

Take on Board

# Transcript – Take on Board breakfast with Tara Anderson – governing for profit and purpose



Helga Svendsen 0:00

I'd like to start by acknowledging the traditional owners of the land on which we meet. For me, that is the Wurundjeri people of the Kulin nation. And I know there are people here from all over the place. Hi, and welcome, everybody, to the second take on board event for 2022. Today, featuring Tara Anderson from the Dragonfly collective. And today we're talking governance for profit and purpose, profit and purpose is probably what I should emphasize there. Because I know a number of us either involved in governance of a range of organisations, and my view is every organisation even "not for profit", or maybe especially not for profit need to be financially sustainable. So ensuring that is super important. So yay, glad you're all here for the conversation. Tara is awesome. She's got some incredible wisdom to share here about Yeah, governing for profit and purpose. She's worked in organisations across the world. So she or she has a great wealth of experience to draw on. And she's got some really fabulous resources and frameworks that I think will help all of us in these conversations that we was gonna say battle with that might be overstating it a bit wrestle with maybe that's a better way of putting it those conversations that we wrestle with in the boardroom. So Tara, with that, I'm going to pass to you for your presentation. So over to you.

Tara Anderson 1:27

Thanks very much. And hi, everyone. Great to be here. I am not sure I can live up to that introduction, feeling cups with wisdom, maybe a few little snippets, hopefully, or at least some talking points that we can pick up after. And chat about, always worked in the for purpose sector across my career. And I've experimented with different models of for purpose within that. So starting out in corporate needing more meaning jumping into the charity sector, finding that quite restrictive in terms of relying on funders and donors for the impacts we can create, jumping from there into the social enterprise sector. And also studying social innovation at the same time, enjoying that model much more and discovering that there is a way actually to combine business and purpose in one model. And then from there working in peak bodies that support the whole full purpose ecosystem to thrive, and kind of coming back around into the corporate world again there and connecting with businesses that want to connect with for purpose organisations or become one themselves. So this is kind of my career purpose, this is what I'm passionate about. So it's really great to be able to share some of this with you. And I'm really looking forward to hearing some of your insights at the end as well with your experience and some of your questions too. So I'm going to jog through some slides, we've got 20 minutes, as we said, this could be a three day workshop or so it's

going to be I'll give a kind of high level overview of some things that I think will be useful for us to chat through after. But there is a kind of toolkit and workbook on this that I'll send around later on. So you can dive into any of these elements in a bit more detail if you want to.

I'll talk through in three sections, I should say as well. So first thing is just around drivers in the for purpose world. So where is the push coming from? And what kind of trends are we seeing? Then I'll talk about types of four purpose organisations. So what are the different models that are out there? And then I'll talk a bit about what were the Dragonfly Collective uses the eight essential steps of creating building sustaining scaling, or for purpose organisation. And I'll draw out four things in particular, that I think will be relevant for us to talk about, and hopefully can do all of that in 20 minutes, see how we go. So first up trends, what's pushing this? So from a corporate world perspective, we know there's an increasing push for purpose that's coming from all over the place, particularly in the last three to four years or so. We see things like the Blackrock drivers and the letters and Larry Fink is first one, and then all of the subsequent ones. After that, we see headlines in the New York Times around needing new forms of capitalism that's popping up everywhere. We know in 2019, there were 180 CEOs that actually came out and said, it is our responsibility to have a greater purpose beyond just profit, we need to serve our stakeholders more broadly, as well. And just recently, at the moment, in the UK, there's a campaign on for a Better Business Act, which is companies coming together and saying we actually need to change law. So the responsibility of company directors is communities and broader stakeholders as well as shareholders and profit motive. So it's all over the place and growing. And I'm sure you're really familiar with this, but it's point here is it's accelerating at a pace. I don't think any of us really anticipated even those that are passionate about this and love it. And the drivers are coming from lots of places and perhaps that's why it's gaining speed quite so quickly. We know from an investment perspective, investors are backing this now. So we've got private equity funds lenders starting to check in screen for things like ESG risk. global asset owners are evaluating for ESG and their investment strategies. And then there's all sorts of new finance ones popping up as well, social impact bonds, green finance, social investing. So big driver from the financial world, consumers themselves, they're now starting to demand brands and want to buy from brands that have a greater conscious than just responsibility to shareholders. So that kind of interested in values during consumption is really pushing this trend. And they're actually looking for credentials, here, they're looking for proof points. So it's not just a brand, being able to say that they do something, it's actually being able to prove it somehow. We know employees want this stuff as well. So people want to work in companies that have ethics values, a bigger purpose. And then there's regulation that's underpinning all of this and driving it as well. So there's nearly 60 countries around the world that are already starting to factor this in Australia is not there, but it's getting there, we think maybe 2024, there'll be some sort of framework that will come out that will actually set regulations around ESG. And we know there's already things around modern slavery, social procurement, climate, Aboriginal business, all sorts of other things that are starting to drive this push for purpose. So in the corporate world, that's really shaking things up. And then in the not for profit world, there are similar sorts of drivers, but different so not for profits and charities historically relied on or rely on forms of grant funding, philanthropic funding, donations, some government income as well. What we're seeing there is in, there's a push for different types of income that make them a little bit more independent than what they perhaps have been. So research from Charities Aid Foundation, for example, showing that last

