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Gary Baker: Today, we're speaking with Bruce Simpson. Bruce is an advisor on ESG and purpose, helping companies deliver positive societal impact and long-term shareholder benefits through their core business. Bruce is a senior advisor at McKinsey & Company, a global management consulting firm, where he has worked for over 33 years. Previously, the managing partner of McKinsey's Canada office for eight years.

Convened the firm's global practice for six years. Served 12 years on McKinsey's global board and led McKinsey's global purpose and the ESG practice. He currently is a senior advisor to two fast-growing truly distinctive ESG companies, Tomorrow.io, a weather intelligence company, and Quadfi, a fintech, focused on financial lending to immigrants. Bruce earned his bachelor's of law and a master's of law in international law and legal studies from the University of Cambridge. Also earned a master's of international studies from the Lauder Institute at the University of Pennsylvania and an MBA in international global studies from the Wharton School. Bruce, welcome to *Sustainable Minds.*

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Today, we're speaking with Bruce Simpson. Bruce is an advisor on ESG and purpose, helping companies deliver positive societal impact and long-term shareholder benefits through their core business. Bruce is a senior advisor at McKinsey & Company, a global management consulting firm, where he has worked for 35 years. Previously was the managing partner of McKinsey's Canadian office for eight years.

Convened on the firm's global operations practice for eight years, and served 12 years on McKinsey's global board. You also led McKinsey's global practice on purpose and ESG, the key topic we're going to talk about today. Currently, you're a senior advisor at Blackstone, the world's largest alternative asset manager. You're advising, you're a senior manager to two fast-growing truly distinctive ESG companies, Tomorrow.io and Quadfi, which I'm really interested in.

You earned a bachelor's of law and a master's of laws in international law and legal studies from the University of Cambridge. You also earned a master of international studies from Lauder Institute at the University of Pennsylvania and an MBA in international global studies from the Wharton School. Bruce, welcome to *Sustainable Minds.*

Bruce Simpson: Thank you, Gary.

Gary: Tell us about how you arrived at this career or may I say a calling?

Bruce: It was definitely a calling. My parents were Arctic explorers and much of my childhood was spent in the Arctic canoeing in the fjords in front of the icebergs and living with indigenous peoples up there. That gave me a real love for the wilderness, as well as a sensitivity to its fragility. Many places we can get to with our kayaks now are not on the map because they were under 100 feet of ice just a few decades ago. You can see this happening.

There are glaciers in Greenland moving three feet every hour. Such is the speed at which the central ice cap is melting. That gave me a love for ESG. When I was at university, there wasn't actually much happening. I came out of Cambridge in '83, couldn't get a job in what would've been described the ESG space back in the '80s. I fell backward then into McKinsey, but with a determination not to serve clients in a traditional way, focusing on their economic performance but always to bring in this focus on broadening the aperture, finding ways for companies not just to deliver for shareholders but also broader stakeholders.

Quickly discovered that individuals when they realize that what they would see as mundane day jobs can actually have a positive impact on the planet, if they change, for example, some of the materials they use or an impact on people because products can actually serve the underserved communities, for example, in the financial services sector, then that adds meaning and purpose not just to those communities but to the people delivering those products and services.

One of the biggest challenges in the business world today is that 70% of the workforce is not actively engaged. They don't actually care very much about their job. As a result, they bring to work discipline, rigor, and obedience, but they leave at home initiative, creativity, and thinking out of the box. This purpose and ESG focus enables individuals if they can link their individual purpose to what the company is doing in the company's brands, then all of a sudden, they're four times more likely to be engaged.

That was a big discovery for me. In the latter part of my McKinsey career, ESG became a thing and with some colleagues, we were able then to create this practice dedicated to helping companies identify great ways in which they can leverage their strengths for the benefit of the planet and its people and also deliver for shareholders. Companies that don't make money quickly become extinct, so It is about finding a win-win.

My insight, if you like, is that companies that do link their strengths to a societal need and deliver on a societal need, will find customers that will pay for new products and services. As a result, there can be a win-win. If you like, I focused on Aristotle who gave advice which was where your strengths overlap with society's needs there lies your vocation. It's all about helping companies identify what are those strengths, and then delivering against them to define their contribution and then do great things for their shareholders and stakeholders.

