



The Prince's
Responsible
Business Network



Toolkit Series

HOW TO DEVELOP A RESPONSIBLE CORE-BUSINESS STRATEGY

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Part of our
Six Catalysts of Responsible Business Series



TOOLKIT

HOW TO DEVELOP A RESPONSIBLE CORE-BUSINESS STRATEGY

We know that we are making insufficient progress on the Global Goalsⁱ, also known as the United Nations' Sustainable Development Goals, and that we need business action to meet them. At Business in the Community (BITC), we are aiming to increase the pace and scale of responsible business action to tackle those Goals.

To achieve this, we have researched the greatest barriers and drivers of responsible business and identified six [*Catalysts of Responsible Business*](#): actions that will accelerate, scale and perpetuate sustainable, inclusive and fair corporate actions to tackle the biggest issues facing society. This guide covers tips for responsible business to:

DEVELOP A RESPONSIBLE CORE-BUSINESS STRATEGY

Collaborate with leaders and internal and external stakeholders to create a business strategy that incorporates purpose, governance, delivery and evaluation.

Why implement a responsible core-business strategy?

As businesses become more responsible, many have struggled to make responsibility a sufficient priority. This limits the resources available, the longevity of the change, the pace of change, and ultimately the benefits to business and society. For example, a 2022 study by BCG/MIT found that whilst '90% of executives find sustainability to be important, only 60% of companies incorporate sustainability in their strategy, and merely 25% have sustainability incorporated in their business model'ⁱⁱ.

Ensuring that your core-business strategy is responsible is a way of mainstreaming responsible business and realising the many associated benefitsⁱⁱⁱ, from 30% higher levels of innovation^{iv} than competitors, to investors adding up to 30% to a company's value^v. By considering the positive and negative consequences of a strategy on key stakeholders, businesses can ensure that their strategy is responsible, leading to **more durable growth, less risk, and ensuring that becoming an ever more responsible business is a central priority for the organisation.**



What is a responsible core-business strategy?

We believe that a responsible business is one that minimises and mitigates any negative impact on the world around it, while maximising its positive impact on the big issues facing society.

Just as a core-business strategy articulates how a business will deploy its unique resources to achieve its goals, a *responsible* core-business strategy is one that identifies and maximises positive impact while mitigating unintended consequences of that strategy on society and the environment, enabling longer-term growth with less risk.

BITC has helped countless organisations to develop and implement responsible businesses strategies throughout our 40-year history, and while we want every business to be making their core-business strategy responsible, we have identified four common stages of maturity through which companies typically progress before reaching this stage:

1. **Random acts of responsibility:** individual steps taken to help society and the environment, without a joined-up approach or plan (e.g., establishing a gender equality network).
2. **Single issue plans:** a plan for a given topic with measurable goals, but in isolation from the core-business strategy and any other issue plans (e.g., a diversity and inclusion plan).
3. **Consolidated issue plans:** a single plan that combines action on all aspects of responsible business. This is often based on a materiality assessment but is isolated from how a business makes money (e.g., a plan prioritising inclusion, climate action and wellbeing).
4. **Responsible core-business strategy:** a strategy for how the business will use its unique resources to achieve its objectives, which amplifies the positive impact while mitigating the negative impact on society and the environment (e.g., a strategy to grow the business by 10% by developing a more inclusive, innovative culture, and focusing on sustainable markets).

Top Tip: engage as early as possible

The Head of Sustainability at a member company was recently invited to comment on their organisation's emerging core-business strategy as it neared completion, leading to a choice between retrofitting responsibility as an afterthought or reworking the strategy to embed responsibility. Applying responsibility to a strategy works best when it is considered from the start, rather than as an add-on. Find out when your next strategy cycle is due to begin and ensure buy-in from the top and permission to build in responsible business from the start.



