

DR. VICTORIA HURTH

From purpose statements to real decisions

Building a wellbeing economy

Hosted by **British New Zealand Business Association**

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Panel discussion featuring



Neil Gaught



Andrew Baker



Dr. Victoria Hatton

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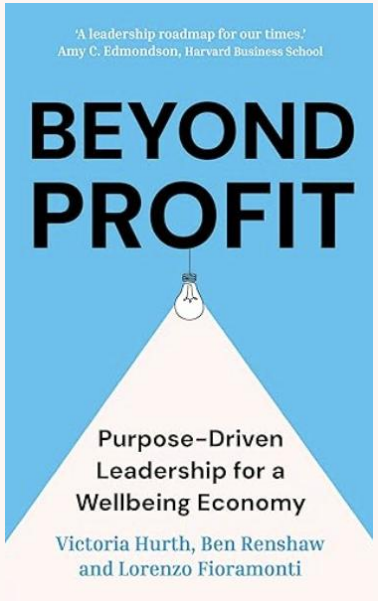
https://linktr.ee/victoriahurth
and www.victoriahurth.com





"an invitation to rethink what we value, and to govern accordingly — a diagnosis of our economic malaise and a manifesto for a more sustainable future" **Financial Times**

FT

Available at all major bookstores globally.
Join our book's LinkedIn group to stay up to date: https://www.linkedin.com/groups/13085230/

Key takeaways

1. Purpose is not a trend but the key to exiting our unsustainability crisis

2. Purpose governance – of self and all organisations is the key skill that all leaders need to attain, urgently

3. ISO 37011 in Purpose-Driven Organizations will the the galvanizing practical tool the world can use to test and learn how to do purpose governance well

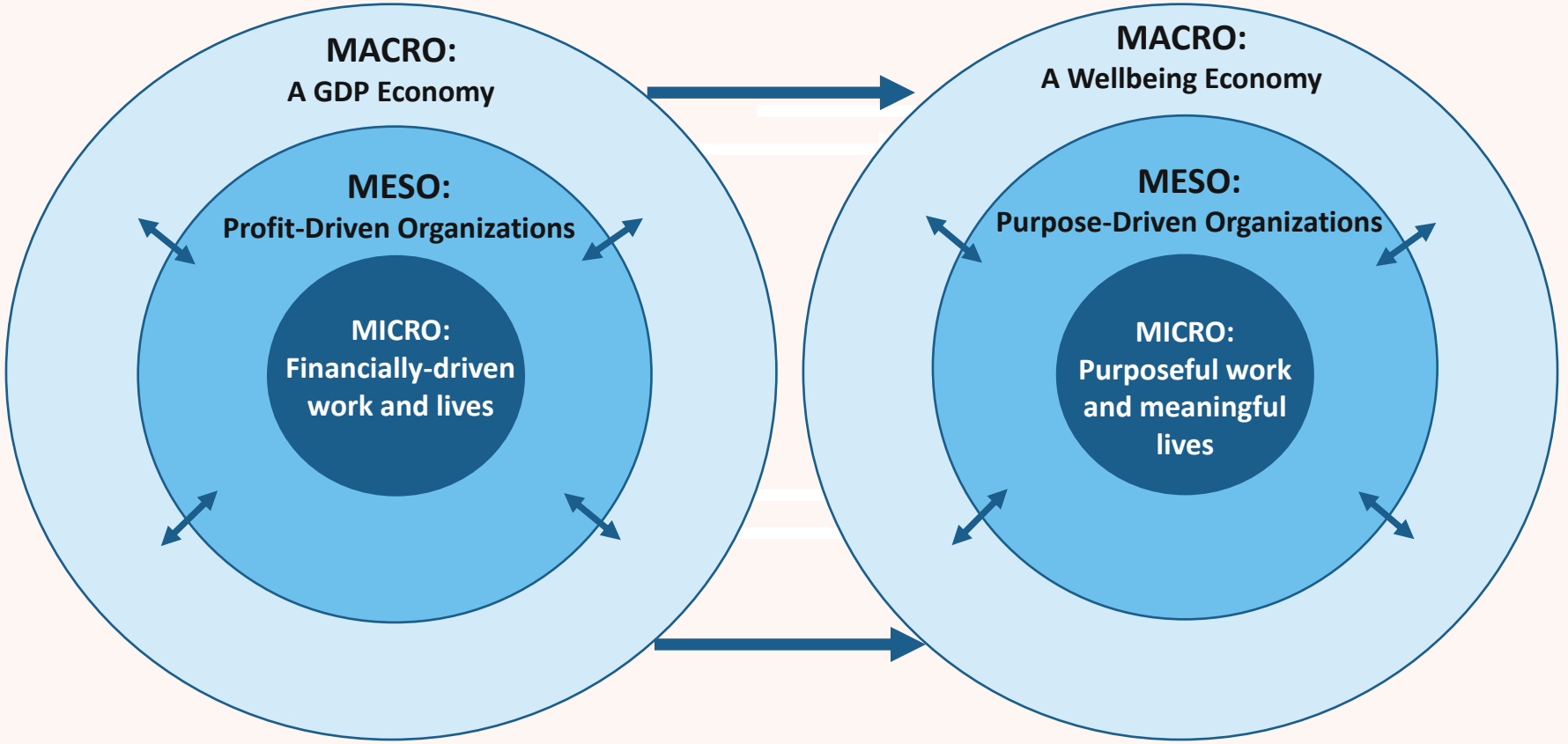
The shift underway …and the non-market alternative

