that is being collected and how it is being used.

A number of lab participants aired concerns over the negative impact of digital technologies on human rights and the threat they represent to democracy. Even though the general assumption is that digital tools are "an enabler and a conduit and not more than that" --as one participant said--, they have such a reach and disruptive potential that they must be kept under close scrutiny and managed in a way that they serve the common good. Here are some highlights of the discussions:

"We use digitalisation for the benefit of society, environment and governance".

"We only pursue digital transition when it serves a valuable societal contribution without negatively impacting the environment and without leaving any stakeholder behind or compromising human rights".

As one participant said: *"We should be governed by **informed consent**. Informed consent is a well-known concept in the healthcare industry; medical staff tell patients what will happen to them and obtain written consent before undergoing any procedure. We need to apply informed consent more universally in the digital realm, where companies would inform about the consequences and benefits of the use of their data. This goes beyond the law".*

Such a measure would go beyond, e.g., the General Data Protection Regulation (GDPR) that is in force within the European Union and the European Economic Area. GDPR aims at giving individuals more control over their personal data and at simplifying the regulatory environment for international business so that everyone can benefit from the digital economy.

These discussions resulted in an additional intermediate principle:

We recognise individual data privacy as a corporate and social benefit and actively engage customers with informed consent in the acquisition, storage, transmission, and use of individual data.

Employees' well-being and society's well-being

In the past months, employers have been playing a greater role in ensuring their employees' financial, physical, and mental well-being, thus acting as a social safety net. As noted by Gartner, a UK-based research and advisory company, support extended by employers "includes enhanced sick leave, financial assistance, adjusted hours of operation, and child care provisions". During the 2020 sanitary crisis, some companies went as far as "shifting operations to manufacture goods or provide services to help fight the pandemic. Others contributed to, or offered relief funds and free community services"[49].

The concept of well-being may sound subjective, but it is commonly understood as a key component of corporate accountability and brand attractiveness. As the idea is gaining interest among business leaders, it is important that companies agree on criteria to define and enhance the well-being of their employees and communities.

Participants identified five elements of well-being in employer-employee relations:

• **Connection**: employees experience togetherness and engagement with peers and managers

• **Fairness**: they feel they are treated equally (salary equality is an example)

• **Empowerment**: employees can use all their skills and influence decision-making

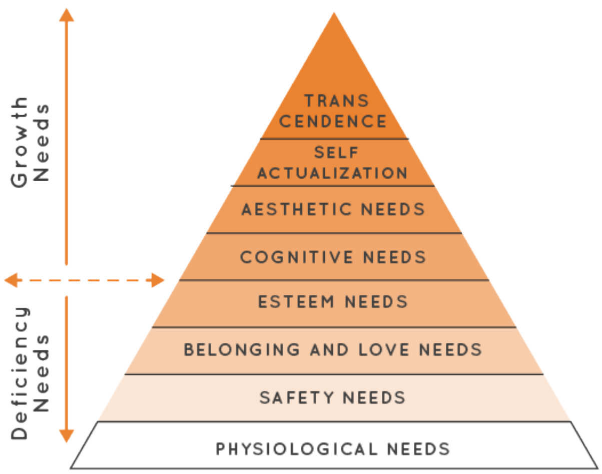
• **Challenge**: employees' tasks are not just easy and repetitive, but can also provide a challenge

• **Inspiration**: employees' new ideas are enhanced and staff share a sense of progression

Combined with an expanding role in social safety, companies' contribution to their employees' well-being highlights the critical role played by business in meeting humans needs at every tier of the famous Maslow's hierarchy[49(1)].

From basic and psychological needs, to self-fulfilment, cognitive, and transcendence needs, companies have the power and responsibility to act on every facet of individuals' motivations.

MASLOW'S MOTIVATION MODEL



Lab participants did acknowledge that, if people's lives outside their workplace influence their well-being, the work environment has an impact on well-being that is increasingly being considered and analysed. The importance of working with a purpose, or mission, often came back in our participants' comments:

"For some people, it is just contributing towards the profit of the company; for others, they want to see more of a mission".

"A company that achieves high employee well-being does not necessarily have positive outputs for the society and environment".

Public value and well-being

In 2019, Gabriela Ramos, the then OECD Chief of Staff and Sherpa to the G20, was leading and setting strategic direction for the OECD Inclusive Growth Initiative and the New Approaches to Economic Challenges. In an interview with **YOUR PUBLIC VALUE**, she stated that *"having a common purpose is what we want to express when we call for this framework for well-being".*

She added: *"We are bound to an economic model that focuses on efficiency and productivity. This is fine. But what about equity? What about looking at what this policy will bring to each individual income group? Progress is not only GDP; it is also well-being".*

Not all lab participants were aware of the OECD Framework for Measuring Well-Being and Progress[50]. Yet, they seemed to embrace its approach. The OECD Framework goes well beyond macro-economic statistics and financial profit to measure the well-being of populations. It takes into account not only work quality and wealth, but also health, education, safety, environmental quality, housing, work-life balance, social connections, and civil engagement.

Back in 2011, the OECD claimed that *"addressing these concerns is crucial, not just for the credibility and accountability of public policies, but for the very functioning of our democracies [...] Money is not everything. There are many more features that shape people's lives. How comfortable is their housing? How clean and safe is their local environment? Are they able to participate in political and so-*

cial activities? Do public institutions respond to their demands? To what extent do people benefit from quality health care and education services? What is the value of services produced by households for their own use, such as the care that they provide to their children and the elderly? All things considered, are people satisfied with their life in general?[51]"

Interestingly, among resources for future well-being, the OECD mentions four types of capital:

- Natural
- Economic
- Human
- Social

"For well-being measures to start making a real difference to people's lives," the OECD writes, "they have to be explicitly brought into the policy-making process. Bridging the gap between well-being metrics and policy intervention is a challenge[52]".