Roxanne "Rocket" White: Before your time and now you're living in the explosion of it.

[laughter]

Bruce: In simple terms, I was an athlete too in my teams. I shifted from athlete to activist, wanting to be the best in the world and on the podium for a day, to be the best for the world every day, which is infinitely more doable. Any of us can be the best for the world every day. Then more recently as I'm now focusing on coaching and mentoring management teams, it shifted to bringing great love to small things in the service of others, which again even little old me, I can't always do great things, but we can all bring great love to small things in the service of others. I think that's my thing.

Gary: That's fabulous. Being in the service of others, you either have it or you don't. I imagine you can find it. I imagine you can have an epiphany. It's you're either wired for that or you're not. I have found for us, and I think Rocket and I really share this, of being in service for others in our business. I'm really glad to hear that. A question here, why is stakeholder capitalism, purpose, and ESG are increasingly important, but what forces drive these? I know we just touched on it slightly, but I want to know about the forces that drive these.

Bruce: There are several forces that are underneath these. Now, back in the '70s, it was all about shareholder capitalism. Life was simpler back then. Milton Friedman famously said, "The business of business is business, but they should operate in an environment which the government regulates." Now, more recently, of course, we added a different word before the word capitalism. It's not shareholder capitalism, it's inclusive capitalism or stakeholder capitalism, or woke capitalism if you are a cynic.

Why is that happening? It's happening because there are a number of crises that we have not been able to solve with the existing shareholder capitalist model. These governments which the shareholder capitalism model relies on to regulate just can't get these crises solved. The environmental crisis for one, we all talk about net zero by 2050, but we have to get halfway there by 2030. Regulation isn't happening fast enough and already COP26, which is in my hometown in Glasgow in Scotland, company targets are now ahead of government targets.

That's great because people are saying, "Wait a minute, governments aren't getting it done, maybe companies can," and they're putting their faith in companies. Similarly, there's a social crisis, that shareholder capitalism miserably failed to solve. The old shareholder model only made a few people rich. Front-line wages in America have not gone up in real terms in 40 years.

Gary: 40 years.

Bruce: The share actually of revenue going back to pay the labor pool has actually gone down in America by 15% in the last 15 years. Black families have a tenth of the wealth of White families. Only 50% of workers in the Russell 1,000 can actually afford to pay for a family of three even with both parents working. Such is the poverty we have amongst the real people doing the real jobs. There's a social crisis. To solve that social crisis, companies that are actually paying or not paying enough to the front line need to step up. Then there's a governance crisis.

When you have the US government, Congress with less than 20% approval rating, people are looking at America, which is close to becoming a failed democracy, where there's so much polarization, we can't get much done. Thank goodness Biden managed to get his bill through recently on the environment, but that was a close shave, of course. For these reasons, people are saying, "Look, it's urgent to solve these crises, we can't expect governments to do it all.

They also have their hands full with COVID." Now 87% of people believe that companies-- their expectations of companies are the same level as governments in terms of delivering for society. They've simply shifted their focus to companies. In addition to that, labor markets are tightening. We've never seen so many unfilled positions in America. That's demographics, it's actually affecting that to attract workers to fill some of those jobs. You'd better be offering those workers more meaningful employment, more pay, and more benefits.

That's actually driving companies to step up. Then, of course, there's generation Z, and now a quarter of the workforce-- this is a generation which interestingly, isn't as involved in traditional societal activities. The boy Scouts, the girl guide, church. They don't do community stuff outside of school, but they still have aspirations that they then bring to their employer and they expect their employer to deliver societal benefits and meaning and purpose at work. They'll take a pay cut to work for a company that really has seemed to have a strong societal meaning and purpose. They're driving some of that pool, some of that demand in companies also to step up in this space of ESG.

Famously, the business round table, it's what, 200 CEOs or some 2019, they made that statement that we are now going to operate also for the broader stakeholders, and that's terrific. I think more recently what's reinforcing all this too, is we have a number of outlier companies showing you can do this without leaving shareholders at the altar. If you can push your returns timeline out to six, to seven years, you will make more money from this type of approach, the stakeholder capitalism approach, than you can from the more narrow shareholder approach.

