

This document links some insights and perspectives of 'Optimize for Both Social and Business Value' with elements and solutions from the 'Business Engineering Systems'.

Extracts and concentrates from 'Optimize for Both Social and Business Value'.

Comments and links to elements of the 'Business Engineering Systems'
Special page:
<https://bengin.net/special/bcg/BCG-BES-Nutshell.html>

Optimize for Both Social and Business Value

... tipping point for business with new benchmarks for what constitutes a good company, a good investment and a good leader...

... emerging era of business value, and the CEO agenda for value and the common good.

‘good’ ... as ‘value’ too are subjective properties... Any theory must take this into account and provide a solution.

Why Is Corporate Capitalism at a Tipping Point?

Stakeholders are beginning to pressure companies and investors to go beyond financial returns and take a more holistic view of their impact on society.

... restructuring ... fractured companies' cultures and undermined their social contracts.

... more (people) convinced that the way business, capital and government work must change – and change quickly.

... must rethink the sustainability of the whole system...

Change Is Underway but Is Hardly Sufficient

... racing to integrate ESG (environmental, social, and governance) assessments into their decision making ...

... efforts promote radical disclosure ... New standards initiatives are creating a foundation for non-financial performance accounting, and the prospect of widespread “integrated reporting” seems realistic. ...

... early signals that the context for business is changing...

A New Societal Context for Business

Companies will face escalating social activities by ... on issues of ... risk, inequality, societal well-being. ... right to operate.

Stakeholders will expect radical transparency on ESG performance ... will shift investors' perceptions of a company's risk and opportunity, skewing capital toward those that deliver both financial returns and positive societal impact...

... companies will need to define competition more broadly, adding new dimension of value through environmental sustainability, holistic well-being, economic inclusion and ethical content. ... will require radical business model innovation ... circular economies ... multiply positive societal impact.

Management Will Need a Value and Mission Mindset

...will take a shift in managerial mindset to unlock new ways to win. We need a fundamental rewiring of managerial imagination and decision making, underpinned by an equation for corporate value that goes well beyond delivering a predictable P&L and a steady dividend stream.

... starting point is to instill an inspiring purpose ... define ... progress toward business and societal value.

If the models can no longer explain the phenomena in reality, a paradigm shift in scientific theories is imminent.

<https://bengin.net/special/bcg/BCG-BES-Nutshell.html#a2>

Classic economics has two systemic failures in its roots. These must be corrected. And they can be corrected.

Innovation in economics:

<https://bengin.net/special/bcg/BCG-BES-Nutshell.html#a3>

... ‘new standards’ normally made by ‘debugging’ ‘old standards’. This is not enough... Base of classic economics has to be redesigned:

<https://bengin.net/special/bcg/BCG-BES-Nutshell.html#a4>

One of the early signals... ‘Shared Value’ (Porter Kramer 2011):

<https://bengin.net/special/bcg/BCG-BES-Nutshell.html#a42h>

Combining and visualizing monetary and non-monetary dimension helps to get a clearer picture of reality (World 1 & 3).

<https://bengin.net/special/bcg/BCG-BES-Nutshell.html#a1>

Integrating intangible assets and hybrid value metrics (combining monetary and nonmonetary value dimensions) helps to get a better transparency on how to get a more integral and purpose driven decision making.

... such transformative thinking can be impeded by traditional metrics, which only tell us *how* to ascribe value, farsighted leaders will work to change *what* we value.

... break from the tyranny of quarterly financial reporting ... more balanced scorecard, demonstrating ... deliver returns and societal impact over time.

... enrich decision making by including staff with non-traditional business skills.

... know the business ... envision its larger potential ... compete differently ... benefits for both shareholders and the common good.

