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# Positive-impact companies: Toward a new paradigm of value creation

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The increasingly visible effects of climate change, the degradation of ecological systems, growing income inequality, and high levels of stress and disengagement in the workplace have dramatically increased corporate awareness of the need for integrating sustainability into business strategy. However, the focus of this awareness has largely emphasized finding ways to reduce the firm's harmful impact from “bad” to “less bad” (e.g., when a company cuts its CO<sub>2</sub> emissions by 50%). While this helps firms be less unsustainable, it diverts their focus from creating a more flourishing world, a place where people everywhere live in healthy communities, prosper, and can live life to the fullest. We propose that it is time for leaders to shift their thinking, and for companies to refocus their efforts, from reducing harm to making a positive impact, which we define as increasing economic prosperity while contributing to a healthy regenerative natural environment and improving human well-being.

Currently, an increasing number of companies, such as Patagonia (“we are in business to save the planet”), Starbucks (“100% ethically sourced coffee from farmer to cup”), GOJO (“well-being solutions”), and Clarke (“make communities around the world more livable, safe and comfortable”)

have taken the lead in moving from doing less bad to making a positive impact. We call these firms positive-impact companies (PICs) to identify them as a group of organizations that demonstrate a strong commitment to making a positive impact in economic, social, and environmental terms.

PICs seek to be as profitable as any other business, but they are purpose-driven. They recognize they cannot make positive contributions unless they are economically viable, but they also want to use the forces of the markets to positively transform the world. PIC's business models explicitly build on the growing body of research that disproves the long-standing myth that Environmental, Social, and Governance (ESG) performance must necessarily come at a cost to financial performance. For example, a comprehensive study, titled, “ESG and Financial Performance,” documents evidence aggregated from more than 2000 empirical studies seeking to show the relationship between ESG performance and Corporate Financial Performance (CFP). After reviewing the evidence, Gunnar Friede and his colleagues concluded that “the business case for ESG investing is empirically well-founded.” Roughly 90% of studies examined by the authors showed a nonnegative ESG–CFP relation. More importantly, nearly 50% of the articles found a positive relation (40% with neutral or mixed findings), and that relation was stable over time.

Our own extensive research confirms these findings. In our study of 62 firms, where we interviewed 87 C-suite executives and senior sustainability managers from different firms around the world, we found evidence that being a PIC offers

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<https://doi.org/10.1016/j.orgdyn.2020.100806>

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benefits that have become increasingly important in the 21st century, such as positive public image, increased ability to attract and retain talent (especially in younger generations), access to novel sources of innovation, enhanced levels of social capital, and improved customer engagement. There are an increasing number of initiatives, such as new legal business forms and new ways of thinking (such as Conscious Capitalism) that encourage firms to become a PIC. Unfortunately, the move toward positive impact is not a simple managerial program with a handful of instructional steps that can be followed in linear fashion. It requires a paradigmatic shift in leadership mindset that makes the transition difficult. Based on insights from our study, this article explains how leaders help their organizations adopt the mindset and commensurate practices needed to become a PIC.

## HOW BUSINESSES CAN EVOLVE TOWARD A MODEL OF POSITIVE IMPACT

Since the 2000s the literature on corporate sustainability—more recently under the ESG heading—has grown substantially. This topic is now on the agenda of business associations and governments around the world, resulting in stronger civil and environmental regulations and increasing attention in the business press (e.g., the Wall Street Journal and the McKinsey Group recently ran a series of articles focused on sustainability as a corporate strategy). An increasing number of companies are making substantial efforts to integrate ESG practices into their business strategy. However, most of these efforts have been focused on reducing social harm or environmental negative externalities.

At the same time, business ventures creating positive social and environmental impact have proliferated in the last decade along with initiatives aimed at exploring and promoting these types of businesses. For example, in 2002, Case Western Reserve University launched the Center for Business as an Agent of World Benefit to develop business innovation case studies that showcase how strengthening social and ecological systems create value for customers and owners. In 2015, this was expanded to become an open-access platform to teach students, faculty, managers, and entrepreneurs about sustainable businesses. Currently, there are more than 3000 business innovations from around the world developed in this collaboration (see <https://aim2flourish.com>). In 2013, John Mackey and Raj Sisodia wrote a best-selling book titled “Conscious Capitalism.” This led to a global movement to spur business leaders create positive-impact opportunities for their companies. At present, there are over 30 Conscious Capitalism chapters around the world, whose members serve as resources to their local communities. Another example is B Lab®, created in 2006 to support businesses seeking to build local and global economies that benefit people, communities, and the planet. B Lab certifies “B Corporations,” also known as benefit corporations. These are companies that meet high standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose. Currently, there are more than 3500 B Corporations from 74 countries.