year, a third of charities saying that they can only continue on for six more months, if they don't get some form of additional support, or some additional type of new income stream, even after locked down to easing because COVID. Obviously, the sector quite hard, some parts but more than others, they're still around three and five, saying that they're expecting to see continued loss of income going forward. And the solution to that, for most charities around the world is saying that they need to look at trading revenue. So this is a new driver for a lot of charity, saying that, you know, we are purpose based already. So purposing bakes in isn't an issue. But it's actually around a building in trade revenue to supplement the other forms of income they get that create a bit more freedom and flexibility for them to move. And the profit being a dirty word is absolutely a key challenge in this world, we can talk about that a little bit more.

So all of that is leading to a proliferation of frameworks, tools, acronyms, pick your favorite three letter word, all sorts of different graphics, we've got circular economies, and donor economies and net zero, and then various business types of charities, B corpse, social enterprises, all of this is popping up all over the place. And essentially what it's all getting down to is building purpose into business. It's all about for purpose. So all of this can be quite confusing. And the frameworks are sort of different, but similar in a lot of cases. And it gets down to very nuanced definitions to kind of pull them apart. But what we're ultimately talking about what we'll talk about today is building purpose into business purpose and business working hand in hand. And what does that look like? So to clarify, what we're talking about here is if we look at two things is where income comes from on the left, and purpose along the top as in maximizing profit versus maximizing impact. In the corporate world, we have traditional corporate businesses that obviously generate their own income, but maximize profit. Moving along that spectrum. We have corporate businesses that are looking to build in CSR ESG shared value doing bits of it. From the other side of the spectrum, we have charities that generally rely on on grants and donations, but then moving up into some that generate their own forms of trade, our own forms of revenue. And then of course, in the middle there that meeting places for purpose business. So social enterprise is probably the ultimate expression of for purpose business. But without getting into the definitions. That's what we're talking about. So it's blending corporate commercial logic with the social impact logic of the third sector. And there are 1000s of these organisations around the world already doing this. So there's a lot that we can learn from them. And that's what I wanted to do my time in the UK, I did research as part of the MBA that I was doing at the time, but research with the leading peak bodies for purpose organisations there that represented over 10,000, for purpose organisations, and then looking at every single international journal article I could get my hands on, essentially, that talked about what's often called in the academic world hybrid business that's combining profit and purpose in one model. So I talked to everyone I could find did all the research I could and my question was, if we all agree that we need to do this, how do you do it? Well, what is it that makes it work? What's that model that sits at the heart of that that makes it successful? And it came down to looking at business model design. So strategy broadly, but then more specifically, how do you construct a business model that that blends those two things together. What does that look like? So I'll share some of the insights from that now. So first up in terms of what a business model is, what are we talking about? In the corporate world, there's sort of three broad things that make up a business model, which is all about creating profit for business owners, you have your operational model, and your value proposition to attract your customers. And then that generates profit. On the for purpose side of the equation, there's a fourth