the existing UNSUSTAINABLE market economy

maximizing goal = financial income = long-term wellbeing for all people

the emerging SUSTAINABLE market economy

maximizing goal = long-term wellbeing for all people and planet



OR

THE NON-MARKET ALTERNATIVE



Back to basics: What are we working for?

economy: "allocating the resources available to society in a way that maximizes social wellbeing" (Goodland and Ledec, 1987)

wellbeing: "positive state of being where current and future needs are met, such that there is the capacity and opportunity to flourish" (BS 8950:2020, 3.7, adapted)

sustainable development: "development that meets the needs (wellbeing) of the present without compromising the ability of future generations to meet their own needs" (WCED 1987)



THE SHARED OBJECTIVE: **LONG-TERM WELLBEING FOR ALL** (SUSTAINABILITY)

Back to Basics: What are governments mandated for?

International Public Sector Accounting Standards Board®

Accountability and Decision Making

2.7 The primary function of governments and other public sector entities is to provide services that enhance or maintain the well-being of citizens and other eligible residents.

UK Local Government Act 2000 – purpose of Local Authorities (Corporations):

2 Promotion of well-being

(1) Every local authority are to have power to do anything which they consider is likely to achieve any one or more of the following objects—

(a) the promotion or improvement of the economic well-being of their area,

(b) the promotion or improvement of the social well-being of their area, and

(c) the promotion or improvement of the environmental well-being of their area.

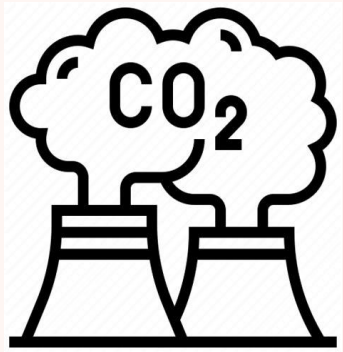
https://ifacweb.blob.core.windows.net/publicfiles/2023-12/IPSASB-Public-Sector-Conceptual-Framework_2023%20-%20Updated%2012-19-23_Secure.pdf

so…the economy should have been delivering long-term wellbeing for all (sustainability)

yet…..we have existential unsustainability…

We are facing many interconnected crises driving ‘global catastrophic risk’

the fuel we burn ← **ENERGY** → how we use the energy



is at the heart of unsustainability



Some solutions help both sides. Some make the other side worse

Back to Basics: What are governments mandated for?

organisations make organised decisions

governance structures routine decisions

culture is the result of routine decisions ‘how things are done around here’