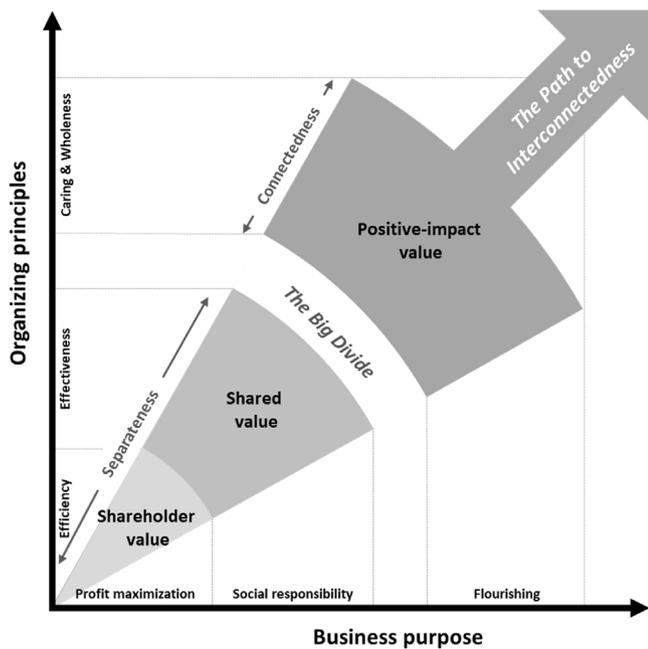
In our research, we found several patterns underlying the process of becoming positive impact focused. Given the challenges in making that transition, we offer a roadmap to understand how a firm can evolve into a PIC. We propose that businesses can evolve toward a model of positive impact through three developmental stages that represent the interaction between a company’s external orientation (business purpose) and its internal way of operating (organizing principles). The first two stages—shareholder value and shared value—represent traditional businesses whereas the last stage—positive-impact value—embodies a PIC. We named this framework the Path to Interconnectedness (PTI)—see Fig. 1—to highlight an important gap or discontinuity in the transformation process: the paradigmatic shift in mindset needed to achieve the transition. This new leadership mindset is one of interconnectedness between individuals, organizations, society, and the natural environment. The shift in mindset comes from an awareness that businesses are embedded in much larger social, cultural, political, and ecological systems, where the role of firms is not only profit maximization but also contributing to create a flourishing world.

### The Stages of Business Evolution

The stages of business evolution proposed in the PTI are based on two complementary dimensions: business purpose and organizing principles. *Business purpose* represents the underlying reason or motive for the company’s existence, which evolves according to how a company’s leadership understands its role in society. In our model it evolves in stages from a focus on profit maximization, to acceptance of a responsibility to society at large, and finally, to a commitment to the flourishing of both for firm and society. *Organizing principles*, on the other hand, focus on the social processes that shape interactions among organizational members. In our model, this evolves from organizing for efficiency to maximize shareholder value, to a search for effectiveness in creating shared value, and finally, to embodying caring and wholeness as a basis for creating positive-impact value.

#### Stage 1: Shareholder Value

The first stage represents the traditional purpose of business of maximizing shareholder value or creating economic wealth for the company’s owners. In this case, the main purpose of the company is to increase profits. Consistent with this purpose, the organizing style is characterized by power and hierarchy. Interactions are viewed as predictable, structured, and efficient, and production is based on the ideal of efficiency, such that employees are treated as resources that are organized to generate profits for the shareholders. Firms at this stage resemble the prototypical design of bureaucratic organizations, which tend to be based on hierarchical structures, top-down power dynamics, and structured processes that facilitate control. An example of a Stage 1 company is General Motors, for its longstanding focus on centralized decision-making in production and later engineering harkening back to the 1965 introduction of General Motors Assembly Division (GMAD), which replaced the 1940’s era Buick-Oldsmobile-Pontiac Assembly Division. Centralizing functions like this



**Figure 1** The path to interconnectedness: crossing the big divide to become a PIC

were driven by a singular focus on cutting costs and increasing efficiency but had the unfortunate consequences of subjecting factory towns to boom and bust cycles that kept local economies in continual upheaval.

**Stage 2: Shared Value**

The second stage expands the definition of value to include social responsibility in the company's business purpose. At this stage, firms realize the increasing complexity of the business context and the rising expectations of their stakeholders. Thus, they engage in creating shared value with some key stakeholders because it is good for business. The relationship with stakeholders, however, tends to be transactional, fragmented, and utilitarian. In other words, it is used as a strategy to gain the knowledge, resources, or capacities (e.g., access to certain markets, public image, or license to operate) that are needed to succeed and beat competitors. In this stage, we find companies that sometimes were forced to include stakeholder demands to either gain legitimacy or to improve their financial returns, such as mining and oil companies British Petroleum and Exxon.