element that is what makes it instantly more complex and complicated. And that is that there's an impact model that you have to build in. And the impact model is what dictates what kinds of social or environmental impacts you want to create. And the value creation you're looking to generate is outside the business. So rather than retaining the profit internally, for shareholders, you're actually looking to create value for people for Planet, places outside of the business that you're running. And that's what makes the full purpose business model much more challenging, much more complicated, much more rewarding as well. So I wanted to tease out okay, well, what does that mean? So I looked at all of the different types, this will be in the booklet that I'll send you after the workbook guide. But just broadly, there are 17 types in all of the research that I did the primary research and the secondary research looking at journal articles, I wanted to know how do you create these things that blend profit and purpose? And it was often the question of how do you generate revenue to cover the cost and the impact we're delivering. So there's four broad categories. And then within that, there's 17 different types. So without going into detail, or just headline, the four different categories here, and then if there's questions after we can dive into it, or further reading or following up after happy to happy to chat about this all day. So model one. So this is a product model, which basically means that you're a full purpose business that creates a product or service. And then you sell that to a customer or beneficiary group at an affordable or accessible rate or way. So for example, this is a product sold in the US, it's called the Embrace Infant warmer, it's sold globally. The idea is that keeps newborns at a constant temperature without electricity. So rather than having really expensive incubators, it allows rural regional hospitals, people from poor areas, to get care for newborn infants at a massively reduced price. So it's a standard product, but they've been able to create it in a way deliberate in the design that they've done to make it accessible for people that wouldn't otherwise be able to access it. So that's one type.

A second type is a solutions model. So this is similar, but this is about rather than a product, it's about service delivery. And in that service delivery piece, this is about CO creating a solution with the customer that you're working with. So in a similar way, you're looking to create a service that's more accessible for people that wouldn't otherwise be able to access it or afford it. But you're designing in the way that you deliver that something that means that they can access it when they wouldn't otherwise be able to. So, for example, these guys in Central America and South America, offer microfinance training and business development, mentor and coaching, something that you know, in the corporate world would cost 1000s of dollars a day to access. But they've created a financial model, sort of similar to a bank where interest is charged on loans that they offer. And then the savings deposits are leveraged on lending. So it's like microfinance, you might have heard of the Unicenter, which is another version of this, you know, social business. This is creating a standard product that is unaffordable for many and making it accessible. So that's another type. The third type is a matchmaker model. So this is where there's actually a connection point between a separate customer group and a separate beneficiary group, so a customer that can afford to pay, and then a beneficiary that that can't or need support in some way. And the for purpose business actually match makes between those two sides of the equation. So for example, at social traders, which is one of the hats I wear, one of the places that I work at the moment, we support social enterprise, where social enterprise ourselves for purpose business, we support social enterprises with capacity building, to get ready to sell into corporate customers. And then we go into source, the corporate customers train them up to be able to buy from social enterprise, because often they have to make

some tweaks to how they do their purchasing. And then we match them. So it's that matchmaker model. So we our beneficiary group of social enterprises is separate to our what's our primary paying customer. So our source of revenue comes from one place for a beneficiary sit over here, and then we connect them up. And then in a similar way, the last category is multi sided model where again, you've got a completely separate customer group, that's where your revenue comes from your paying customers. And your beneficiary group that you're supporting the social impact you're creating is separate. And those things remain separate. So it's a cross subsidy model, basically. So it's models like for example, there's loads and loads of these but one is brigade in London, so it's a restaurant that employs homeless people. So their customer group is the restaurant patrons that pay a pretty good price. So they're often up market products, because they've got a social impact premium built into the price that people are willing to pay for. So that's the customer group. And then the beneficiaries are the employees, they're the homeless people that wouldn't otherwise have a job or a chance to create a career for themselves. So that's a quite a common model that we find a lot in employment generating model employing people that wouldn't otherwise find work.