BITC's Strategy Framework

1/3: Why your business exists

Elements of a responsible core-business strategy

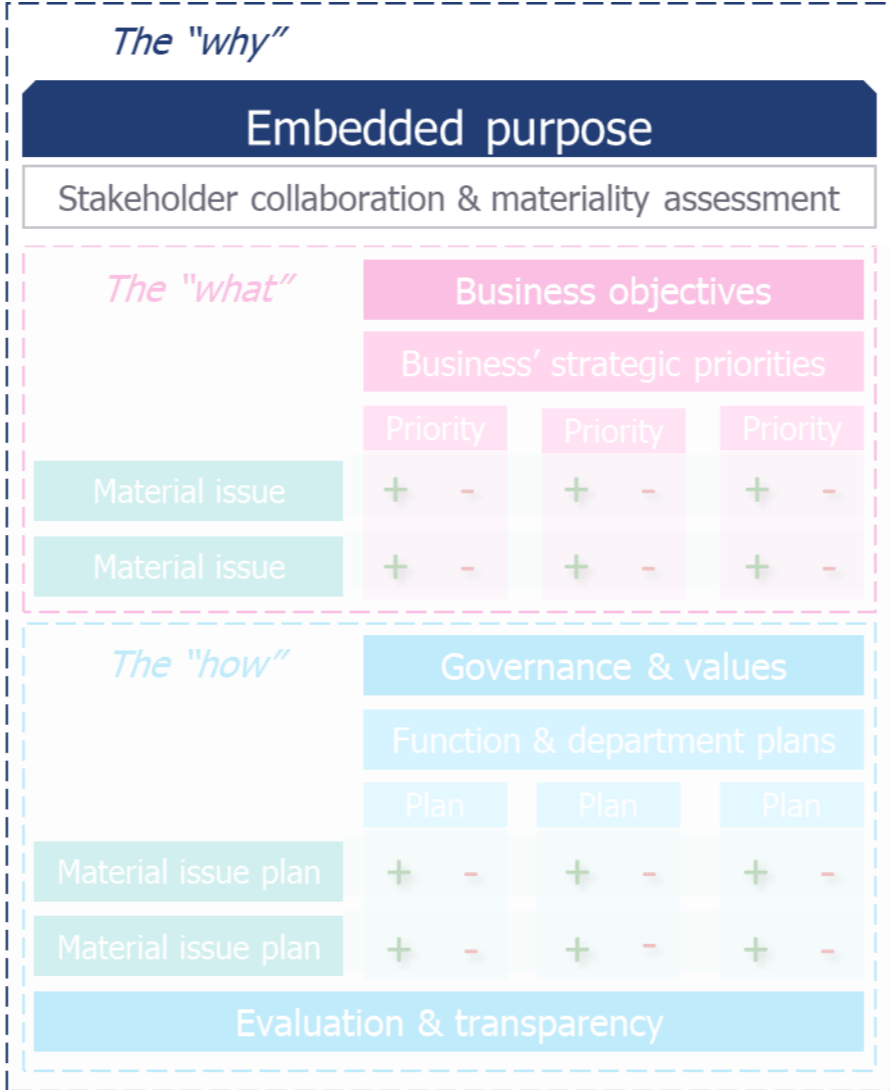
Embedded purpose: purpose articulates why a business exists beyond profit, and how that benefits society, and an embedded purpose yields many benefits, including increased levels of innovation, customer and employee retention, and brand value^{vi}.

The business' purpose should be the starting point for the strategy to ensure that there is alignment, to help embed that purpose, and therefore to realise its many benefits. BITC's [Developing Your Purpose](#) Toolkit may help to develop a purpose, while our [Embedding Purpose](#) Report shares key findings on embedding purpose through the lenses of people, culture, and structure.

Stakeholder collaboration: business' stakeholders are anyone or any group with an interest in, influence on or who are impacted by your business. These should include colleagues, people across your value chain, communities, regulators and legislators, peers, and silent stakeholders, such as the environment and future generations who should be heard through proxies.

Collaborating with stakeholders throughout the development and delivery of the strategy will help identify and mitigate positive impact and unintended consequences. Our [Stakeholder Capitalism](#) Toolkit includes tips to identify, map and engage these groups.

Materiality assessment: 'material issues' are those with the greatest relevance to your business and those that the business can most impact. These are most often identified through a materiality assessment in collaboration with stakeholders, with material issues for your sector^{vii} being a good starting point. These issues are then prioritised by the business' ability to impact the issue and be impacted by it.



Case study: Unilever - Putting it into practice

Embedded purpose: Unilever's purpose is 'to make sustainable living common place.'

Stakeholder collaboration: Unilever mapped its stakeholders and uses a "multi-stakeholder model" to identify key groups including employees, consumers, customers, suppliers & business partners, society, the planet and their shareholders.

Materiality assessment: Unilever's [materiality assessment](#) had four phases: issue and topic identification, issue prioritisation, strategic alignment and disclosure, and communicate materiality analysis outcomes.