Governance: How decisions are systematically made and culture is shaped



→ what is being pursued

chosen approach to achieve the goal within the parameters

→ constraints (chosen and imposed)

DEFINITION:
Governance of Organizations

human-based system by which an organization is

directed,

***overseen** and*

held accountable

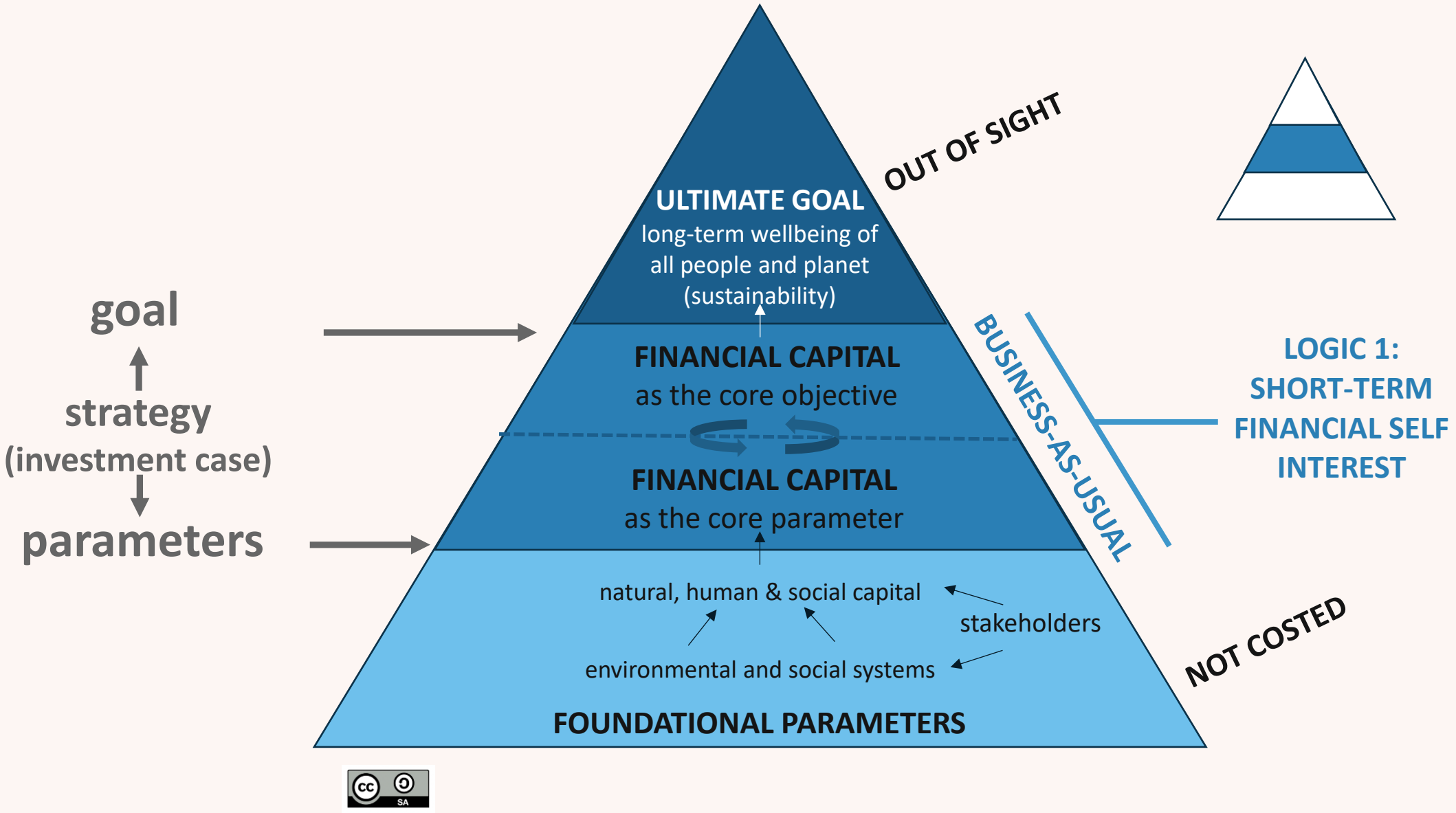
for achieving its defined purpose

(ISO 37000:2021)