The OECD is not the only International Organisation that focuses on new metrics. In 2013, the United Nations Economic Commission for Europe (UNECE) published recommendations to assist countries in measuring sustainable development with the objective to *"harmonise the various approaches and indicators already used by countries and international organisations to measure sustainable development[53]".*

The European Commission (EC) has launched the "Beyond GDP initiative" to develop clear indicators that would be *"more inclusive of environmental and social aspects of progress"* than GDP. The initiative, the EC says, is about *"measuring progress, true wealth, and well-being of nations[54]".*

In April 2020, the United Nations Environment Programme Financial Initiative (UNEP FI) presented two new tools to analyse the impact business can have on society and the environment: The Portfolio Impact Analysis Tool for Banks[55] and the Corporate Impact Analysis Tool[56] help banks and corporations to focus on their current and potential positive and negative impact business across the SDG spectrum.

Progress is slow, for sure, but International Organisations are among those setting the tone and progressively changing the meaning of profit and wealth, bringing together financial and non-financial values.

Business and stakeholders' empowerment

As explained earlier, the private sector's contribution to public value creation —or preservation—depends on how much companies take all their stakeholders into consideration, i.e., whether they disclose data and information to their stakeholders, assess potential negative impact on them, include them in strategic decisions and implementation, or co-create and partner with them. Public value cannot be created without taking stakeholders' long-term interests into account and sharing with them common objectives for common good.

As one participant remarked:

"Governance is an organisation of interests. Consider the interests of stakeholders and the interests of those who are not considered as stakeholders, but who are affected. There are voters in any democratic society. However, children cannot vote. Therefore, democracies must develop methods to account for children even though they cannot vote".

Public value depends on the convergence of self-interests towards a collective interest that guides companies' purpose and value proposition.

"We align our value proposition with the interests of our stakeholders."

Every company should then strive to identify all its stakeholders, including the less visible ones, and make sure that the interests of every one of them are represented, keeping in mind that impact can always be broader and deeper than expected:

"Needs have to be analysed at community level, societal level, and global level".

Lab participants agreed that companies should consider both local communities and planetary boundaries when designing and operating their business models. In 2009, the academic Stockholm Resilience Centre developed nine planetary boundaries that set the limits within which humanity can continue to develop[57]. Since then, many agencies, including the European Environment Agency, regularly publish a status of the planetary boundaries. In 2015, the Stockholm Resilience Centre reported that four planetary boundaries[58] had been crossed due to human activity: climate change, loss of biosphere integrity, land-system change, and altered biogeochemical cycles (phosphorus and nitrogen). The news was considered serious enough to be republished by the UN Agency on Climate Change (UNFCCC)[59].

Pressure for change is tremendous and progressively penetrates the very concept of accountability[60]. Participants reflected this approach in the final Public Value Principles.

We accept there are limits to growth, but we cannot accept limits to the public good.

Glenn FROMMER, AccountAbility

YOUR PUBLIC VALUE

MODERN ACCOUNTABILITY

Lab after lab, it became clear that participants considered public value as a new accountability framework. Public value, participants argued, covers all aspects of good governance in addition to caring for all stakeholders, including society and the environment. In their mind, good governance is intrinsically connected to the common good.

Bridging societal and environmental needs is not a new idea. In 2000, through the UN Global Compact, CEOs committed to enact universal sustainability principles and to take steps to implement the UN Goals[61]. They adopted ten Principles derived from the Universal Declaration of Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption[62]. The Ten Principles are often seen as a comprehensive framework for good governance.

Later, in 2006, an international group of institutional investors developed under the authority of the UN Secretary General the Principles for Responsible Investment (PRIs) to reflect the growing relevance of ESG issues to investment practices. Their 2015-2018 strategy was devoted to raising awareness in the private sector towards getting impact. Their 2018-2021 strategy, however, clearly states that the PRIs should become a blueprint for investors: *"We believe that an economically efficient, sustainable global financial system is a necessity for long-term value creation. Such a system will reward long-term, responsible investment and benefit the environment and society as a whole[63]"*.

By embracing the PRIs, institutional investors commit to "act in the best long-term interests of [their] beneficiaries" because they believe that "ESG issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, asset classes and through time)". They also recognise that *"applying these principles may better align investors with broader objectives of society[64]"*.

Endorsed in 2011, the UN Guiding Principles on Business and Human rights (UNGPs) also have become an essential element of good governance, compliant to local and international legislations[65]. Other institutions strongly urge investors to include respect of human rights and the environment in their risk assessment. In April 2017, 89 financial institutions in 37 countries adopted the so-called Equator Principles (EP), a risk management framework to determine, assess, and manage environmental and social risk in project finance[66].

In their preamble, the EP state: *"Large infrastructure and industrial Projects can have adverse impacts on people and on the environment. As financiers and advisors, we work in partnership with our clients to identify, assess and manage environmental and social risks and impacts in a structured way, and on an ongoing basis. Such collaboration promotes sustainable environmental and social performance and can lead to improved financial, environmental and social outcomes. Where appropriate, we, the Equator Principles Financial Institutions (EPFIs), will encourage our clients to address potential or actual adverse risks and impacts identified during the Project Development Lifecycle.[67]"*

In technical words, this approach means that, before investing, the EPFIs make sure that companies are either compliant with or make visible efforts towards implementing the 2015 Paris Agreement, the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the UNGPs, as well as the SDGs and enhance evidence-based research and decisions on biodiversity and ecosystems[68].