Gary: There has to be a huge monumental shift in the financial markets to reward that. Hopefully, we can get there. There's also a lot of activism and tension on several fronts. What are your thoughts on that?

Bruce: Lots of activism. You have worker activism, which is driven by worker scarcity. They have more power now to negotiate higher wages. They will leave their job if they aren't earning a living wage. We've never seen in fact, so many people quit their jobs since records were passed as they are doing over the last few months, and that's largely about pay. On the other hand, companies that pay a living wage will have 30% less attrition because of the business case for increasing frontline pay, but you see worker activism pushing for better benefits, better pay, better training, and development, and so on.

We're also seeing increased activism amongst consumers. Consumers that are now able to use the internet have democratized the ability of people to really see whether companies are living up to their commitments on the environmental side. It's not hard now to check whether what a company actually says in its statements is what the company does through its product that its marketing and that's helped, consumers. 44% of consumers are now boycotting a product. Not because it doesn't work, but because the brand, the social stance, or the societal stance of that brand doesn't fit their personal stance.

They're boycotting a product and they're using social media to encourage others to boycott the product too. We're also seeing activism from CEOs. CEOs are now expected by their workers to take a stand on societal topics, and we've seen that. Disney, for example, in Florida, took a stand against a, don't say gay legislation, which got the CEO in all sorts of trouble with the local legislature in Florida. There was pressure from employees to step up and take a stand. We're seeing that too. Ben and Jerry's ice cream famously have been arrested several times as part of what they do, and they have a very loyal following.

We're seeing CEO activism that is creating tension. It is now part of the job. They just need to pick carefully, of course, topics to take a stand on which of course, if they're closer to what the company actually does, that's a bit easier. If they have the full backing of their employees and of course that's strong too. Then there's also activism from regulators, the SEC taking on Goldman Sachs, just a couple of weeks ago. BNY Mellon, Deutsche Bank in Europe, for misrepresenting ESG funds or the companies that are in that fund and how they actually calibrate whether they really are ESG-friendly companies.

More regulatory activism. Then finally, I would say, this is interesting too, investors have shifted their view from purpose to ESG being just about risk. Reducing risk by, for example, using your carbon footprint or more disclosure, but they're now seeing it as value creation. They are being more activist with, for example, proxy resolutions for board members, management teams, and so on because they can see that if companies move in this direction of the ESG and stake stakeholder capitalism, they will actually be more successful, they'll have a lower risk. They're also pushing in the right direction.

Gary: I'd love to know from the get-go when we talk to corporations, do they see this as a risk mitigation need, or is it a value creation opportunity? Where is it in their heart and soul as human beings, because corporations are only led by human beings? What's their point of view on that?

Rocket: It usually cuts away the people who are doing it with purpose, with focus and really making that difference from the people who are just slapping a purpose up on the wall and some values, and that's the extent of the exercise.

Gary: Look, it's a great question. I did a great series of conversations with CEOs with *Fortune* magazine. It was last year, I think. We talked to, I think, 50 or so CEOs who said they're actually spending 50% of their time on this topic. This is absolutely squarely something they're spending tons of time on. They shared a number of things but one was, where they feel that the purpose or the stance of the company is something that really fits with their personal psyche, then they can defend it to the hilt. They can feel congruent, which increases trust.

The people will see through a veneer, which is not real, but where the purpose is real, then it's because the personal stance, the personal beliefs of the CEOs, and the top team actually match the stance that they're taking externally. Where they have made that stance, that has often led to gutsy decisions where a company stops doing something. For example, CVS Health stopped selling tobacco. Dick's Sporting Goods, stop selling types of weapons. IKEA, reinvesting a lot in recycling. LEGO, shifting from plastics in the LEGO bricks into using a material made from sugar cane so it can be recycled and reused and so on.

We see companies taking a stance that is costly in the short term, but which then pays out because customers are more loyal to them. It does often require that what they say be backed up with what I call a stop do. They're going to stop doing-

Gary: That's right.

Bruce: -something direct hitting the bottom line, or doing something that costs more in the short term pays out over a longer period. PayPal and IKEA, are good examples. They increased frontline pay by 17%, and 20% because they realized that their frontline workers after paying for food and rent only had 4% of disposable income left. This is the case with PayPal. The CEO said, "That's not good enough." They increased frontline pay, they invested in training, and they made their employees shareholders. That was an immediate hit to the bottom line. However, within about, I think, eight months or so, it paid for itself because they had lower attrition and higher loyalty.