So that's a very quick run through four types. And there's 17 types within there, as I said, So in 20 minutes, I'm just doing some headlines. But if you've got specific questions that we want to dive, let's, let's do that in the chat after. So looking at all of that, then what we thought about what I thought about in the research was, okay, well, how do you build a for purpose model then? So if we know what the types are? And there's lots of different ways you can do this? What's what are the steps that you need to go through? And what do you need to think about, and there were eight pieces to that, essentially, and this looks linear, but it isn't necessarily linear, you can start at any one point, depending where you're at on the journey, you might already be an established or purpose organisation, you might be starting one out, you might be an established corporate wanting to transition over, you can be at any place. So stepping it through, the first thing to look at is the impact you want to create, then it's looking at, what's your customer base going to be? So where's your your revenue going to come from? Where does the trade come from? Then the products and services that you'll offer? Step four is around collaboration in the space, I'm going to touch on these in a bit more detail, some of them, specifically, five, then looking at your tie up. So that's the types that we just went through the four categories, but the 17 models, and then going what, which of those 17 Are we going to build? And you can combine some as well. Then looking at how you finance the model, how do you organize your resources? And then last of all is the kind of portfolio check of how do you make sure then that you've got a good balance between your profit and your purpose, you know, in your full suite of service delivery. So for today's purpose, I just wanted to touch on a few of these specifically, first of all, the impact model, looking at the value proposition specifically around your customers and your product, the collaboration point in step four, and then the portfolio check at the end. So I'll just jog through some of these, I think they're probably the ones that are most unique or specific to for purpose business. So step one. So the point about being for purpose is it's not something you do, it's everything you do. The starting point has to be what are you trying to achieve? What impact do you want to create, it has to be at the heart of the entire business model design if you're building it genuinely. So it becomes the anchor. And it's what keeps you focused on your mission to avoid against mission Mission Drift going too far off in the revenue side of the model. But similarly, also making sure that you have enough revenue to sustain it. And what the model that we've built tries to do is actually integrate things that are often separate documents in

an organisation. So often you might have a theory of change or something about your impact you want to create written down a vision and a mission that sort of separate and then it's a corporate strategy or a strategic document of some form. What our framework tries to do is merge all of those things together. So you've actually got one so you're not trying to govern with three heads that have got three different documents that say slightly different, sometimes contradictory things. So it just steps through six components, and then it puts it into a model. So step one is looking at your vision, that's the overarching, endgame. What's the world look like when you're done? Step two is the specific impact, you want to create the different types of impacts that will happen because of the work that you're doing, then it's your mission. So this is about how you generate that impact that you want to create, then your outcome. So what are those changes is going to be more specifically linked into your mission. And then your outputs and strategic goals sit under that. And then below that are your activities, the things that you actually do. So when you put it together, it looks like this on a page. And this is a standard model. But what we do when we use with organisations is it often gets adapted and tweaked to fit the organisational context. Sometimes things merge slightly, sometimes there's new lines added. It just depends on what your starting point is, what you've got in place and how simple or complex it needs to be. But the idea is that this then becomes the strategic architecture for the whole organisation. So it guides everything you do so really sitting at board level, essentially, to make sure that every activity you have along the bottom there is adding up to the purpose, the impact that you want to achieve. And if it's not articulated in a way, like this or similar to this, it's really that hard to make sure that what you do equals the impact that you want to have in the world. So that's step one, and that's the most important step really.

Steps two and three, I'll skip over those but there are about two Defining your customer audience and selecting your product and service. And there's a whole bunch of frameworks and models we've created there to look at how you design product and service that builds in impact. But the point I wanted to pull out here is that the goal if you can, is to build a link between your profit and your social impact creation, or your environmental impact creation, create synergies across the model. But there are two ways you can do it in a for purpose construct. So you can have parallel value propositions and this is where you separate it out. So it becomes cross subsidies. So you might have a corporate business that sells anything could sell shoes. And then you have a foundation, for example, that creates impact on a different hands. So the two hands do different things, and then cross subsidize each other. That model is more complex, actually, because it's slightly, it's harder to run, because you've got two sides of the brain, two hands, I guess that can tend to take resources from the other, or there can tend to be internal competition between those different business units, then of who's getting the resource, and how is that being shared and allocated, and often, that question back to profit being a dirty word, you end up with one side of the business, that's the social side, and the other side of the business, that's the profit side. And they end up with quite different cultures as a result of that separation, as well. So so it's more challenging to do it that way. However, lots of businesses do. If possible, the way to do it is looking at an integrated value proposition. So that's where impact is created through the commercial trading activity that you're generating. So it's mutually reinforcing. So rather than trying to get funds for the social mission to do it over here, you actually create revenue with the social mission. So in generating social impact, you're generating revenue at the same time, and just avoid some of those trade offs. So we can unpack that a little bit more again, as we go through just skipping through quite quickly. Step four, this is also a really key