In real terms, companies are progressively forced to provide both human rights impact assessments and climate risk assessments, and to extend their stakeholder engagement policy to workers, as well as affected communities, in all jurisdictions, i.e. all the way down their respective supply chains. These requirements need to be incorporated into all project development timelines.

In April 2020, EU Commissioner for Justice Didier Reynders made a landmark statement before Members of the European Parliament working on business and human rights across political groups and parliamentary committees. He announced the upcoming development of a mandatory human rights and environmental due diligence for corporations. By this announcement, the EU showed its intention to bridge societal and environmental needs through one single legislation, thus getting closer to public value creation.

A few weeks later, the European Parliament Working Group on Responsible Business Conduct (RBC) followed up with a letter to Commissioner Reynders, calling the forthcoming EU legislation a *"historic and meaningful contribution to the European Green Deal and sustainable economic recovery[69]"*.

The RBC reminded Brussels that the COVID-19 crisis had highlighted the precarious nature of global value chains, while the subsequent health, economic, and social crises had reinforced the need to ensure their resilience and sustainability. To this end, the RBC reiterated its call for *"EU-level horizontal and mandatory legislation on due diligence, with effective enforcement measures and access to remedy for victims and affected communities through liability for harms caused or contributed to by businesses"*.

The RBC also mentioned its wish to see such legislation applying to all business undertaking of all size across the EU, and including the obligation to respect human rights and the environment in both domestic and international activities. This, the working group added, would *"force all companies to ensure such respect throughout their global value chains, products, services, and business relationships"*.

> *In the post-COVID-19 era companies focus on resilience and immunity rather than on efficiency and short-term profits. This new era encourages companies to think in terms of building sustainable, long-term value for all their stakeholders, while balancing the trade-offs between competing considerations. The decisions companies make today will have long-term consequences and the license to operate their business from society is getting more and more important.*
>
> **Jan-MenkoGRUMMER**
> **EY Germany**

If the ESG criteria are enforced, and if investors insist on broadening stakeholder relations to include all workers and affected communities, why should we keep focusing on public value? Having carefully listened to 124 experts over six months, it became clear to us that, in their mind, ethics have become an integral part of public value. Good governance and public value creation are about connecting the parallel dimensions of, on the one hand, the rule of law, justice, and strong institutions (SDG 16) and, on the other hand, growing consented common values that are gaining in influence (and that may be regarded as 'soft law' at a certain stage). One participant even said that, in his view, public value is essentially a "virtue evaluation".

Good governance and the common good

Research shows a correlation between the common good and good governance[70]. Today, when citizens have greater and faster access to information, being perceived as contributing to the common good is a driver for good governance, brand attractiveness, and investors' money. Companies create public value when their purpose fully reflects their social contract's objective/s.

"Good corporate governance creates public value, but we need a framework".

Lab participants focusing on society discussed at length how guidelines for modern relationships with stakeholders could or should be developed for the benefit of all. They co-created the following intermediate principle:

We govern our company on the principles – to the extent possible –of fairness, inclusivity, transparency, accountability and broad participation

A first step to get more companies involved in creating public value is to raise awareness on stakeholders' expectations and the need to amend most companies' internal policies and guidelines. But where should companies place their boundaries? What kind of contribution to the common good are stakeholders entitled to demand from business? What changes do we want to see? And at which pace should they take place? What ambition do we want to set?

The Public Value approach is more important than ever in the post-COVID new normal. The Public Value Principles are the basis for a new social contract, The Public Value Principles are in consonance with the present discussions that pivot around the concepts of stakeholders' capitalism, purpose, the common good, and long-term value. This is integrity beyond compliance; persons beyond customers; value beyond profit; WE beyond the sum of Is.

Delia FERREIRA RUBIO
Transparency International

Lab participants said they believed an agreed-upon narrative was missing to convey a shared understanding of what constitutes non-financial positive impact. One of the most heated debates sustainability experts had during our labs touched upon the boundaries of the following narrative: should Public Value Principles adopt a 'do-no-harm' stance, or call on business for regeneration? Proposals ranged from a minimalist approach—namely "do-no-harm" and "repair" policies—to a bold call for the "regeneration" and "circular economy" models.

We continuously try to go beyond a 'do-no-harm' perspective by engaging with our entire value chain to promote carbon neutrality

We quantify all negative externalities and offset them throughout the supply chain

We ensure that access to remedy is in place in the event of adverse human rights impacts

We take full responsibility for goods/services throughout the value chain and beyond their point of sales, transitioning to a circular economy business model that retains resource value and creates added value.

Supporters of the 'do-no-harm' approach make the assumption that measuring the negative effects of companies' actions and averting, or at least minimising them already represents a significant step forward. Proponents of the 'repair' and 'regeneration' approach, in turn, consider that public opinion and many companies have become more mature and responsible and are now committing themselves to actions. Calling for a 'do-no-harm' approach, they argue, could prompt the most advanced companies to disengage. In addition, they expressed concerns about encouraging companies to offset their environmental damage, as a 'do-no-harm' principle at the global level would do, saying this could lead to greenwashing strategies or unconscious licenses to pollute.