Gary: I bet.

Bruce: It paid out. This is where the actions need to match the words, and when the actions do, and when the actions cost something in the short term, then companies get full credit as they should do.

Gary: I want to build on that but first I want to say, I've seen and worked with CEOs who've had an epiphany. One CEO of a large consulting firm we worked with, at one point, said, "Oh, we have many purposes." Then he finally got the idea, "We have one real main purpose here." I've seen how leaders can have these epiphanies to rethink and look at that from a new point of view. You talk about it, it starts with rediscovering a company's purpose. How do you work with companies to help them rediscover or redefine or find their purpose?

Bruce: Every company I've ever known had a societal purpose at inception.

Gary: Right, founder.

Bruce: They were not created to make money, they were created to solve a problem,-

Gary: Problem.

Bruce: -to fill a gap, to find a product if somebody wanted, that was fulfilling a societal need. However, for many companies, that was years, perhaps decades ago, and now they've lost the plot or they're looking to rediscover it. The first step for me is to look back at my "glorious past". What were you at the beginning? What was the founder's intent?

What were you doing with your first products and services? What was that core backbone that you built back then? Also, talk to your employees. What gets people jazzed to come to work? When people are excited to be at work, what's it that they're doing?

What are the products and services that most excite them to modernize that purpose in today's context and today's world? There's a first step, explore their past, explore their world, and talk to stakeholders inside the company and outside. What do customers think about it? What do the suppliers think about is the company's purpose, and the core strengths underneath it? Back to Aristotle. Where do the strengths that we have then overlap with society's needs?

They would take that purpose as defined through that stakeholder engagement, and then have a good look at the world today. What does the world actually need? What are our competitors doing? Is there a strength that we have that can really deliver a product that is a benefit for customers, and then define new products and services around that purpose, which then needs to be embedded into what the company does? Now embedded, what that means is building that purpose statement into a subset of chosen ESG parameters.

ESG brings measurements and particular buckets they can focus on. Purpose without ESG measurement and targets is just fluff, it doesn't anchor in the business. ESG without purpose, however, isn't focused. It's just a laundry list of possibilities. Purpose and ESG have to be married, the clear purpose statements which are then cascaded into the few material ESG areas that matter, which is then built in into the company's products, strategy, culture, its processes. Then the company is off to the races. Let me give you an example. PayPal, back to PayPal again. PayPal--

Gary: A very good example.

Bruce: Great example. They have amazing strength in they are up close and personal with the balance sheet needs and the balance sheet fragility of small and medium enterprises in multiple parts of America. They know how indebted folks are. They know what their needs are, and they're able to use that knowledge maybe proprietary knowledge to be able to then develop products and services which help those SMEs and people who don't have a great deal of means and provide access to financial services products.

They focus on that. Now what they also did though was identify a vulnerability that every company has strengths but also a vulnerability that they have to tackle. Their vulnerability was, as they're focusing on these small and medium enterprises and people who have less means, who are customers, they said, "Wait a minute, what about our own employees? Are we taking care of them?" That's when he did these economic fragility assessments, to understand what's the net possible income our own people have after paying food and rent.

They realize, "Wait a minute, we better first of all increase pay, take care of our own people. That then provides credibility to go out and sell more of these financial services products externally." Which has been of course very successful for them. That's a good example of-- on this journey, there is always a vulnerability identified, which has to be tackled before a company talks too much externally about strengths and the purpose because otherwise, it just looks like greenwashing.

A petroleum company. Nobody cares what they're doing on the S dimension of ESG until they talk about a net zero commitment or carbon emissions reduction. Similarly, LEGO mentioned already, that LEGO had a vulnerability in the plastics in the bricks that they use, so they changed that to the sugarcane derivative, while in building up strength to amazing customer relationships and a purpose which is building creativity through play.

Gary: We've talked a lot about corporate purpose. You touched on this, how do you unlock purpose on an individual level, because people have to connect with this purpose or core beliefs that a corporation has?