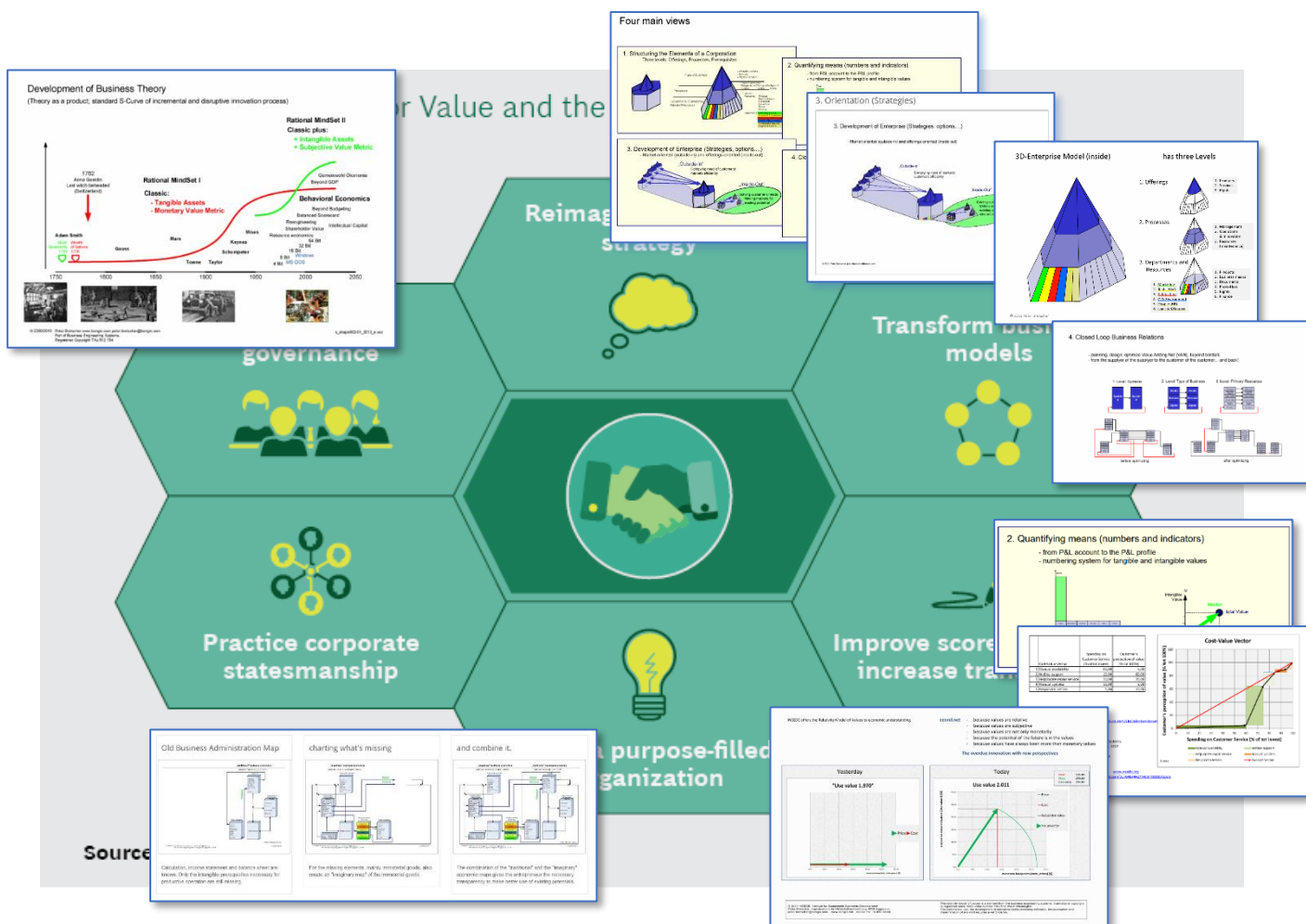
Values/Measures:

<https://bengin.net/special/bcg/BCG-BES-Nutshell.html#a42>

CEOs Need an Agenda for Value and the Common Good

We frame the journey to new corporate value and the common good around **six imperatives**...

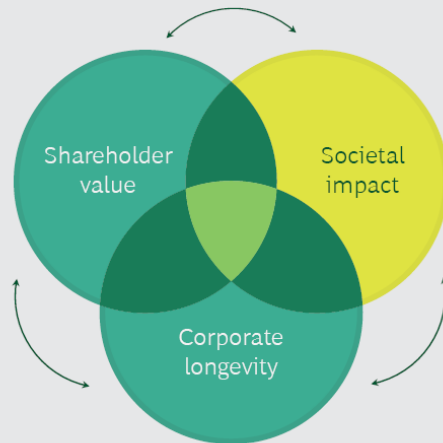
Remarks to the 'six imperatives' see 'pictures with links' and notes with links following pages.