Some participants experts in circular economy insisted that there is no time for a transitional phase: *"What is needed is a revolution, not an evolution!"* That might be particularly true in the fight against climate change or social inequalities.

In the eyes of these participants, circularity would be the perfect path to systemic change. This would mean shifting from a linear economy based on 'take-make-waste' and 'planned obsolescence' models to a closed-loop system. It would also mean minimising the use of resource inputs and the creation of waste, pollution, and carbon emissions. Advocates of circularity assume that circular business models can be as profitable as linear models and allow consumers to enjoy similar products and services.

"Allowing consumers to enjoy similar products and services" is another way to say that common good can be profitable if and when companies fully embrace this new mind-set".

We become innovative each time we encounter a global breakdown. Today we all understand there are some planetary boundaries that we should no longer cross. And we all know that there is an urgent need to innovate to provide net positive alternatives to the current system. Better understanding natural cycles, as the circular economy does, helps us shape the right innovations.

Alexandre LEMILLE
Anthesis France

Public Value Labs™ witnessed intense discussions on what profit is, or should be. Some participants said:

"It's about "conscious capitalism".

Others insisted on describing profit as *"capitalism with a human face".*

In any case, people -not money- were seen at being at the centre of profit, and the very meaning of profitability was re-evaluated by questioning the current economic growth model.

"Public value is profit, both financial and non-financial".

"Profit is what benefits society and the environment".

"Is infinite growth possible?"

"Value NOT growth!"

"There should be transparency in how companies earn and use our money".

Lab participants said they believed profit could derive either from progress and innovation, or from exploitation and extraction of resources. They eventually agreed on progress, innovation, and well-being. Some even suggested drafting a "chart of commitments" instead of Public Value Principles, thus underlying the importance of personal and corporate values.

"Values are key to our narrative – You don't run your family on KPIs!"

Shaping a new incentive system

Although they were aware that they were anticipating the future needs of companies, lab participants nevertheless agreed that an incentive system would be key to convincing corporate leaders to embrace public value.

When listening to lab participants, it became clear to us that incentives for change are to be found among stakeholders, including society and the environment. Participants emphasised that companies create value through their business and that stakeholders help them optimise their public value. However, stakeholder relations today are closer to branding and reputation management than to corporate strategy. But this could change should the public request a greater role for business in shaping the common good.

Measurement is another key incentive. For most companies the difficulty lies in switching from a quantitative system that emphasises growth to a qualitative—or hybrid—system that focuses on impact. As substantial investment in training and IT is needed to shift both mind-sets and software before any result can be achieved, most companies wait for regulators or investors to start requesting data on their non-financial impact.

If it's not measured, it's not done! Decision-makers need to make sure that their performance metrics and compensation structures are linked to ESG issues and their company's impact. This would be a good approach to make change happen.

Pyarali JAMAL
ESG Adviser

Transparency and measurement

Transparency is key to establishing and/or restoring society's trust. Measuring the impact of corporations on their respective stakeholders (including potentially neutral or negative impact) and reporting transparently and regularly on this issue are prerequisites for building a trust relationship.

When co-drafting Public Value Principles, lab participants repeatedly pointed to a critical need for transparent measurement to restore trust. They urged that each principle should be measurable and open to transparently defined metrics.

We strive for end-to-end transparency to establish trust

A number of lab participants discussed whether it would be wise to request that companies and corporations be open to independent monitoring. As an alternative, they eventually and pragmatically agreed to call on companies to proceed with general audits and suggested that a Chief Ethics Officer should be appointed with both consulting and controlling roles (some participants were in favour of appointing a Chief Values Officer).

We are open and proactive in welcoming independent partiesto scrutinise and verify public content which we disseminate

Leading by example and role modelling starting from the top was also considered a prerequisite for building trust, both inside and outside companies.

We walk the talk: we measure, audit, share

Measuring public value

Unlike what is commonly believed, there are enough non-financial performance indicators. To create a new measurement system is no longer the issue, as many consulting firms have already developed their own systems. Rather, the challenge is to avoid confusion as the list of indicators is now overwhelming, making it difficult to understand which ones fit society and the environment best[71]. In addition, International Organisations, such as the EU, have developed their own ESG performance indicators to measure impact[72].

Overall, if we agree that, behind the public value narrative, measurement is key to implementing systemic change, hardships remain that arise from the multiple ESG criteria, making it difficult to compare companies' assessments and to comfort the public's perception of greenwashing.

To measure public value creation, investors should rely on performance indicators that go beyond the ESG silos. To be trusted, new indicators ought to highlight a systemic change. As of today, the indicators that best correspond to public value are those that were developed by International Organisations researching society's well-being. We have discussed above the OECD Better Life Initiative[73]. UNECE has also developed a comprehensive selection of indicators based on sustainable development indicators used in various national and international datasets. In its thematic categorisation, UNECE considers the following four dimensions:

- Human well being ('Here and now')
- Capital ('Later')
- Transboundary impacts ('Elsewhere')
- Policy relevant indicators[74]

Should they be widely adopted, such indicators would shape a new mind-set among public and private policymakers, the global economy would be less driven by financial profit, and people would feel that they are at the centre of their country's development. They would have a clear role to play for their personal well-being and would leave a positive legacy to future generations.