Bruce: Famously Unilever has talked a lot about this. Unilever is all about sustainable living and they develop products and services and a real mission behind them. One of their lessons on their journey was before employees could talk much or contribute much to the corporate purpose, they had to go through a personal journey to discover their own individual purpose. They did thousands of what's called DYP or develop your purpose workshops for people to do that.

Another insight is that one's purpose shifts through time in our own lives. I mentioned my purpose shifted from athlete, wanting to be the best in the world and on the podium for a day, to activist, being the best for the world every day, and now bringing great love to small things in the service of others. Your purpose shifts. Are you dependent? Are you independent, footloose, and fancy-free? Do you have a spouse and children? Are you retired? It shifts through time.

You need to discover it. You discover your purpose by going back across your life and identifying peaks and troughs. Where was it that I felt absolutely at my best, what was I doing? Who with? What was I actually and where was I at the time? Then looking at the troughs, those toughest moments that we have been through, are usually sources of the greatest insights in terms of who we really are as people.

Life helps bring this out and then looking and reflecting on those peaks and troughs, really taking time to reflect. This requires solitude and silence. You can then draw out a purpose statement for yourself, test it on people who know you well, and then of course start to live it. Important though to understand the purpose is not a goal. It's not about a hill you want to climb, a next job, or a role. The purpose is the way you play any role.

It's something that we bring to whatever we're doing. For me, for example, if I translate bringing great love to small things in the service of others, a piece of that is simply being present with individuals that life might bring to me during the day. A guy in the Metro, a receptionist at the office, a homeless person on the street. Is there a way where your interaction with that person is present, a great French philosopher Simone de Beauvoir describes attention as the highest form of generosity.

We've lost a lot of attention to each other during COVID. Can we be present with individuals that life brings to us in such a way that that leaves a positive trace behind in that interaction? This means the next interaction we have with somebody else might be a little different, a little more positive. Then we unleash a ripple which becomes a wave that can create something positive across the planet. Little things, generosity, presence, attention, listening. That's all about I think living one's purpose and that, of course, you can bring to any particular role. It's a way we live, it's not a destination we're trying to get to.

Rocket: It makes me think about the leadership qualities that really are needed now. How they differ maybe from when short-termism was king and compared to long-term, and even before that where it was just the C-suite was way above and hierarch where it's all flattened out so much and needs to continue to flatten out. That's when the whole enterprise really thrives now.

Bruce: Yes. Rocket, I totally agree with you, and there's mass behind that what you just said. For example, there's a great professor called George Sarafin at Havard who looked at this, and one of the insights he's developed is that where the top team of a company feels there's a strong purpose and they're motivated by that purpose and it's clear to them, that's fine but there's no correlation between that and delivering superior returns.

That's called purpose camaraderie. Where however there's purpose clarity, which for him is defined as when middle management and lower levels of management can actually use that corporate purpose statements and make decisions, and trade-offs in a different way in their day job in part of the operating core of the company. That's when purpose if it's that clear and specific, and meaningful, actually starts to generate shareholder returns.

He looked at companies over a long period and showed that in companies that have purpose clarity where the middleman and frontline get it, there's a huge correlation between them getting the purpose and shareholder benefits. There's also some interesting McKinsey mask behind this which shows that 85% of top management get their purpose from work. 85% of the frontline don't though they're just showing up. As I mentioned before, 70% of the workforce thought to engage. There's a bridge to build. Is it possible that we can find ways to help the lower levels of the company understand their individual purpose, and bring that to work? Can we flatten the hierarchy rocket as you mentioned, take out decision-making levels, and perhaps delegate more so that people at lower levels can actually make decisions on things? That's part of them feeling more autonomy it's part of them also feeling more purposeful, and that does then generate a higher return. It's all about how people who are closest to the customer in lower levels of the company operate and whether they feel purpose, that's where the real meat is here.

Rocket: Yes, for sure. We have been in business for 38 years in our firm, and we've worked together about [chuckles] 36 of those 38. We saw the transition of branding, we started our firm in annual reports, and we were really realizing that when the internet came and really changed the role of an annual report, where it became more of a compliance document rather than the most important narrative for a company annually, we saw that it was the evolvement of corporate identity being grids and colors and a look and feel to this evolvement of a platform where a corporation is more human. It has values, it has personality, it has a voice, it doesn't just have colors and a grid.