difference between a for purpose business model and any other business model. Collaboration, when you work in a corporate construct, in particular, and also a lot of not for profits. There's a kind of divide and conquer perspective that has to come into play when you're looking at maximizing profit for yourself, or looking at maximizing grant income for yourself. If you're a not for profit, you're naturally in competition with everyone else around you that's doing something similar or has the same ultimate vision and goals. There's a paradox in a fourth purpose construct where you share the vision of other four purpose organisations, which you do, ultimately, they're all about something similar, like creating a more equal world, or a more sustainable future, or whatever it might be, ultimately, it's very similar, you're actually if you want to achieve that vision, you're only going to be able to do a small component of that. So you're obliged to then help your competition succeed, because they then feed into the other parts of that vision that you're trying to create. You can't do it by yourself, it's just not possible, no one's going to solve, make the world more equal on their own, no one's going to deliver any of the SDGs on their own. So it means you actually have to collaborate. If you're serious about achieving a vision, which is really feels quite uncomfortable and different to what we're trying to do in business. It's all about create your own unique value proposition, own that block out everybody else, so that you can get the price, you can get the funding the customers, whatever it is. But actually, when we work together, all boats rise, you rise the tide, and then everyone rises together the size of the pie grows. So it's a completely different mindset. And it's fun, when you're actually working with the others that want to do the same thing as you the energy that it creates. And that multiplier effect. It's just really infectious. So very, very different those other forms of business, but exciting as part of for purpose. And just to note, the second point here that corporates that are starting out on their full purpose journey, often a great way to get into it and start to understand what it means and how to do it is to work with an existing for purpose, organisation, create a partnership, create a collaboration, and start to look at social impact with that other organisation and build from there. So partnerships kind of really crucial on two fronts.

And the way that we map this, just a quick look at the tool is it's just a basic power mapping exercise. So for your sector, it's looking at every single player that plays in the space as in is trying to achieve the same vision and mission that you are to some extent. And then it's looking at giving them a score of their level of power, their level of influence, and sorry, in achieving that, and their level of interest in achieving that. And when you map on those two different axes, you end up with a grid that looks like this. And what it shows you is the players that matter most and the ones that you need to work with, because often when we did this at social traders, for example, there was 150 organisations on the list. We cannot create partnerships with 150 organisations. So we needed to filter down and figure out the ones that mattered most and so those were the ones that fit into that driver category when we mapped it out. So it's just a way to help figure out who to partner with as you're going through that

And then the last piece of the eight steps is the portfolio check. So this is a really important one, because balancing mission and money, the profit. And the purpose is arguably the hardest part of the model. Because if you're just doing profit, you know what you need to do, you just deliver, you maximize your profit. And if you're just focusing as a not for profit on purpose, you know, it's all

about your social impact, always, that when you put them together, they often buttheads that they can be contradictory. So trying to put those two things together creates a bit of a tension. There are beautiful synergies as well, that can be created. But what this step does is maps that out, so you can get a sense of the balance, right. So we use this process, we call it the mission money matrix. And what it gets you to do is take every single product or service that you offer, so your whole portfolio of things that you deliver all of your different activities, and you map them on here. So on the one hand, on the left, you look at your social impact that's being created is that a high, medium or low and it's just a rough categorization, you can do it in depth and actually score that if you want to, and then look at your profit along the bottom. So is it loss making a breakeven or a surplus profit making product or service. So what that tells you then is, are you skewed in one direction or the other. And quite often, when you map it, it's really interesting because we often ask you, where are in one direction or the other. So it might be that you have a lot of activities that are profit making and have high surplus, but actually, your social impact is quite low. Or conversely, enough profit organisations, we see the opposite where social impact is generally high. However, a lot of what we do is loss making or breakeven. And when you look at some of the products that sit in there, sometimes they're surprising things like some of the breakeven or loss making products or services that you really want to hold on to, because you think they're important, actually a lower on social impacts than you think they are, when you start to map it out. So then it's a bit of a sense, check to go, how impactful is this really, and should we continue to do that particular thing, when actually there's a higher impact, or something else that we could do, or there's gaps, and we need to go and fill them and move things around on the chart by playing how we deliver them. So it's just a good sense check at the end of the process. So as I said, you can start anywhere on this journey, you can jump in at any one of these points, you can start with the last thing and often organisations do just to get a sense of what they're doing now, if they're established, and how's the balance looking. So this is good, in particular for not for profit organisations starting out in this space or getting more involved in this space. So just some additional thoughts for corporates quickly, as people start in different places, some do have purpose baked in, but often, they're in the transitional or transformational phase where there's currently a negative and neutral impacts that they're creating, or something about their businesses fundamentally wrong, like fossil fuels, the classic example. And they they fundamentally need to change what they do. And there's a lovely shift we're seeing going on from compliance to strategy to purpose. So doing it because you have to because someone's waving a stick at you, or your customers, saying I won't buy from you unless you start doing this into strategy of seeing purpose as a competitive advantage, which it is it opens up new markets, it opens up new revenue streams, new forms of finance, great for brand and reputation. But then purpose built in as the ultimate expression where you're actually doing it because you genuinely believe in what you're trying to create the impact that you want to have. And so just some considerations there around checking your assumptions, and they go both ways. So here I've said, check the assumption that creating social impact is just going to add more costs, and not deliver any value for the organisation. It can, it creates competitive advantage here checking assumptions on the other side of the equation, that profits are dirty, worse, actually, if we don't make money, and we're not financially sustainable, we can't create social impact. And that's a regular conversation that I've had in every organisation I've worked in. And it does take a little bit of time for some staff to come on that journey. And and that's okay, it's culture change. Looking for common points, integrating purpose with strategy and activities you already do is a good way to start. Start with your stakeholders as well. What are the people that you work with care about? What are you trying to achieve? And what