Is it just wishful thinking? We have already mentioned that some International Organisations publicly acknowledge that the current economic system may reach its limits in the very near future. The OECD, for example, has documented sources of inequality in its Member States and has focused on how much the living standards of nearly half the world's population have remained stagnant over the last two decades. In 2018, the OECD published a report (A Broken Elevator? How to Promote Social Mobility) which shows that it takes five generations for a kid at the bottom of the income distribution to move to the middle. This report also shows that the majority of middle-class people have seen their income remain completely flat, while the cost of living, health, and education has been growing steadily[75]. The facts are there and the call for action is very clear.

In her 2019 interview with **YOUR PUBLIC VALUE** Gabriela Ramos said: *"The growth model we [the OECD] have been following up until now has probably got a little bit confused because we have developed metrics that were supposed to become a mean to an end and therefore GDP per capita, trade-openness, investment flows, trade exchanges became an end in themselves. The 'grow first, distribute later' mantra is also part of the equation. We know now that this growth model is not delivering, it is not delivering for the people and it is not delivering for the planet. We had to become multidimensional, we need to avoid silos, we need to look at things that are important for people (health, education, social connection)".*

The Global Peter Drucker Forum, the Global Solutions Initiative, and the Harvard Business Review Case Studies report regularly on companies that go beyond their narrow mandate to maximise profit and shareholder value, and focus on developing positive impact in communities where they operate[76]. Business alliances or International Organisations are at the origin of other interesting initiatives. For example, the OECD, Danone, and Business for Social Responsibility have partnered to launch a joint platform to strengthen inclusive growth through public-private collaboration[77]. CEOs and sustainability experts strongly emphasise the need for cooperation and synergy among like-minded[78].

Creating synergy

As a consequence of the ongoing climate and health global crises, business face a two-fold challenge: on the one hand, they have to ensure the continuity of their board strategy and, on the other hand, they must respond quickly to the ongoing changes. This has resulted in breaches and cracks in corporate strategies, as well as some confusion about their traditional positioning and purpose.

All of a sudden, we saw a patchwork of initiatives hatch in the name of the common good. How can one actually build synergy when there are so many different initiatives competing for the most visible common good label?

"How am I supposed to get on board of all these initiatives and develop a common narrative when they all have a different pace and objectives?"

The answer of lab participants was to rely on cooperation and collective action. Yet, the question remains: on what basis and to what end should companies cooperate?

The first thing that comes to mind is the cooperative model. Cooperatives are organisations that are led by values and influenced by stakeholders. There are close to three million cooperative businesses worldwide co-owned by some one billion members. The ownership of cooperatives rests with people who participate in the business, be it staff, customers, suppliers, or a mix of those (in multi-constituency cooperatives).

In an interview he gave to **YOUR PUBLIC VALUE** in June 2019, the then vice-president of Cooperatives Europe, Ed Mayo, explained that cooperatives are economic businesses classically based on member value[79]. In the mid-1990s, however, cooperatives started to consider their set of values and principles not just as 'member value' and committed to caring for communities and sustainability with an emphasis on education.

"That commitment to values as being core to business is a very distinctive element of cooperatives". Mayo said. Cooperatives do best in food and farming; there are also very successful banking cooperatives around the world[80]. Cooperative members talk of 'cooperative value' that, in essence, is very close to public value.

"All organisations are based on values, but not all are based on public value", Mayo continued. There can be companies based on values of greed, patriarchy, or unfair competition such as corruption, bribery, or embezzlement that apparently do not take ethical values into consideration. As many sustainability challenges call for ethical responses, which are universal values, what is needed is a sense of alignment where values become powerful because they are strong intrinsic sources of motivation. When people see their values reflected in the values of the company, in the workplace, or in service, offer, it can be quite powerful.

Every business can benefit from being more 'cooperative', giving a sense of ownership to staff and customers, having a strong sense of purpose, a commitment through a set of values, and collaborating with other businesses (cooperating with other cooperatives is one of the seven principles of cooperatives worldwide). But being 'cooperative' means sharing responsibilities, and this is often where cooperation is challenged.

"Sustainable development means a reallocation of responsibilities", Mayo explained. *"There has to be an engagement between consumers and across consumers, and between consumers and companies, and then policy-makers and other parts of the chain that actually move things on to a different footing that can be transformative. In cooperatives, people have different identities and accountability reflects the complexity of those identities".*

From a broader perspective, creating synergy will come from strengthened partnerships between corporations and stakeholders: one obvious axis for improvement is enhanced collaboration within companies. Effective leaders make a real difference when they succeed in making teamwork a reality and developing individuals' collaboration as a soft – but key - skill to manage complexity in uncertain environments. Not to mention the much-needed partnerships between business and the public sector which must supplement one another in terms of expertise, resources, and approaches. Citizens want to see a more virtuous public-private cooperation that serves the common good.

If companies still need to generate surplus to take their business forward, modern accountability today requests that stakeholder relations become one of the driving forces and that non-financial profit be considered as an inherent part of reporting. As most accountability paradigms are shifting, it has become urgent to consider bridging societal and environmental needs, improving transparency of organisations' impact, both positive and negative, as well as of their cooperation with partners.

> *Paradigms are shifting. It is so critical that the public value is at the centre stage in order to influence meaningful, measurable and genuine change. Adopting a public value mindset means taking a holistic approach when making decisions to deliver a positive legacy. This means pushing harder than ever to ensure society's wellbeing, the common good and the planet are at the heart of decision making to make public value a living reality for people everywhere.*

Jessica VERDON
Multiplex Constructions

YOUR PUBLIC VALUE

PUBLIC VALUE PRINCIPLES & GUIDANCE FOR IMPLEMENTATION

The co-created Public Value Principles represent a shared understanding of what companies ought to do in order to protect the common good, human beings, and the planet. Although in all nine Public Value Principles the word 'we' refers to companies as collective bodies, we should consider that all and each of us, together with society and the environment, have similar duties and responsibilities to contribute to public value creation. They also articulate how we can join forces to protect and buttress the common good. We all have a role to play in shaping a constructive dialogue between business and society.