Consistent with the purpose of social responsibility, the organizing style of the second stage incorporates effectiveness as the yardstick for decision-making. In this mode of organizing, the goal is to be as successful as possible using objective measurements, such as key performance indicators and balanced scorecards that include operational, financial, and shared value metrics. Companies work to incorporate the most advanced management practices (e.g., lean-six sigma, ESG, and work engagement) to become the best company *in* the world. An example of a firm that falls into this category is Walmart, among many S&P 500 companies that develop initiatives to create shared stakeholder value. Walmart launched the Sustainability Index, a supplier

scorecard created in 2009. The firm is also noted for efforts to support small U.S. businesses by committing to purchase \$250 billion worth of U.S. manufactured products through 2023.

**Stage 3: Positive-Impact Value**

The third stage represents a fundamental shift in terms of the conceptualization of value, where companies understand it as increasing their economic prosperity, while contributing to a healthy regenerative natural environment and improving human well-being. We capture this idea with the concept of positive-impact value, which describes a symbiotic relationship between the company and its social and natural environment. This conceptualization of value acknowledges the interconnected nature of business success with the long-term prosperity of the planet, which signals a shift in mindset that we found is only evident at this stage. For the most part, companies at this stage either started with the goal of making a positive impact or underwent a complete transformation in their quest for creating positive-impact value.

The business purpose at this stage includes the flourishing of people and planet. This can be expressed as “being the best *for* the world” or “becoming a force for good,” as it represents a purposeful sense of interconnectedness that raises the level of awareness of how a company's actions impact society and the natural environment plus future generations. This purpose is seen in companies such as Natura (“wellbeing as a way of living”) and Nucor (“together, we’re better”). Both have developed business models with demonstrably positive social and environmental impacts. These firms outperform their peers in economic terms and are distinguished with leaders and corporate cultures that exemplify a mindset of positive-impact value creation. For example, Natura hired low-income residents from the “favelas” urban slums to work in the firm's sales network. The company operates from a deep sense of purpose since its inception as described by founder Luiz Seabra: “At age 16, I was given this quote from Plotinus, a philosopher: ‘The one is in the whole; the whole is in the one.’ That was a revelation to me. This notion of being part of a whole has never left me.” Seabra went on to launch his company with a mission to “deliver cosmetics as a means for self-knowledge and promoter of well-being, powered by human relations as a way to express life.” Currently, Natura's public commitment is “building a better world with positive impact.”

The organizing style of firms operating in this stage is based on the principle that the company is a caring and interconnected system pursuing “doing good” in the world as the basis upon which the firm is organized to carry out its activities. Companies at this level try to connect purpose with management practices that stimulate empathy, compassion, and care for life and nature both within and outside the organization. We found that firms operating in this stage promote well-being inside and outside the organization and have decision-making processes oriented toward self-organizing and autonomy. A leading steel producer, Nucor, is known for leveraging a highly profitable network of energy-efficient mini-mills using recycled steel scrap, a flat decentralized structure, and a leadership mindset that cares for the communities in which it operates. To achieve its

philosophy of “powerful partnerships drive powerful results,” Nucor developed a collaborative employee-centered networked organization in which local teams of employees were responsible for R&D, innovation, and operational performance. The firm located mills in small towns and rural areas where people cared for one another and their communities. By investing in these areas, Nucor supported local businesses and municipalities, contributed to local schools, fire departments, disaster relief, and supported environmental projects with donations and employee volunteering. Such local investments were a source of pride to employees, and helped Nucor maintain a high employee-retention rate, which in turn contributed to its economic success. Between 2000 and 2017 market share price grew by more than 570% and net income increased from \$132 million to over \$1.3 billion (USD). Nucor became known for being profitable while making a positive social impact.

**A Note of Caution**

Our research suggests that the evolutionary process along the PTI is messy with plenty of up and downs, which implies that companies may repeatedly traverse the three stages over time. However, these three stages represent prototypical evolutionary forms to be traveled when positive impact is an objective. While no company can claim to make a positive impact one hundred percent of the time in every part of its organization, most PICs have flourishing baked into their DNA.

**The Big Divide: Understanding the Mindset of a PIC**

From our interviews and case studies, the main obstacle to overcome in order to become a PIC is navigating the discontinuous transition or big divide that occurs at a deep level of mindset—the mental model underlying far-reaching assumptions—about the nature of the business. Transforming this mindset explains, in part, why it is so difficult for companies to move from stage two—where we find most firms working in corporate sustainability or ESG today—to stage three. A change in mindset implies fundamentally re-examining, challenging, and transforming how businesses and their leadership and cultures act and decide. Firms that have crossed the big divide enable their people to redesign and reframe management practices using a more systemic, holistic, and interdependent business paradigm, which we refer to as reflecting a “PIC mindset.”

A core motivation for crossing the big divide is when leaders realize that the role of business in society is to contribute toward creating a flourishing world. This awareness stems from noting the harmful effects of operating with a conventional zero-sum mindset (e.g., increased pollution, growing social inequality, and increased job stress and burn-out). In a zero-sum mindset, people and nature are conceived as assets or resources to be exploited, extracted, or leveraged in service to corporate profits. This mindset is exemplified by the nature of decisions taken by top executives to approach stakeholders in Stage 2. Even though companies typically integrate stakeholders in their business strategy, the relationship developed with them is transactional and aimed at filling the knowledge, resources, or

capability gaps that the firm needs to fill in order to compete. Thus, stakeholders’ relationships tend to be fragmented and utilitarian. They may be useful to increase the effectiveness and competitiveness of the firm (e.g., cost reduction, public image, or license to operate) but are too weak to create long-term value for society and the natural environment.