Their material issues include:

- climate change
- diversity & inclusion
- future of work
- health & wellbeing
- human rights
- living standards
- nutrition & diets
- packaging & waste
- product transparency
- sustainable sourcing
- water

This materiality assessment is regularly reviewed and updated every two years to make sure it reflects changes in the business and the external context, as Unilever believes that it can't just be done as a tick box and then forgotten about. For more information on Unilever's responsible core-business strategy, called the Unilever Compass, see [their website](#).

BITC’s Strategy Framework

2/3: What your business will achieve

Elements of a responsible core-business strategy

Business objectives: these are the goals set for the strategy’s period, often including a measure of growth or financial performance.

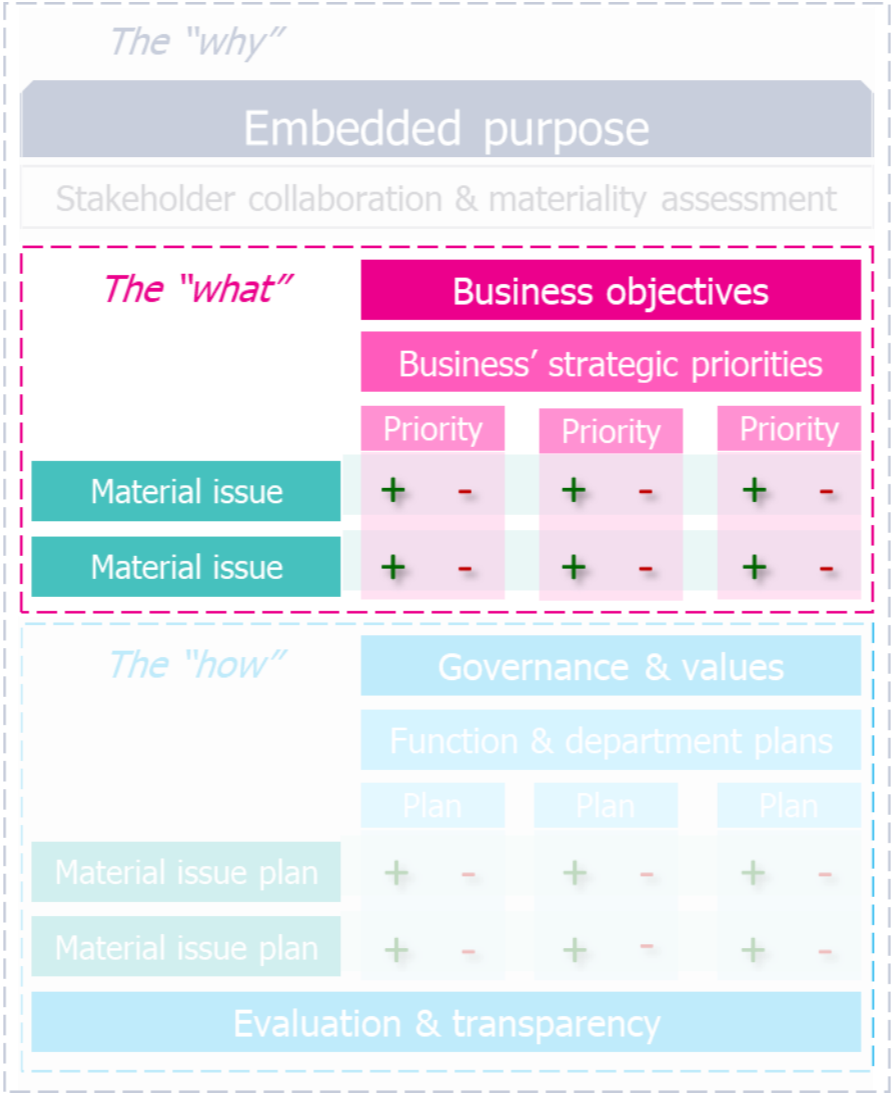
Business’ strategic priorities: these areas of focus articulate where the business will direct its unique resources to achieve the overall objectives and to deliver a market advantage over competitors.

Material issues: these were identified through the materiality assessment as the issues facing society that are most relevant to the business, and that the business has most opportunity to influence and address.

Positives (+) & Negatives (-): the strategy development team should identify potential positive and negative consequences, intended and unintended, on each of the material issues caused by delivering each strategic priority. This is best done in collaboration with stakeholders, who will best understand those material issues.