We, at **YOUR PUBLIC VALUE**, consider that it is essential to identify the drivers of non-financial reporting so that companies can regularly and transparently report on their progress, investors get clarity, stakeholders control the reputation of their preferred company, civil society monitors progress, and regulators draft appropriate rules and regulations.

These drivers can be found in the nine Public Value Principles detailed below. They do not, however, constitute a rigid measurement grid. Nor are they a communication exercise. Companies can certainly choose to communicate to the public how they add value to society. But sustainability-driven business models, associated with a long-term vision, are the real drivers. Taken together, these principles form a healthy space, a framework that can help decision-makers adjust their corporate strategy to future changes and operate in the long term.

While co-drafting the Public Value Principles, participants gave the following recommendations:

- There should be a balance between high-level and prescriptive principles.
- An additional mechanism to measure change is needed.
- We take it for granted that companies will adapt the principles to their respective context and ecosystem.
- The final list encompasses both aspirational and actionable, reactive and proactive principles, without any hierarchy or causality among them.

WE GOVERN, LEAD, AND RUN OUR COMPANY ON THE PRINCIPLES OF FAIRNESS, RESPECT AND INCLUSION FOR THE BENEFIT OF SOCIETY

What participants underlined:

- Each verb represents a level in companies (boards govern companies, executives lead them, mid-level managers and employees run them). Those at the operative level and frontline are often those deciding if change really happens, e.g. serving all customers equally, separating waste.

• With this principle, which they explicitly required to put first in our list, participants meant that corporate leadership needs to transform and consider benefitting society as a top priority;

• The environment is not specifically mentioned here, as participants considered that a healthy environment does benefit society.

• It is the responsibility of corporate leadership to create working and operating environments that foster diversity and inclusion (gender, sexual orientation, race, ethnicity, social background, culture, language, cognitive and physical ability, age, literacy), ensuring there is no discrimination.

What is at stake:

• The well-being of employees and stakeholders is a basis for the well-being of society as a whole.
• Acting with fairness is key to effectively reduce inequalities, a major source of public distrust.

What we recommend:

• The Compliance Department is empowered to do research independently from the executive management and report directly to the Board.

• Companies consider recruiting an external Ethics Counsel to advise them if/when required;

• Every other year, companies report on the implementation and effect of their corporate values in an 'Impact Report'.

WE EMPOWER INDIVIDUALS AND LEAD BY EXAMPLE AT ALL LEVELS

What participants underlined:

• Empowering goes beyond enabling; it is about giving individuals a voice, protecting their financial and psychological safety, offering them opportunities to self-fulfil, and strengthening a bottom-up culture.

• Corporations play an increasingly critical role in developing employees' skills, upskilling or reskilling them to enhance their employability and resilience.

• The senior leadership model behaviours and values throughout companies; codes of conduct should include such values.

• There is accountability at all levels of the organisation, but it is up to the company to assign specific roles. When it comes to senior leadership, it is their responsibility to put the company's interests first, and not their own/personal agenda.

• Leadership by role-modelling, 'walking the talk', at all levels of the hierarchy is key for success. This applies in particular to top-level management.

What is at stake:

• Leading by example is one of the key conditions to restore trust towards leaders and institutions.

***What we recommend**:*

- We encourage business to tie codes of conduct to compensation, so that codes of conduct are taken seriously and broadly implemented.
- Business should request leaders and managers to develop individual skills related to ethical analysis, psychology, and cross-functional education.
- Business should train engineers and software developers on ethical skills beyond technical skills.
- Make compliance with the values of the company and leading by example KPIs of senior management job descriptions.

WE ACKNOWLEDGE INDIVIDUALS AS THE OWNERS OF THEIR DATA AND THEIR PRIVACY AS A HUMAN RIGHT

***What participants emphasised**:*

- With digital technologies, new challenges and risks arise: digital technologies have a negative environmental footprint, lead to social divide, threaten democracy and human rights. There is a risk to overlook this area.
- Ownership and privacy of individual data ought to be respected and protected like any other human right. As the power of the GAFAM indicates, data has become the new 'black gold' and a major fuel for the world economy. They have a huge potential in terms of achieving the SDGs, but individuals should also be able to monetise their personal data.
- Every business is a 'software company': all businesses collect individual data (client, employee, stakeholder data); they use and develop software and are able to do a predictive analysis of individual behaviours using data and algorithms.
- Informed consent is a well-known concept in the healthcare industry: medical staff tell patients what may happen to them and obtain written consent before undergoing any procedure. We need to apply informed consent more universally in the digital realm so that companies keep the public informed of the consequences and benefits of data use. This would go beyond existing legislations, in particular Europe's General Data Protection Regulation (GDPR).

***What is at stake**:*

- Respecting privacy as a human right is key to democracy. Business has a duty to secure free and informed consent for the benefit for society.

***What we recommend**:*

- Business should be transparent in regards to the acquisition, storage, transmission and use of individual data.
- Business should get individuals' informed consent and commit to the respect and protection of their privacy rights.