LOGIC 1:

short-term (financial) self-interest

Logic 1: Short-term self-interest as the route to collective wellbeing



‘asset stripping’ is the norm:

HARVARD BUSINESS SCHOOL
Impact-Weighted Accounts

How to Measure a Company’s Real Impact & profit

by Ronald Cohen and George Serafeim

September 03, 2020

Of 1,694 companies which had positive EBITDA in 2018, if the cost of environmental damage was counted”

-> **15% would see their profit more than wiped out**

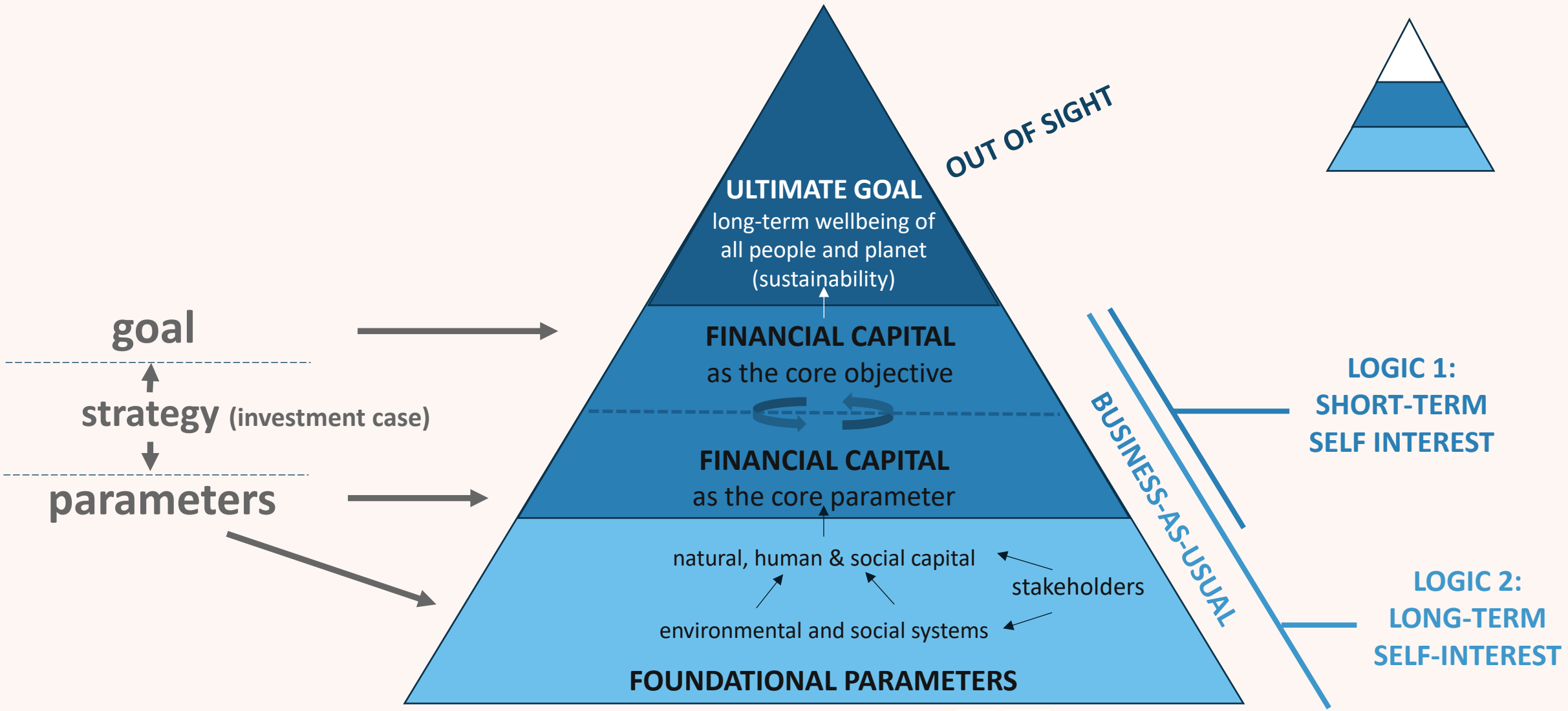
-> **32% would see their EBITDA reduced by 25% or more**