In PICs, the zero-sum mindset is replaced by PIC mindset, which acknowledges the inherent value of human and nonhuman life. A PIC mindset is grounded in the belief that humans and all life forms make up ecological communities that are inherently interdependent and interconnected. Thus, PIC mindset leaders seek to catalyze institutional behaviors that support thriving and well-being. These leaders also recognize that organizations are part of larger social, political, cultural, and ecological systems, which requires building collaborative partnerships to achieve, maintain, and elevate the company’s intention to positively contribute to the world. We call this mindset shift “crossing the big divide,” represented as the evolutionary movement from “I and We” (typified by an us versus them mentality) to “All of Us,” as shown in Fig. 2.

**MANAGING THE TRANSITION TO BECOMING A POSITIVE-IMPACT COMPANY**

We found profound differences in how companies approach the creation of economic and social value based on their dominant operating mindset. Companies such as Starbucks, Ørsted, Buurtzorg, and Clarke exemplify the practical implications of adopting a PIC mindset and illustrate some of the paths to follow to become a PIC. These paths are characterized by a set of common practices that have allowed companies to institutionalize the third stage of the PTI. To

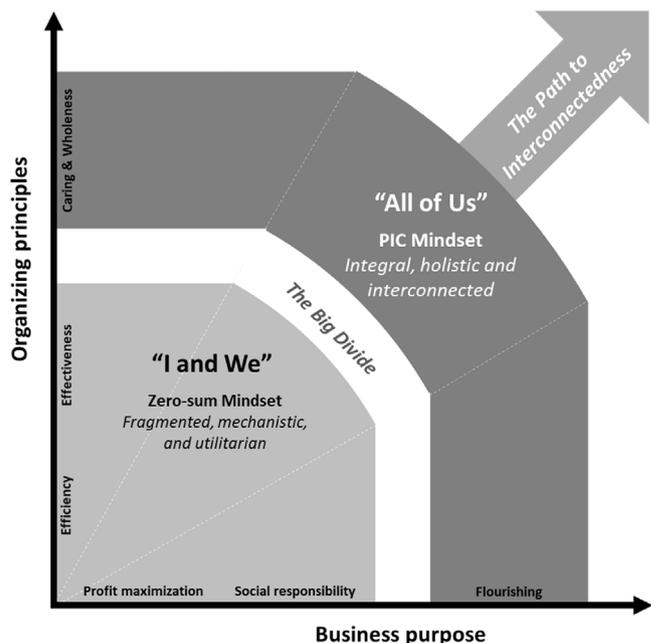


Figure 2 A PIC mindset . . . from “I and We” to “All of Us.”

provide an integral view of the process, we organize these practices around the dimensions of leadership, culture, structure, and stakeholder partnerships. When making the transition to become a PIC, we found that organizations usually excel in at least one of these four practices and present a high state of development in the other three. These practices are a compelling call to action for companies, but they can only be achieved when leaders are able to translate a PIC mindset into actionable initiatives that lead to purpose-driven organizational outcomes.

### Positive-Impact Practice 1: Develop Positive-Impact Leadership Throughout the Organization

We define positive-impact leadership as the leader's ability to create an image of the company's future that goes beyond the firm's short-term interests to embrace a long-term focus of positive-impact value creation. This form of leadership emerges when top executives adopt a PIC mindset as they become aware that the creation of economic value is intertwined with the creation of social and ecological well-being. This development in leadership propels activities of the firm toward making those positive impacts. We found that PICs develop positive-impact leadership by integrating a PIC mindset into three domains: (1) role, (2) style, and (3) focus.

First, we found that PICs establish the *role* of leadership as one that reorients their organization's decisions and actions toward individual, organizational, and societal flourishing. These transformational leaders set compelling goals that acknowledge the interconnected nature of the company and its external environment. Leadership is critical for firms seeking to cross the big divide toward becoming a flourishing company. They are the role models for the rest of the organization. For example, when Howard Schultz returned to lead a floundering Starbucks, he closed 600 underperforming stores and stepped away from the runaway growth that outstripped the core competency the firm was founded upon. Schultz coupled these strategic moves with the aspiration "to become an enduring, great company with one of the most recognized and respected brands in the world, known for inspiring and nurturing the human spirit." This aspiration enabled Starbucks to regain its leadership position in the market and lead the world in making a long-term positive impact by how it managed its global supply chain. Schultz not only set a standard for Starbucks but helped to start a conversation in the whole industry about the role of business in the creation of positive-impact value.