Imperative 1: Reimagine Corporate Strategy

... competitive advantage at intersection of shareholder value, corporate longevity, societal impact. ... strategy ... judged by ... total shareholder returns and total societal impact.

EXHIBIT 2 | Corporate Strategy Cannot Separate Social Impact from the Business



Source: BCG analysis.

... widens scope of competition ... multiple areas of societal value.
... embeds “social value” into new business constructs, shared value chains, reconstructed ecosystems.
... opens, broadens, deepens markets to enable access and inclusion.
... expands scope of business ... collective actions ... environmental and societal ecosystems.
... strategy flips leadership’s perspective from “company-out” to “societal needs-in”
... asking how a specific SDG target could be met by extending the company’s capabilities, assets, products, services and ecosystems – and those of its industry...

EXHIBIT 3 | Ten Questions for Strategists in a New Era of Business

- | | |
|--|--|
| 1 Does our purpose lead to sustainable value creation? Is our self-interest aligned with social value? | 6 Are we measuring the long-term competitiveness of the business? Have we balanced the present and the future? |
| 2 Are we “on purpose” and, if not, are we taking corrective action accordingly? | 7 Where does our business model fail first as a result of ESG-related risks? |
| 3 Are those actions sufficient in impact and speed? | 8 How will we address this weakness with sustainable business model innovation? |
| 4 Are we defining the boundary of what we measure and manage appropriately? | 9 Do we have the right collective-action platforms to address pressing problems? |
| 5 Are other stakeholders represented in or part of our strategy process? | 10 Are we exercising corporate statesmanship to effect external change? |

Source: BCG Henderson Institute.

However, these new strategies cannot simply be grafted onto existing business models. Business models themselves will need to be transformed. Sustainable Business Model Innovation (**S-BMI**) takes much wider perspective than traditional business model innovation by considering a broader set of stakeholders ... system dynamics ... longer time horizons &&&

Introducing the ‘Shareholders Profit Expectation’ as one of the price-determining parameters helps to get a better view about the value of the enterprise and the value of the share:

<https://bengin.net/special/bcg/BCG-BES-Nutshell.html#a5>

Starting with the resources (material and immaterial) and needs of a person (a family, an enterprise, a state ...) leads to new possibilities in the strategic orientation.

<https://bengin.net/special/bcg/BCG-BES-Nutshell.html#a43>

PwC societal and shareholder – 2D in its logo?:

<https://bengin.net/special/bcg/BCG-BES-Nutshell.html#a42g>

Imperative 2: Transform Business Models

... seven topologies for sustainable business model innovation

...

- Own the origins
... capturing and differentiating the “social value” of inputs...
- Own the whole cycle
... create societal impact
- Expand “social value”
... expanding value of products or services on six dimensions
 - economic gains
 - environmental sustainability
 - customer well-being
 - ethical content
 - societal enablement
 - access and includingThen advocate new standards, increase transparency and traceability...
... help customers integrate the full social value of your products, services and business model into their own differentiation and ESG ambitions
- Expand the chains
... extending the company’s value chain ... layer one company’s health services onto another company’s physical supply chain ...
- Energize the brand
... digitally encoding ... along whole value chain ... Use such data to rethink differentiation ... potential new businesses.
- Relocalize and regionalize
... contracting and reconnecting global value chains ...
- Build across sectors
... models that include the public and societal sectors ... reshape broader rights to operate and generate new opportunities.

All seven types of S-BMI create new sources of differentiation ... enabling more durable and resilient businesses that benefit shareholders and society.

But to assess and improve the performance of these business models and communicate their value, we need to expand today’s scorecards.

Imperative 3: Improve Scorekeeping and Increase Transparency

Managers will need **new scorecards for fuller equation of business value** ... assess and reward **performance** ... inform **decision making**.