Bruce: It's got a purpose.

Rocket: It's got a purpose. After year-end reports became compliance documents, we were realizing that we had been writing corporate platforms all along, and obviously pivoted and built our business more in strategy and writing. Now with ESG reporting, it's coming full circle and I do feel that at some point, it will merge the financial reporting and the non-financial reporting. One of the differences in the work that we try to do is we try to emphasize, as you said, without having--

If you just report on your ESG on what's material for your business, it's not focused, but when we bring in what the corporate brand is really about, its purpose, its mission, it's reflecting the things that obviously the ESG agenda reflects the values of the company. Those things we've always felt and tried to do for our clients, bring that into the equation because it's really when you have that fusion which you're saying and purpose just with ESG, what's all holding it to a whole completely different standard where it's not just a surface thing anymore. Even leadership can't surface just say things. They have to walk the walk.

Gary: Let me flip this because you recently wrote about the six common pitfalls with purpose and ESG, and I want to know what you see in what companies get wrong in this space.

Bruce: I think one of them is just what Rocket was talking about, it's focusing too much on a sustainability report, which happens alongside the business rather than building ESG into the core business. That's the key thing. We're looking for integration, and there is a number I think of errors. Rocket, you'd mentioned a style thing too. Today it's much more successful to think of CEOs as enrolling and engaging their employees, unleashing, and unlocking potential in the organization as opposed to directing and controlling.

That's what we need to be doing, and that requires a style with more vulnerability, for example, more asking, more questioning, more nudging from behind versus leading from the front so we can unlock the potential in the workforce. That's a big deal as far as the style of management, I think is concerned. Purpose isn't something that can be directed from the top. Change trickles down, revolutions come from the bottom. This really is a revolution we're talking about here and that requires therefore that it be a lot more bottom-up than top-down.

Now, a number of errors, one, branding. We've talked about branding, and I do think a lot of companies will treat purpose as a PR or a branding exercise alone-

Rocket: Ad marketing as a--

Bruce: -rather than thinking of it as a business exercise. It's only when the purpose and that is then embedded in ESG priorities is then built into the products, the services, the strategy, the culture, that companies can then deliver both for stakeholders and for shareholders. A first error is treating it as a PR exercise rather than a business exercise. Another one is leaning into strengths and talking about it externally without addressing vulnerabilities.

We've mentioned before, that a number of investors talk about reducing the carbon footprint of new investments that they're making in their portfolio, but they're not talking about the existing carbon footprint in the current portfolio. Petroleum companies talking about paying their employees, a living wage that's great for S, but what about that net zero targets? There's always a vulnerability and companies have to look to that. Often the biggest vulnerability actually is not looking deeply enough at how their own workforce is being treated. A

Are they earning a living wage? Are they getting health benefits? Are we investing in their training and development? Are we really living diversity, equity, and inclusion? Those are big questions you have to answer for your own employees first because your own employees will defend you out there or not. Amazon received a lot of criticism from their own employees, blowing the whistle on some of their workforce practices.

Elon Musk has trumpeted that ESG is a fad when he doesn't realize it, or maybe he does but isn't admitting that his problem is the S dimension of ESG. He's doing good things for the environment through Tesla motor vehicles but the reason he was dropped from the S&P ESG index is because of poor performance on health and safety and taking care of their own workers. You need to understand that it's not just about one dimension and your strength, Elon, it's also about tackling a vulnerability. You have to get the vulnerability right and tackle that as well as talk about the strength.

Rocket: I also think that it's not about it happening overnight, that it's really about building that roadmap and reporting progress and intention.

Bruce: Rocket, you're right. This is the next one, it's lacking substantial short-term commitments. Back to net zero, companies talk about net zero by 2050. That's a joke, that's eight management teams down the road. What about 2022, and 2023? We need to hear about those short-term targets. One criticism is they talk about this highfalutin long-term target, but we need to have something which is short-term, that's measurable that this management team commits to doing right now. It's a big deal.

There's cooking purpose in an internal kitchen without getting external stakeholder engagement. That's also a mistake. Companies think they can dream it up inside the corporate frontier or the corporate sandbox without realizing that they operate in a whole ecosystem, where there are people outside the company who are perhaps consumers, customers, or suppliers, and stakeholders, who also need to provide input, user input on what the company can be doing.