These potential consequences can be measured, often showing that they are proportional to the delivery of the business objectives (e.g., a company’s emissions are proportional to its growth). The output of this section should, therefore, be a set of key performance indicators for each strategy priority and material issue (e.g., growth of a specific business unit, and team wellbeing) to be included in the ‘Evaluation & transparency’ section below.

The identification of these consequences presents the opportunity to adjust the businesses’ objectives and priorities to minimise risk and capitalise on responsible business opportunities. This process is, therefore, iterative until the business and key stakeholders have agreed on the business’ objectives, priorities and impact.



Top tip: define the link between impact & growth

As potential positive and negative consequences of your strategy are identified, the business may be able to articulate the link between positive and negative impact, and growth. For example, emissions are often linked to growth without further action. As well as monitoring and mitigating that impact, that data can also be used in conjunction with forecasts of business growth to project potential unintended consequences of your strategy and therefore reinforce the business case for immediate responsible business action.



Case study: Unilever - Putting it into practice

Business objectives: Unilever has set business objectives, including to consistently deliver financial results in the top third of their industry.

Business’ strategic priorities: Unilever will deliver that objective by focusing on the following priorities:

- develop a portfolio into high growth spaces
- use Unilever brands as a force for good, powered by purpose and innovation
- accelerate in USA, India, China and key growth markets
- lead in the channels of the future
- build a purpose-led, future-fit organisation and growth culture.

These priorities reflect the outcome of working with stakeholders, identifying potential positive and negative impact of Unilever’s growth plans on their material issues (see previous page), and iterating on their strategy. For example, they have identified plant-based foods as both a high growth space and one that is sustainable, and they aim to use their brands as a “force for good”, not just to advertise their products.

BITC's Strategy Framework

3/3: How your business will deliver

Elements of a responsible core-business strategy

Governance & values: 'culture eats strategy for breakfast', so it's critical that the strategy is reinforced by values and responsible governance. This articulates how colleagues should act and how the business will support delivery.

Function & department plans: the strategy is translated into action through a series of plans for each function and department. These teams should develop their plans based on the key performance indicators for the strategic priorities.

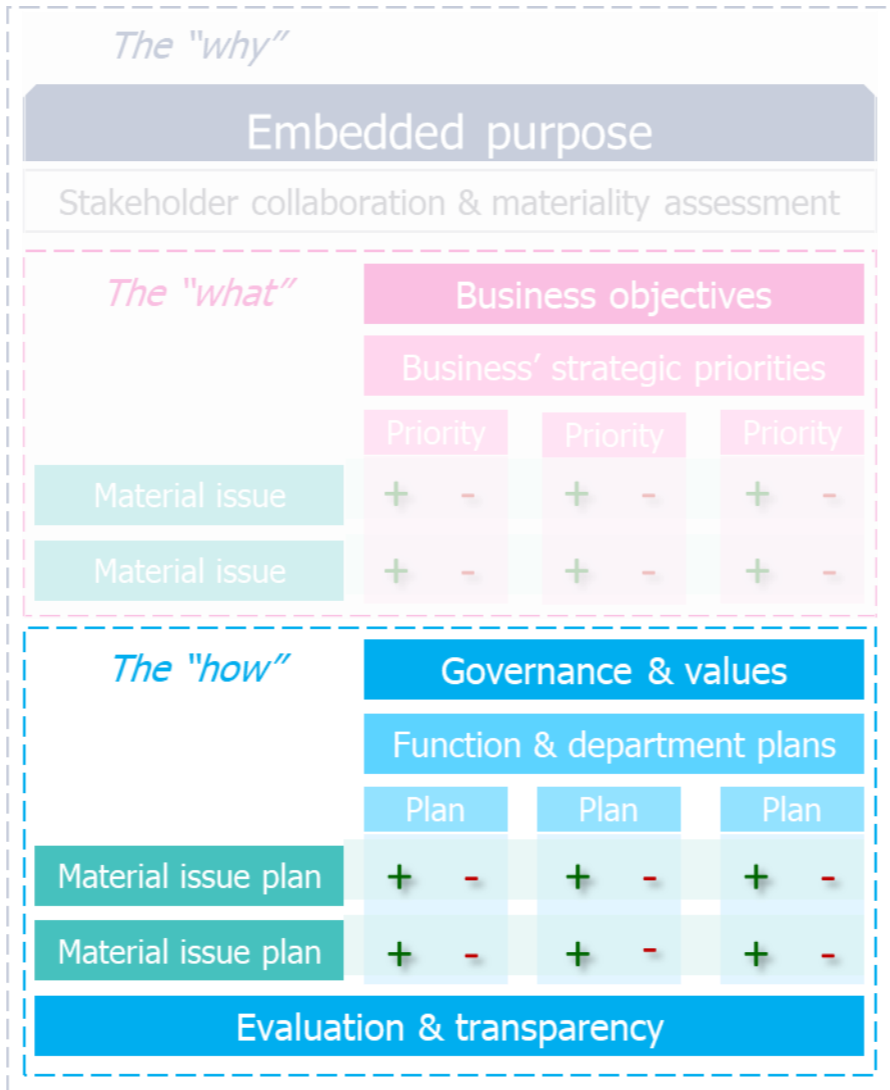
Positives (+) & Negatives (-): each function and department should also have their own plans for the material issues based on the key performance indicators for the issues (see previous page). For example, each business unit should have targets for diversity and inclusion, if that was one of the material issues.