https://hbr.org/2020/09/how-to-measure-a-companys-real-impact

LOGIC 2:

enlightened self-interest/ long-term profit maximisation

Logic 2: Long-term self-interest as the route to collective wellbeing



Attempting to deal with wellbeing ‘asset stripping’



ESG

The messy and constrained ESG agenda



GreenBiz Group

LOGIC 3:

other-serving long-term interest (purpose)

Logic 3: Purpose as the route to collective wellbeing

goal

strategy
(investment case)

parameters

ULTIMATE GOAL
long-term wellbeing of all people and planet (sustainability)

~~FINANCIAL CAPITAL~~
~~as the core objective~~

FINANCIAL CAPITAL
as the core parameter

natural, human & social capital

stakeholders

environmental and social systems

FOUNDATIONAL PARAMETERS

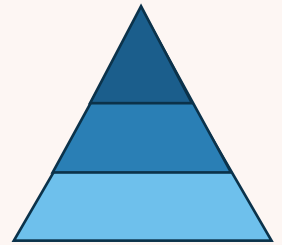
PURPOSE

BUSINESS-AS-USUAL

LOGIC 3:
LONG-TERM
OTHER INTEREST

LOGIC 1:
SHORT-TERM
SELF INTEREST

LOGIC 2:
LONG-TERM
SELF-INTEREST



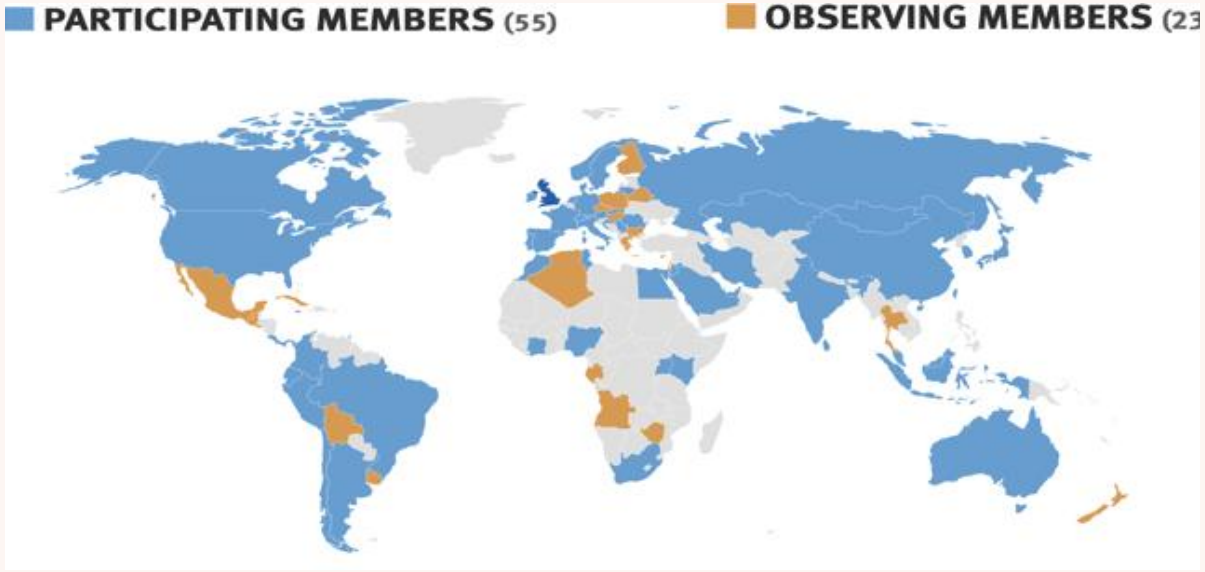






How do avert catastrophe, without killing (and unleashing) the enterprising work needed for this?