Second, PICs imbue a leadership *style* or *modus operandi* that seeks to develop highly collaborative environments and articulates a vision with pragmatic initiatives to implement that vision. These leaders evaluate and consider the long-term consequences of their business's decision to define a strategy that supports the creation of positive impact value. An example of this *modus operandi* is seen in Starbucks's supply chain decisions when it initiated the Starbucks's Coffee and Farm Equity (CAFÉ) program for ethical and green sourcing, developed in partnership with Conservation International. Under this initiative, Starbucks's leaders supported a major restoration initiative to plant 25 million trees during 2015-2016 to replace old and diseased coffee trees at smaller coffee farmer cooperatives.

Finally, PIC leaders *focus* on catalyzing change across institutional and societal boundaries for the mutual benefit of the organization and society. These leaders drive changes that support thriving and well-being beyond the boundaries of the firm. By doing so they become influential leaders for a flourishing world. When Starbucks chose New Orleans for its biennial leadership event in the fall of 2008, Schultz created employee volunteer opportunities that resulted in over 50,000 h spent across four days in areas still devastated by Hurricane Katrina. At a global scale, this leadership focus is evident in the 2016 Global Social Impact Performance Report, which outlines 15 separate global initiatives Starbucks leads. Notable examples include investing \$500 million into the Global Farmer Fund, training 200,000 farmers in sustainable coffee-growing practices, and converting to 100% renewable energy sources by the end of fiscal year 2020.

### Positive-Impact Practice 2: Create An Organizational Culture That Enables Individual and Collective Flourishing

At the organizational level, companies cross the big divide by embedding a PIC mindset into a corporate culture that supports individual and collective flourishing where people can thrive in a wide range of domains that express what matters most to them (e.g., relationships, meaning and learning, or a sense of achievement). To create such a culture, PIC's leaders infuse the idea of sustainability—as positive impact—into four elements of the organizational identity: (1) purpose, (2) vision, (3) values, and (4) relationships.

First, we found that companies that successfully cross the 'big divide' have a new sense of why they exist. These firms become purpose-driven in a way that captures prosperity and flourishing as the firm's *raison d'être*. A good example of how a company transformed (or discovered) its purpose is the case of Ørsted. This Danish power company is listed in the top 20 business transformations of the last decade because of the firm's radical business model shift from fossil fuels to green energy. The transformation began in 2006 when Ørsted's management decided to invest in green energy and started to develop large offshore wind farms. The process was accelerated, however, when the price of natural gas decreased by 90% in 2012 and S&P downgraded its credit rating into negative territory. Henrik Poulsen—a newly-hired CEO from LEGO—demonstrated a PIC mindset by his call to build an entirely new company that would be *purpose-driven*. Poulsen made a convincing case that Ørsted had a unique opportunity to respond to changes in the competitive landscape by leading a transformation in the industry's battle with climate change through the adoption of an entirely new paradigm of value creation. As a result, Ørsted re-defined itself as "a renewable energy company that takes tangible action to create a world that runs entirely on green energy."

Second, we found that PICs use a *vision* within the culture to define a collective "this is who we are," giving shape to the collective expression of a PIC mindset for the firm. Ørsted, as part of its transformation process, was renamed in 2017—previously, its name was Danish Oil and Natural Gas (DONG)—to reflect the desire of infusing its new purpose and

lead the future of the energy industry. The company took the name of the famous Danish scientist Hans C. Ørsted, who discovered the principle of electromagnetism (the foundation for the modern generation of electricity) and committed to achieve the *vision* of “let’s create a world that runs entirely on green energy.” To make the firm’s purpose and vision concrete, Ørsted developed tangible but ambitious goals, such as becoming carbon neutral by 2015, becoming a coal-free renewable energy company by 2023, and increasing the number of customers supplied by green power customers from 15 to 30 million by 2025. Through this process, the company has been able to unify their organizational efforts and has been recognized as the most sustainable company in the world for 2020 as ranked by Corporate Knights. A key feature behind Ørsted’s remarkable achievements—shared by other PICs as well—is the generative capacity of its vision and purpose to create new possibilities for action and act on them. The generative capacity of Ørsted’s vision is exemplified by the view of Sten Arendt Stoltze, VP of Engineering, who describes his job as “we’re pushing the boundaries for what’s possible. In terms of offshore wind energy, we’re in the middle of a new moon landing.”

Third, PICs use a clear set of *values* within the corporate culture to embrace and reinforce the new identity of a firm that has crossed the divide successfully, or to use those values in the culture as a guidepost toward becoming a PIC. Ørsted adopted values that embraced their new identity as a sharp departure from their legacy fossil fuel business. Like other successful PICs, these values represent principles of relating and acting that seek to impact the lives of employees even outside of work. Hanne Blume, SVP of People & Development, describes this as: “To succeed with our ambitious vision to create a world that runs entirely on green energy, we need the best people, and we need them to perform their best. We therefore want to offer a fulfilling and sustainable work life, that not only enables high performance, but provides purpose, long-term job satisfaction, and well-being.” This statement reflects what we call a movement to full spectrum flourishing, the ability of an organization to acknowledge and enhance the interconnected nature of individual, collective, societal, and ecological thriving. This movement stems from a PIC mindset and indicates how deeply rooted the movement is for an organization toward becoming a PIC, and how likely the new culture is to endure. For Ørsted, the values that deliver on its purpose and vision are integrity, passion, team, results, and safety.