products do you have that match naturally to things so you know, if you're in anything to do with fossil fuels, for example, environmental causes naturally sort of could go together, thinking about that, considering other frameworks that are out there. There's loads SDGs and GRI. So it's helpful to check what's there and then work with that and pick the bits that are relevant to your organisation to start with internal education and awareness with we've talked about so what is it but also why why would we care about it? Why would we do it? And partnerships, as we've mentioned, and then that's where the board comes in. So purpose is a mindset. It's a philosophy, it's not what you do, it's everything you do. So it's really important that there isn't a silo for purpose. So it's not like coming in and saying, Okay, well now We're gonna do purpose, and we're going to set up this business unit or this function that's going to look at that for us and take care of it. It needs to be overlaid across strategy, policy, operations, culture, everything. And it has to be led from the top. So the boards need to set the tone and the culture and that culture around, it's okay to make profit and deliver impact at the same time. Or also, it's okay to deliver impact and except there's some cost, but also some benefit in doing that. And a point here that I think is particularly important is around looking at board subcommittees in the board structures for impact. And this works applies to both not for profits and for profits. We've often got a board subcommittee, that's the Finance and Audit risk committee or some version of that. But we don't have subcommittees that our social impacts committees, some do. And I've worked with a social enterprise, one of the biggest in the UK that has one and it functions really well. So in the same way that on Finance and Audit Committee would sense check on, you know, what's the bottom line looking like? And what are our future projections adding up to? And are we comfortable with that? This does the same for a social impact perspective, looking at? What's the impact we say we want to create? How are we tracking against that? What are the metrics that show where we're at? And what are our future projections looking like on the impact side, just having a board aware of that, and checking that and holding the organisation to account for that is really important, and quite different, often to what's in place at the moment. And then for purpose, just wrapping up on that it can be the can create amazing synergy across the organisation and be that golden thread that brings everything together. It's a great opportunity. And this is this is what excites me, this is why I get out of bed in the morning, because you imagine if every business in the world became for purpose. What if there was no such thing as for purpose, because it was just business. And all those different three letter acronyms and circles and doughnuts and all of that, that were on that initial slide. They all just disappeared, because this is just how we do business. And it's entirely possible. It's in our hands right now. And all of the drivers and momentum is heading in this direction. So there are so many reasons to start doing this and look at how we can do this well, and better. So I hope you're as excited about that as I am

Helga Svendsen 32:07

Amazing. Thank you, Tara. I don't know about everybody else here. But my brain is exploding with ideas and thoughts and things from that that was just incredible. So get in touch folks, you've heard all of this amazing wisdom if you need more. Whether it's bespoke or some of the general information Dragonfly Collective is the place to go and we will make sure there is a link in the show notes so that you can get in touch.