ISO 37000: Governance of Organizations - Guidance





https://committee.iso.org/ISO_37000_Governance_published



https://www.wsj.com/articles/international-standard-setter-wades-into-corporate-governance-debate-11632322569

ISO 37000 key facts:

Scoping: 2016-2017

Development: 2017-2021

Countries involved: 77

Liaisons involved: 24

Comments resolved: 1,500 unique comments resolved by WG1

Approval: 100% approval and all 164 ISO member countries had the opportunity to vote.

ISO 37011: Purpose-Driven Organizations - Guidance

ISO 37000: 2021

Governance of Organizations

→

BSI PAS 808: 2022

Purpose-Driven Organizations

→

ISO 37011

Purpose-Driven Organizations

up to 177 nations · www.iso.org/members.html

AIM:
A globally co-created vision of the organizational governance needed for a sustainable future — and a unifying frame for orientating sustainability orientated frameworks and standards, including from ISO.

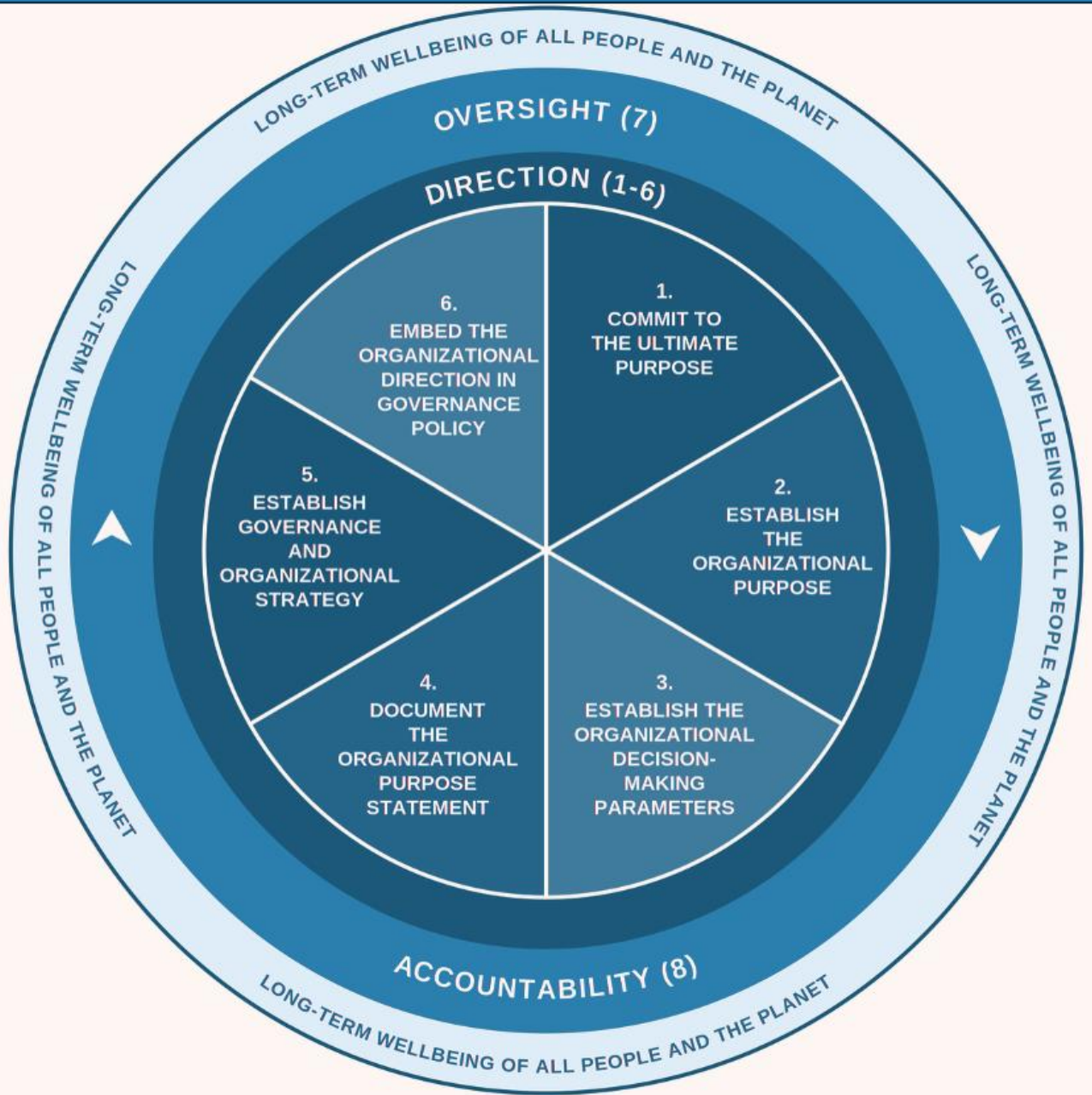
Related ISO standards that ISO 37011 relates to and/or helps orientate, including:

- ISO/WD 37201 Management systems to prevent and combat violence against women in organizations
- ISO/CD 37200. Managing the risk of modern slavery
- ISO 37301. Compliance management systems
- ISO 37001 Anti-bribery management systems
- ISO/AWI 37401 Diversity management systems
- ISO 26000. Social Responsibility
- ISO 37005. Governance of organizations — Developing indicators for effective governance
- ISO/UN 53002. Guidelines for contributing to the United Nations Sustainable Development Goals (SDGs)

ISO 37011: Why an ISO is a useful approach for global change

Wide participation	Up to 177 national standards bodies and eligible liaisons working within a co-created, multi-stakeholder consensus-building process.
Revisioning	Revisions can be initiated via ISO, as needed, to incorporate learnings and deepen consensus in a timely way.
Shared ambition	International standards are always voluntary and represent the current best collective view of a global shared ambition.
Revealing the ambition	ISO 37011 expresses what ought to be the case in organizational governance — so organizations work to drive, and not harm, our collective good.
Enabling the norm to become reality	ISO 37011 allows stakeholders across the world to have well-crafted, relevant conversations that enable change in practice.

ISO 37011: the 8 practices of a Purpose-Driven Organization



ISO 37011: The 5 stakeholder categories

Stakeholder intention type	Stakeholder category and description
Stakeholders the governing body commits the organization to generate value for	**1) Ultimate beneficiary stakeholders –** all human and non-human life over the longer-term, including future generations. These stakeholders are not the direct focus of the organizational purpose but are those that the purpose ultimately benefits. Therefore, understanding the ultimate consequences for them is important.
	2) Focal beneficiary stakeholders – stakeholders that the organization exists to generate value for through its organizational purpose. In a case where the organizational purpose is focused on addressing aspects of an ultimate social or environmental system that everyone's wellbeing is reliant on (e.g. climate change or inequality), then the focal beneficiary stakeholders would be the same as the ultimate beneficiary stakeholders.
Stakeholders the governing body commits the organization to protect value for	**3) Influential stakeholders –** stakeholders that the governing body is legally bound to (e.g. member stakeholders) as well as those it chooses to account to and take aspects of its direction from (e.g. reference stakeholders);
	4) Enabling stakeholders – stakeholders that the organization relies on to achieve the value it intends to generate and protect.
	5) Affected stakeholders – stakeholders experiencing direct or indirect consequences on their long-term wellbeing as a result of the decisions and associated actions of the organization – even if their effect on the organization is non-existent, imperceivable or very limited.

Key takeaways

1. Purpose is not a trend but the key to exiting our unsustainability crisis

2. Purpose governance – of self and all organisations is the key skill that all leaders need to attain, urgently

3. ISO 37011 in Purpose-Driven Organizations will be the galvanizing practical tool the world can use to test and learn how to do purpose governance well. GET INVOLVED!!