Lastly, we found that PICs develop *relationships* that nurture and deepen the employees’ sense of belonging and contribution. PIC leaders encourage interactions where people experience care, vitality, compassion, and a highly collaborative work environment (with the aim of helping people and the whole organization to thrive). Ørsted put this idea into practice through the belief that “people who thrive at work are happier, healthier and have higher energy levels at work as well as outside of work.” Thus, the firm committed to be a workplace that not only encourages high performance, but provides purpose, long-term job satisfaction, and integral well-being. To deliver on this commitment, the organization developed programs that promote diversity and inclusion (e.g., policies for gender equality and cultural

diversity), a career development program that seeks to promote learning based on individual interests and strengths, and a holistic employee care program aimed at sustaining employees’ health, vitality, and happiness. As a result of these practices, the firm has been ranked higher than its benchmarks in measures of engagement, talent attraction and retention, working climate, and reduction in stress. Ørsted has tripled its share price in the last four years, outperforming competitors in its industry.

### Positive-Impact Practice 3: Design An Organizational Structure That Enables Self-Organizing and Autonomy

The third practice involves using a PIC mindset to design an organizational structure that promotes self-organizing and job autonomy. PICs have built upon well-supported evidence that more autonomous, competent, and socially attuned individuals tend to be more engaged, fulfilled, and efficient. These attitudes and behaviors translate into caring relationships within and outside the organization. We found that PICs who use this practice to cross the big divide develop self-managing autonomous work structures (e.g. self-managed teams) using three complementary dimensions: (1) decision-making, (2) information flow, and (3) metrics.

First, *decision-making processes* leverage flat organizational structures revolving around horizontal or peer relationships within teams to make decisions on organizational needs. These teams are self-managing, and exercise power by controlling role definitions and task execution without the direct oversight of someone acting in a supervisory capacity. A PIC that stands out for this type of organizational design is Buurtzorg, a Dutch healthcare organization that created a nurse-led model of holistic and personalized care. At Buurtzorg, nurses and nursing assistants work in self-managed teams that create work schedules, recruit for their team, and make decisions about delivering healthcare without the involvement of a manager or supervisor. Decision-making is made collectively within a 12-person “home care” team. Collectively, the team prioritizes tasks and activities and assigns them based on the overarching purpose to deliver the best care to the patients and the capacity of individuals to complete the work effectively.

Second, decision-making is supported by direct *information flow*, with rich formal and informal communication channels. Buurtzorg exemplifies how even a large organization can harness communication that is direct and quick, yet respectful and kind. This type of direct information flow emphasizes what is being said and how this translates to attain the company’s purpose. In one case, high data usage resulted in unexpected monthly phone bill costs. The firm’s founder, Jos de Blok, sent out an urgent message across the company requesting that nurses immediately stop using smartphone cameras or other data-rich features and argued that these features were adding unnecessary costs to the firm. Instead of getting upset, nurses and staff responded by giving feedback on how they were using their phones in a variety of ways to take care of clients. Staff members acknowledged the issue and came up with recommendations to update phone data plans to pool usage across groups of nurses. Teams also updated company mobile phone policies

to outline more efficient ways to stream diagnostic images and send updates to concerned family members.

Third, PICs use *metrics* that encourage employee self-organizing and autonomy as important job resources for a person's development and well-being—an integral element of a PIC's identity. To favor an autonomous and flat structure—with more than 10,000 employees working in 25 countries—the firm measures the cost of headquarters personnel, central service functions, and general administration staffing compared to the total operating costs and tries to keep that ratio below ten percent. This number contrasts with its competitors, who average 25% or more. In addition, job autonomy is supported by metrics of productivity, billing, patient satisfaction ratings, number of clients, and total number of client hours billed. Through the company's intranet web portal, all metrics are made available to team members—transparently and timely—to support the decisions that better serve the company's mission: “humanity over bureaucracy.” As a result of these practices, Buurtzorg's client satisfaction rates are the highest of any healthcare organization in the Netherlands, and a recent Ernst & Young analysis show that the Dutch healthcare system would save 40% if all care was delivered using the Buurtzorg model. KPMG found that even though the company empowers nurses (who are paid the highest wages of any home care firm in the country) to deliver any necessary care instead of relying on less expensive nursing aides, patients in the Buurtzorg system end up using 50% fewer hours of care. Buurtzorg is ranked one of the highest companies in the Netherlands for employee satisfaction and loyalty.