WE ENABLE AND EMPOWER HUMAN OVERSIGHT FOR AN INCLUSIVE, TRANSPARENT, AND ETHICAL USE AND APPLICATION OF TECHNOLOGIES, DATA, AND KNOWLEDGE

What participants emphasised:

• Concerns about the pace and extent of digital transformation led participants to reaffirm the need for designing a human-centred corporate governance in order to protect individuals against being 'ruled by data'.
• Development of digital skills is key to reducing the digital divide and global inequality;
• Digital technologies should mirror human values.

What is at stake:

• Public value creation means relying on digitalisation not as an objective per se, but for the benefit of society, the environment and corporate governance.
• Progress, including scientific and technological breakthroughs, should leave no one behind. Companies should consider respecting human diversity, human dignity and human rights a top priority.

What we recommend:

• Digital technologies being complex and including many dimensions, software engineers should undergo ethics training.
• Leaders need to fully understand the opportunities and risks of digitalisation and its potential impact on society, the environment, and human beings.

WE SEEK CONTINUOUS IMPROVEMENT AND BUILD TRUST BY MEASURING, AUDITING, AND SHARING INTENTIONS, ACTIONS, AND IMPACT TRANSPARENTLY AND REGULARLY

What participants emphasised:

• Principles do not always need to focus on concrete results, 'intentions' are also a building block of trust.
• Connecting trust and impact to each other demonstrates a new ambition and makes this principle one of modern accountability.
• Measuring and auditing on a regular basis is instrumental in keeping organisations in motion, while improving and correcting their strategies and operations.
• Companies must 'walk the talk': good governance requires aligning words with deeds. declarations of intent are not enough; when consistent actions do not follow company statements, a suspicion of green-, social- or public value-washing gives room to distrust.
• Transparency requires from companies that they share their KPIs, outcomes and results, and be open to independent monitoring (see first principle).

What is at stake:

• Stakeholders can assess a company's efficiency and performance in creating public value for all and each of them.

What we recommend:

• Companies define their own sets of metrics that are adapted to their respective activities and sector, but also are accessible and easy to understand, and allow for benchmarking.

WE COMMIT TO CORRECTIVE ACTION IN COLLABORATION WITH OUR PEERS AND STAKEHOLDERS AT LARGE FOR ANY NEGATIVE IMPACT THROUGHOUT OUR VALUE CHAIN

What participants emphasised:

• This principle was the result of intense discussions on corporate responsibility and value chains. At first, participants were concerned about CEOs rejecting all principles that would carry a liability risk and any mention of corporate responsibility. They cited cases where CSOs sued governments that were not abiding by the principles they had previously adopted[81]. Later on, participants referred to Walter R. Stahel, one of the thought leaders on circular economy[82], and agreed that 'responsibility' was not too strong a word since it already existed in CSR.

• Committing to corrective action' carries a sense of 'moral responsibility to take action' without the legal risks of accepting full responsibility for negative impact produced by third parties[83].

• Rather than 'supply chains', participants opted for 'value chains' to acknowledge small companies that cannot control their suppliers.

• Stakeholders should be divided into two groups:

• People who have an interest at stake

• People who are affected by corporate behaviours

What is at stake:

• This principle should be understood as an incentive to go beyond the current lack of awareness of Tier-3 or Tier-4 suppliers in complex or global value chains.

• It sends an aspirational message to the most progressive business leaders who would thus be willing to adopt measures to alleviate any negative impact they witness in their ecosystem.

What we recommend:

• Every company should strive to identify all its stakeholders, including the less visible ones, and make sure that the interests of each stakeholder are represented, keeping in mind that impact can always be broader and deeper than expected.

• Companies open a channel for dialogue with all stakeholders, set up a community of like-minded individuals, discuss the needs of impacted communities, and co-create action plans for corrective actions.

WE ARE ACCOUNTABLE FOR MAKING A POSITIVE CONTRIBUTION TO THE SOCIETIES IN WHICH WE OPERATE THROUGH OUR BUSINESS MODELS

What participants emphasised:

• Public value creation is about designing and operating sustainable business with long-term views, hence the need to refer to it in business models. Making a positive contribution per se is never enough, as it can be perceived as a 'CSR department exercise for public relations objectives'.

• Reference to a 'positive contribution' is essential to differentiate virtuous business models that rely on human values. Participants insisted on mentioning that the company's positive contribution to society should be engraved in the business model.

• Global corporations or newly created start-ups in social economy have the same duties towards stakeholders. Participants argued that this principle is part of the social contract companies should discuss with stakeholders.

• Participants insisted that needs and impact were to be categorised at community, societal, and global levels.

What is at stake:

• Companies get a "licence to operate" only when making net positive contributions to the societies in which they operate.

What we recommend:

• Link stakeholder relations with long-term value and business sustainability.

WE STRIVE FOR SYSTEMIC IMPROVEMENT TOWARDS CIRCULARITY AND REGENERATION WITHIN PLANETARY BOUNDARIES

What participants emphasised:

• It is urgent to make change happen; lab participants wanted companies to set a higher ambition in their contribution to common good. Companies need to go beyond the minimalist approaches of 'do-no-harm' and 'repair' policies and embrace the 'regeneration' and 'circular economy' models.

• 'Do-no-harm' supporters make the assumption that measuring the negative effects of companies' actions and minimising them already represents a significant step forward. 'Repair' and 'regeneration' proponents consider that public opinion is mature enough, as are numerous companies who are now engaging in reforestation and other positive actions.

• Some participants objected that this principle could lead to open 'greenwashing' strategies or unconscious licenses to pollute.