I think perhaps robbing Peter to pay Paul. We saw companies dialing back on their environmental commitments to dial up a little bit on their social and governance commitments over the last couple of years with COVID and so on. Of course, it's easy to credibility. You have to sustain commitments on E and then add in commitments against the BS dimension as well. I think if there's one thing though, to focus on it is understanding that in 2022, taking care of your own employees first. You take care of your employees, they take care of customers, and that takes care of business.

A great CEO called Hubert Joly who was the CEO of Best Buy led that transformation. Perfect transformation by the way, and said that. Similarly, the CEO of PayPal has said something similar. Taking care of your own employees. That is by the way, according to the American people, the number one ESG dimension. Most important to the American people today, is whether am I earning a living wage. The environment comes after that.

Gary: I've talked about people-first companies for a long time now. You just said what I say quite simply when you take care of your people, they will take care of your customers and they will take care of your business. It just starts with-- however, it seems highly oversimplified, but no, it's right there. I have Joly's book here, the *heart of the business*. There are a lot of great nuggets in that book.

Rocket: It's so obvious that that's the first criteria of authenticity.

Bruce: I think it is obvious. I think he goes into some of the things that perhaps are less obvious, which I think are quite useful in terms of identifying how to make work feel purposeful to individuals. Yes, there is that link between individual purpose and what the company's doing. We've talked about that already. That's a big deal, but it is also about autonomy, delegating, decision-making. There are more things they can make a decision on at their level of the organization. That's a big deal.

It's also about being able to see a real career path. Is the company investing in my future to training and skill building? It's also about building genuine connections at work through diversity, equity, and inclusion. That requires quite a bit of work. It's also about bureaucracy busting. If people are double inputting data, for example, two different databases because you haven't joined those two things together, that's a real turn-off.

Rocket: [chuckles] It's a real turn-off.

Bruce: [crosstalk] that companies can do this just to make people feel they can be productive because they have the systems and processes around them to do that.

Rocket: Do you think maybe 10 years from now, as people get more serious and more buttoned-down on reporting and it becomes something that's clearer and not as with so many different frameworks and so many different people doing it different ways, do you think that the long-termism and the payoff will also turn into CEOs having longer terms in companies? Because one of the things that just really over the last three decades, it just seems like a CEO's time in a company is shorter and shorter and shorter. How can he get in and get out and make all this money and you expect everybody else to be taking care of your business?

Bruce: Several things there, Rocket. I think that was a great point. First of all, unfortunately, 65% of CFOs have confessed through surveys that they would veto a project. That positive net present value that was going to deliver for the company where that project has a cost associated that would hit into the next quarterly earnings. Such is the tyranny of the quarterly analyst meeting over long-term capitalism. Now, McKinsey has done some good analysis, which shows that companies that focus five to seven years out, make more money. There is a business case for looking further out, but it's not yet entirely the norm.

The average tenure of CEOs in America I think is less than four years so it doesn't quite fit. I agree with you Rocket. It is longer in Asia. It is longer in Europe. I think that's perhaps one of the reasons why some of the companies over in those geographies are more long-term thinking. Regulation is also a big part. I think that that's one thing where we will see more and more and more companies delivering for the long term and showing how and why that's possible, then others will follow because there's actually more money in it as well as more societal impact.

I think other things though will be helpful too. I'm positive about the future. The metaverse. Now the metaverse is coming to a game near you. There are already 60 million users of Roadblock, for example, a gaming platform of which I think 60% are under 16. This is what our kids are playing. They're playing in the metaverse. Now the metaverse shifts us from a two-dimensional experience on the internet to an all-encompassing, all-inclusive experience in the metaverse. While we have struggled to communicate on the internet through this two-dimensional communication we have today, we've struggled to communicate just what climate change actually looks and feels like.

People say, "Wait a minute, one degree more in Minnesota or in Toronto. What difference is that going to make to me?" The metaverse I think will be able to help us understand what's it like to be in a bush fire. How about the flooding in Kentucky that we've seen in the last few weeks? Being close to an iceberg is just toppling over. Those experiences, I think will come even more real and that will help us communicate the need to tackle climate change. I think that that will be helpful.