Fully agree

Combining “societal value” (assets and needs) with “economic value” and visualizing it as a ‘hybrid’ or “compound value” helps to go beyond linear arguments and get the message through.
Quantifying Use-value:
<https://bengin.net/special/bcg/BCG-BES-Nutshell.html#a42f>

BES-Value Net:
<https://bengin.net/special/bcg/BCG-BES-Nutshell.html#a44>

Visualizing ‘Scorecards’ leads to vector based ‘Scoremaps’.
Vectors are useful for graphical arithmetic too. So, people can see the same picture about the

Scorecards and **reporting must go beyond mapping general ESG materiality** ... insightful **metrics** that directly connect **purpose & business model** to the way company creates differentiated **value** and societal **impact** – its **full business value (FBV)**.

These metrics will assess performance[3] throughout the **value chain** from procuring inputs to post-use cycle... to company's full **societal footprint**.

As with **financial performance**, good companies will **integrate** these metrics into their managerial software – **operating plans... target settings... investment decisions... executive compensation... employee recognition... radical transparency of its FBV scorecards...** reflecting in... investor relations, corporate communications, quarterly calls, annual meetings... making them integral to marketing, social media, public relations, government affairs.

Result: stakeholders will see company in new ways + advantage to peers on new dimensions.

Imperative 4: Lead a Purpose-Filled Organization

... rethinking **skills** and **capabilities**... differentiate performance on both – financial and societal **metrics**. ... to be **fully integrated into operations and decision making**. ... requires augmenting line businesses with **nontraditional business skills** ... systems thinking... anthropology... behavioral economics... sustainability... development policy... new ways of working...

Imperative 5: Practice Corporate Statesmanship

... will take scale and capacity of entire industries and their ecosystems ... total value delivered to society ... new models of collective action for positive societal change.

Imperative 6: Elevate Board Governance

(Page 8) Boards need to build new capacity to ... full role corporation will play in society.

... current management ... focused on financial performance ... with social & sustainable sidelines

... new era of business ... CEO accountable for financial, environmental, societal performance

Boards to be educated on societal needs, SDGs...

need to restructure committees, oversight on social performance...

must challenge long-held views about...

boundaries & time horizons of business... what makes a good

CEO... new risks and rights to operate... measuring

performance... expand view of managerial beyond the ability to

material and immaterial performance of different clusters.

(With 'Spider' it is not possible to 'add' and 'subtract'.)

Scoremaps:

<https://bengin.net/special/bcg/BCG-BES-Nutshell.html#a6a>

Special paper (text & PPT):

'Measuring Performance in a Knowledge Economy. Linking Subjective and Objective Measurement into a "Vector Based" Concept for Performance Measurement.

Together with Juergen Daum (SAP)

https://bengin.net/bes/e/vector_based_pmmetrics_e.html

Introducing Balance and P&L of intangible assets helps:

<https://bengin.net/special/bcg/BCG-BES-Nutshell.html#a52>

Some 3D-Models:

https://bengin.net/bes/3dmodels_e.html

Making it easier to integrate several dimensions into the decision making

.. new era of business ... new era of KPIs ... 2D-Vector ... hybrid metrics – financial & non-financial (environment, social...)

hit annual business targets... building a more resilient and adaptable company that delivers for share-holders and society even at the expense of short-term financial performance.

...reconceive business... commit to purpose... pursue sustainable business model innovation... opens up... new opportunities for growth, shareholder value... benefits to society and planet.

... either wait or proactively 'reinvent company'... reshape the industry... propel the stock... deliver remarkable impact... leave notable legacy of corporate public good.

Conclusion:

THIS AMBITIOUS AGENDA challenges us to reconceive business, commit to purpose, and pursue sustainable business model innovation. Doing so will open up new opportunities for growth, shareholder value, and benefits for society and the planet. CEOs and their boards can wait to be pushed into this agenda by competitors, customers, and regulators. Or they can embrace it proactively and use it to reinvent the company, reshape the industry, propel the stock, deliver remarkable impact, and leave a notable legacy of corporate public good.

It helps to include an intangible balance and P&L with subjective metrics to get long term integral value and risk/options perspective.

A qualitatively and quantitatively enhanced economic model (at its base, not only debugged) is needed to get a clearer view about what the purpose of economy is. And it helps to design a more integral and sustainable business model for people, enterprise and nature. Innovation in economics: <https://bengin.net/special/bcg/BCG-BES-Nutshell.html#a3>

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