Material issue plan: the Responsible Business team, or equivalent, should develop the business-wide plan for each material issue, which includes the consolidation of impact by each function and department. These start with the key performance indicators agreed previously, but should aim to move the company from eliminating negative impact to addressing positively a large societal issue.

Evaluation & transparency: the strategy should include a clear process and timeframe to report transparently on progress against both the strategic priorities and material issues in a single, integrated report.

Top tip: remember a plan is not a strategy

By factoring in your purpose and the unique resources and strengths of your business into your material issues plans, the business will be able to identify the societal issue(s) and strategic approach that will maximise your potential positive impact. It can be helpful when developing this approach to recall the difference between a strategy and a plan. ^{viii}



Top Tip: in turbulent times, a strategy cannot be static

The most effective strategies will remain 'live documents', with continued hypothesis testing, scenario planning, and adjustment. Therefore, it is important that responsibility and impact remains central to that ongoing review, with the responsible business team included in the refreshing of the business strategy, the functional plans, and the reporting cycle.



Case study: Unilever - Putting it into practice

Governance & values: in addition to their purpose, Unilever also publishes here their values, their 'growth fundamentals' and a series of principles including their Corporate Governance Statement and Standard of Conduct.

Function & department plans: the overall strategy for Unilever is distilled into targets and plans for each business group. For example, departments' plans include focusing on growth in skin care products, digital transformation and accelerating omnichannel eCommerce.

Material issue plans: Unilever's Sustainability Function have developed and drive their plans to 'improve the health of the planet', 'improve people's health, confidence and wellbeing', and 'contribute to a fairer, more socially inclusive world', which includes their plan to reach zero emissions and equip 10 million people around the world with essential skills by 2030.

Evaluation & transparency: as well as publishing this level of detail on their strategy. Unilever also publishes an [annual integrated report](#) that demonstrates their progress and seamless alignment of responsibility with their core business.

Top tip: allocate responsibility to deliver your targets

Allocate responsibility for meeting your key performance indicators at a Board and manager level by adding them to your balanced scorecard or equivalent. Introducing responsible business-led remuneration can also drive change, but their effectiveness will depend on the business' [unique culture](#).

BITC would like to thank JTI UK for their support of our Six Catalysts of Responsible Business.

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Talk to one of our expert team today to learn how membership of BITC can help you take your responsible business journey further, and drive lasting global change.

ENDNOTES

ⁱ <https://unstats.un.org/sdgs/report/2022/>

ⁱⁱ <https://www.imd.org/research-knowledge/articles/why-all-businesses-should-embrace-sustainability/>

ⁱⁱⁱ <https://www.bitc.org.uk/report/purpose-beyond-profit-the-business-case/>

^{iv} <https://cms.law/en/gbr/publication/real-estate-reset>

^v <https://www2.deloitte.com/us/en/insights/topics/marketing-and-sales-operations/global-marketing-trends.html>

^{vi} <https://www.bitc.org.uk/report/purpose-beyond-profit-the-business-case/>

^{vii} <https://www.sasb.org/standards/materiality-map/>

^{viii} <https://www.youtube.com/watch?v=iuYIGRnC7J8>