• Experts in circular economy insist that there is no time for a transitional phase, particularly in the fight against climate change and social inequalities. In their view, circularity would make the systemic difference that is required: it would help shift the economy from linear 'take-make-waste' and 'planned obsolescence' models to a closed-loop system minimising the use of resource inputs, waste creation, and carbon emissions.

What is at stake:

• A paradigm shift that would consider every company's ability and speed to transform, with the aim to bring together all players and contributors of public value creation.

What we recommend:

• Consider including circularity and regeneration as long-term corporate objectives to drive companies' transformative policies.
• Consider both local and planetary boundaries when designing and operating business models.

WE ASPIRE TO AN INCLUSIVE GLOBAL SOCIAL CONTRACT THAT WILL IMPROVE THE LIVES OF PEOPLE LOCALLY AND BEYOND

What participants emphasised:

• All companies should develop guidelines to continuously improve their relationships with stakeholders.
• Participants considered drafting a social contract as a way to present companies with long-term aspirational goals, which are able to match their needs with those of society, the environment, and all stakeholders.
• A social contract sets the ambition of public value creation for the benefit of all and each of us. It goes beyond companies' immediate operational rights, duties and commitments by defining a general aspiration that can model longer-term, sustainable business strategies.
• Drafting a social contract is seen as a matter of both corporate governance and accountability.
• The COVID-19 pandemic has made the need for a reviewed social contract more urgent than ever.

What is at stake:

• Giving a human face to the current economic system.

What we recommend:

• Any inclusive social contract leads to designing new governance schemes and implementing new business models. We recommend in-depth dialogue and co-creation of improved governance schemes and a social contract with all stakeholders.

YOUR
PUBLIC
VALUE

CONCLUSION: THE PATH TO SYSTEMIC CHANGE

When we launched our Public Value Labs™, we intended to invite experts with different backgrounds and professions to share experiences, best practices, beliefs and ambitions in order to build a realistic, albeit ambitious, framework of corporate accountability. Throughout the entire co-creation process, discussions reflected a strong willingness to speed up the pace of change and mitigate the current frustration, as the world is still not on track for the 2030 UN Goals. Although they felt the same sense of urgency, lab participants had enough experience and pragmatism to engage their peers in attainable objectives.

"The principles provide a great framework and a key challenge is now to put them into action. I consider it essential to now build Public Value Principles into all our actions as companies, civil societies, and government."

Harriet LAMB, Ashden

Change is inevitable. The question of its pace and reach remains. For this to happen, business will have to demonstrate a willingness to understand profit differently. The further we advanced in the process of co-creating Public Value Principles, the clearer it appeared that there is a need for a paradigm shift in governance, resource allocation, stakeholders' consideration, and power balance. Here are the main elements of this shift:

- Consider positive contribution to society and the environment at the core of corporate governance, instead of favouring the interests of one or several groups of stakeholders. Business needs to create value for all and each of us, including society and the environment;

- Integrate public value objectives into companies' business models and value propositions, and select sets of metrics relevant to companies' sectors and specificities;

- Foster dialogue and participation with stakeholders and create ecosystems to share data, skills, behaviours, and principles – building partnerships with governments and the public sector is part of the solution;

- Innovate to create or preserve public value while staying human-centred;

- Value stakeholders' contribution, including from the least visible ones, for the benefit of society, the environment, and the whole ecosystem in which each company operates;

- Favour regeneration and circularity to get a refreshed licence to operate;

- Help business leaders develop a long-term vision for sustainability.

Let us not forget that all the experts who participated in our Public Value Labs™ are also citizens, executives, employees, academics, freelancers, managers, someone's parents, grandparents, or children. They were a fascinating driving force articulating all possible arguments to convince their peers. But we could not decide whether Public Value Principles were instrumental in producing the common good, or whether what produced the principles was the common good. A 'chicken or egg' causality dilemma…

YOUR PUBLIC VALUE

LIST OF USED ABBREVIATIONS

BRT – Business Round Table (Washington, DC-based NGO)
CSR – Corporate Social Responsibility
EC – European Commission
EP – Equator Principle
EPFI – Equator Principle Financial Institution
ESG – Environmental, Social, and Governance
ESG/D - Environmental, Societal, Corporate Governance / Digital (used in Public Value Labs™ only)
EU – European Union
GDPR – General Data Protection Regulation
OECD – Organisation for Economic Co-operation and Development
PRI – Principles for Responsible Investment
RBC – here, [European Working Group on] Responsible Business Conduct
SDG – Sustainable Development Goal. The 17 SDGs are often mentioned by their number: SDG1, etc.
TBL - Triple Bottom Line
TCFD – Task Force on Climate-related Financial Disclosures
UNECE – United Nations Economic Commission for Europe
UNEP FI – United Nations Environment Programme Financial Initiative
UNFCCC – United Nations Framework Convention on Climate Change [entered into force in 1994]
UNGC – United Nations Global Compact
UNGP – United Nations Guiding Principles on Business and Human Rights
WEF – World Economic Forum

ENDNOTES

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Coulloudon's blog on LinkedIn and Your Public Value's website: https://yourpublicvalue.org/the-quest-for-trust
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by McKinsey & Company and The Boston Consulting Group. The group of global consulting firms is increasingly called the Big Five.

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As reported by the Stockholm Resilience Center, the four planet boundaries that have been crossed due to human activity are: climate change, loss of biosphere integrity (biodiversity), land-system change, altered biogeochemical cycles (phosphorus and nitrogen).
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