#### Positive-Impact Practice 4: Engage Stakeholders in Purpose-Based Partnerships

The fourth practice refers to engaging all the company's stakeholders in purpose-based partnerships aimed at making positive impact—or what we call “partnerships for good.” This means that PICs invite their stakeholders to co-create their value proposition, and to embark in a process of experimentation and mutual learning to deliver the highest benefit both for people and the planet. PICs have incorporated this practice by working on three dimensions of their partnership with stakeholders: (1) value, (2) engagement, and (3) mutual learning.

First, we found that PICs integrate a deep concern for others into the core of their business strategy. Thus, companies evaluate their success based on the positive-impact *value* they create for their whole system of stakeholders. A good example of such a company is Clarke, which went from being a local pesticide-based mosquito control firm to become a global public health product and services company committed to “putting people and the planet first, in everything we do.” The company developed several mechanisms aimed at conveying transparent and timely information about the delivery of positive-impact value to their stakeholders. First, the firm measures the effects of its purpose-driven innovations on their clients and industry, using the market share and revenue from a line of products and services—named NextGen—designed to protect public health without harming the environment. An example of a NextGen product is a naturally derived larvicide called

*Natular*®, for which Clarke received the 2010 U.S. EPA Presidential Green Chemistry Challenge Award. Clarke shares insights from their benchmarking to stakeholders and directs one percent of NextGen revenue to non-profit environmental partners that share Clarke's purpose to give back to the larger community. Moreover, Clarke committed to reach ambitious strategic goals that reflect an integral view of its performance, in the areas of carbon, energy, waste, water, product offerings, and people. By the end of 2020, for example, it has committed to become one hundred percent carbon neutral; source ten percent of the energy from on-site renewable sources; divert more than eighty-five percent of total solid waste through recycling, reuse and repurposing; achieve an employee retention rate of ninety-five percent or better; and achieve one hundred percent employee engagement in volunteer activities with the community. Through these management practices Clarke has created tangibles outcomes that gives credibility to its endeavor, making it easier for Clarke to partner with other stakeholders who share their aspirations and purpose.

Second, we found that PICs establish processes and structures that *engage* stakeholders in the process of co-creating positive-impact value or becoming “partners for good.” Anchored in a PIC mindset, Clarke invited its stakeholders to partner with them in the design and delivery of its value proposition. In doing so, the company used a whole-system change approach named the Appreciative Inquiry Summit, which is an organizational development method designed to accelerate collaborative innovation and change. Clarke's first Appreciative Inquiry Summit was carried out in 2012 with 130 employees (from five countries) and more than 70 external stakeholders, including customers, suppliers, and sustainability thought-leaders. The goal was to sharpen Clarke's purpose and value proposition to define the path of the company for the following decade. Through the repeated use of Appreciative Inquiry Summits, Clarke has been able to drive a major transformation that, with the aid of its “partnerships for good,” enabled the company to become a more innovative, impactful, and thriving organization. Examples of “partnerships for good” initiatives are the implementation of a sustainable supply chain, and the creation of international alliances aimed at eradicating mosquito-based diseases such as malaria and lymphatic filariasis.

Finally, we found that transforming stakeholders into positive-impact partners requires a process of *mutual learning* (i.e., new habits and behaviors that evolve through the partnership) that aligns with the organization's purpose. Mutual learning arises from—and is built upon—an established basis of trust, which is created through a history of exchanges based on a sense of competence, responsibility, and willingness to collaborate. For Clarke, the implementation of Appreciative Inquiry Summits was instrumental in establishing a solid basis of trust, but the engagement of stakeholders was taken to the next level when they partnered to strengthen the company's broader business ecosystem and value chain. In 2015, Clarke developed a Product Delivery Roadmap—in collaboration with their main “partners for good”—to drive NextGen products and services, resulting in more than a dozen positive value-driven innovations to move its business purpose of “putting people and planet first” forward. Another notable initiative was the methodology developed with the city of St. Charles, IL to