What's also, I think going to be helpful is look, we spend a lot of time complaining about what companies are doing or not doing. We also complain about what governments are doing or not doing. How about us as individuals? I think that with measurability and tracing and new apps that are available to all of us, we can now measure our personal carbon footprint. Did you know that a computer uses 20 times more energy during its lifetime when it's not actually being used than when it is? Because we never actually turn things off. The same with the TV. You still see that little red light on because it's still consuming energy. Turn the darn things off, and turn the lights off.

Stop using plastic, recycle where possible, and don't buy as much stuff. If we can shift from being consumers of the world's resources to stewards, then that's a shift that consumers can make. I do think generation Z understands that and the new measurement techniques and new solutions and new apps that are out there are helpful. One more example, have you heard of the search platform Ecosia?

Rocket: Ecosia?

Bruce: Ecosia, it's a search engine just like Google. You'll get the same answers as if you use Google, but every search you do Ecosia, which is free by the way, they plant two trees. If you go to Ecosia's website, you see the number of trees planted. It's a very sophisticated operation behind the scenes. It's a search engine delivering tree planting. What about buying Adidas products that are part of the Parley recycling campaign? That's a whole line of Adidas running shoes, tennis shoes made from recycled plastic from the Maldives. That's pretty cool.

We'll be able to inform ourselves more in the future of decisions that we can make and then move our individual carbon footprint in the right direction. I think that will help us too in the future, Rocket.

Rocket: That's fascinating to think of your individual expression not being certain brands that were just products, but actually the consciousness behind actually making different products that become status symbols because they're recycled and they're from a certain place doing certain goods. That's a new world.

Bruce: Exactly. Patagonia--

Gary: I got a pair of Adidas jogging pants made out of completely recyclable plastics.

Bruce: I love it.

Gary: I'm looking at this thing as, how is this possible? It was fantastic.

Bruce: I love it. Patagonia made this famous with-- I first talked about it in our space. They don't buy this jacket campaign where they show their own jacket like, "Don't buy this. Bring back your old stuff." They don't just repair their own materials, their own jackets. They repair other manufacturers' materials. That is real brand execution.

Gary: I love those people.

Rocket: Unbelievable company.

Gary: They've always been that way and they're headquartered just a few miles up the coast from us here. We love it.

Bruce: Wonderful.

Gary: This has been a-

Rocket: Terrific.

Gary: -great time.

Rocket: Enjoyed our time talking.

Gary: Bruce, thank you very much.

Rocket: What do you think we should all be doing to encourage the people that we touch? Just that individual choice?

Bruce: I think that going forwards, COVID has hit all of us. We haven't spoken about this today, but I think one of the negative impacts of COVID is we have all retreated into our little filter bubbles, our little social group of people with whom we're comfortable. We've lost a lot of the ability to actually have civic conversations with people we disagree with. Yet that is a muscle that keeps democracy going. I think, yes, it's about the products that we choose to buy and yes, we can measure a carbon footprint where you can reduce the plastic, and so on.

We also have a responsibility to shore up democracy and show the way for the future by having those civic conversations outside our filter bubbles, being generous, and being present with people we don't necessarily connect with. That's all part of that S dimension. Tackling some of the mental health issues. 40% of the workforce in America complains of mental health issues. The real challenge is there. I think that for companies to get people to come back to work physically, it needs to be about more than the fact that there's good food in the fridge.

This purpose dimension, I think, is a new revolution. We've gone from the product revolution to the process revolution. Now it's a purpose revolution and you and your listener are going to lead the charge.

Gary: Terrific.

Rocket: Thank you, Bruce.

Gary: Thank you, Bruce.

Bruce: Hey, it's a pleasure.

[music]

Rocket: Hey, thanks for listening. Just a reminder to follow *Sustainable Minds* wherever you get your podcasts, and please do live a review if you like what we're doing.

Gary: It helps others discover the show and of course, we want more listeners. If you want to find out more about how we can help you evolve your corporate brand, culture, and ESG, head to bakerbrand.com.

Rocket: See you on the next episode of *Sustainable Minds,* exploring the interplay of a corporate brand, core beliefs, and ESG.

[music]

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