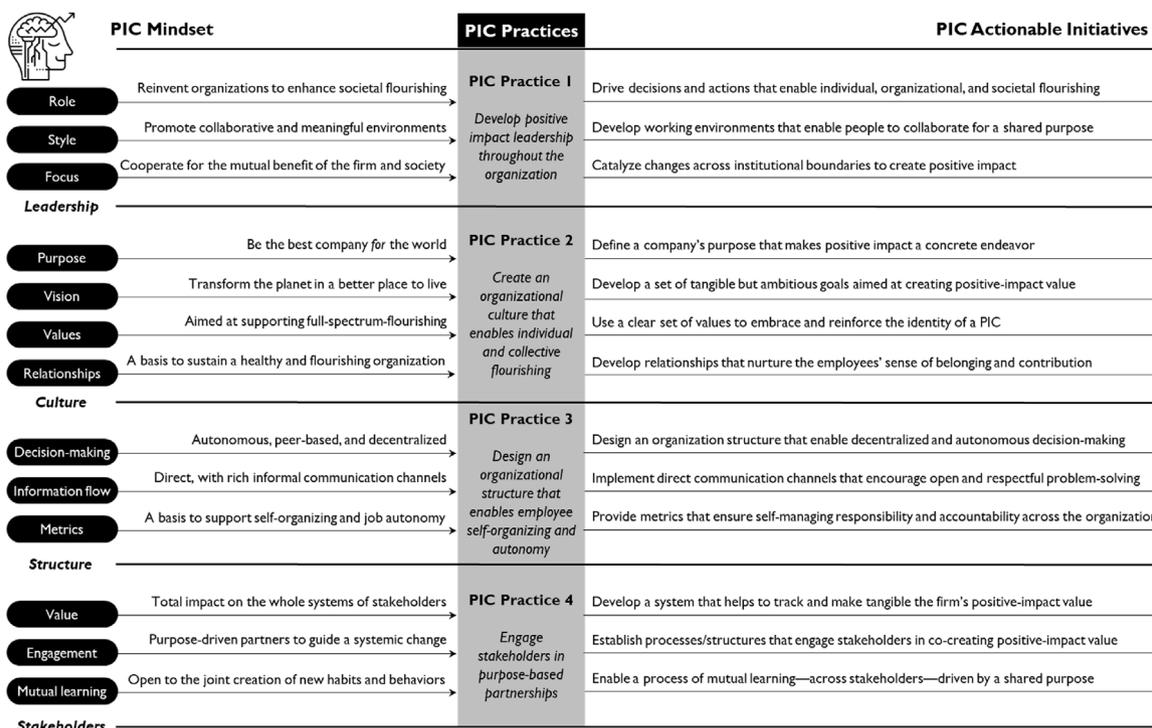


Figure 3 The mindset, practices, and actionable initiatives that help to become a PIC

track excess electricity production (using solar panels), as Clarke became the first business in the municipality to return power to the grid. As a result, the firm has already received three Illinois Governor’s Sustainability Awards and has become a beacon for sustainability in its industry.

A synthesis of the practices that enable organizations to become PICs is shown in Fig. 3. This figure illustrates how the premises of a PIC mindset drive the implementation of positive-impact practices in the areas of leadership, culture, structure, and stakeholders, including a set of actionable initiatives that companies can implement to make the transition into a PIC.

**IMPLICATIONS**

In this article we outlined a conceptual framework that illustrates how businesses develop a PIC mindset, cross the big divide, and become positive-impact companies. This framework is organized as an evolutionary path along the dimensions of business purpose (external orientation) and organizing principles (internal orientation). We named this framework the *Path to Interconnectedness* to highlight a central element of an emergent business paradigm that has been implemented by visionary entrepreneurs and business leaders such as Howard Schultz, Lyell Clarke, and Luiz Seabra. This emergent business paradigm is more holistic, relational, and integrative compared to capitalism as it is practiced today, and it holds the promise to transform business as the biggest institutional force to create a flourishing world.

Our research finds that this emergent business paradigm can only be embraced by “crossing the big divide” (see Fig. 2). This implies adopting a PIC mindset based on a

different understanding of what it means to be human and the nature of the world: from utility maximizing individuals to connected and caring members of a local/global community and biosphere. At a firm level, we found that the transition to becoming a PIC can be orchestrated through four practices and a set of actionable initiatives, each of them embodying the premise of a PIC mindset showed in Fig. 3: (1) develop positive-impact leadership throughout the organization; (2) create an organizational culture that enables individual and collective flourishing; (3) design an organizational structure that promotes employee self-organizing and autonomy; and (4) engage stakeholders in purpose-based partnerships.

To conclude, we envision a world in which an increasing number of business leaders choose to transform their organizations into PICs. Studies suggest that this revolution has already begun but given the urgency of rising social and global challenges—most recently manifested by the COVID-19 pandemic—this process needs to be accelerated through intentional managerial practices. In doing so, it is essential to increase our awareness of how embodying a PIC mindset can transform business practices aimed at creating positive-impact value. We argue that understanding what drives this new business paradigm, and why firms evolve in the manner described in the PTL is also good for business. For the myriad issues that confront us in the future, companies that lead in doing well by doing good may become the new business leaders of the twenty-first century.

**FUNDING**

Part of this work was supported by the GOI Peace Foundation under a research contract signed April 24, 2014. No conflict

of interests was reported by the authors at any time before, during, or after the study was completed.

## AUTHORS' CONTRIBUTION

**Ignacio Pavez:** conceptualization, methodology, formal analysis, investigation, resources, writing – original draft preparation, writing – review & editing, visualization.

**Lori Kendall:** conceptualization, methodology, formal analysis, investigation, resources, data curation, writing –

original draft preparation, writing – review & editing, project administration.

**Chris Laszlo:** funding acquisition, supervision, resources, writing – original draft preparation, writing – reviewing and editing, project administration.

## DECLARATION OF INTEREST

None declared.



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