

Public & Social Sector Practice

# Stakeholder capitalism: A conversation with Vivian Hunt and Paul Polman

Why companies must now compete on trust and deliver value to multiple stakeholders.



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**Business leaders talk** about serving their customers, employees, suppliers, and many others in the communities they touch. But job one is serving up profits to shareholders. That's starting to change. In this episode of *The McKinsey Podcast*, McKinsey senior partner Dame Vivian Hunt and former Unilever CEO Paul Polman, now cofounder and cochair of IMAGINE, talk about the growing imperative for stakeholder capitalism—and how building long-term value for everyone is increasingly good for the bottom line. An edited transcript of their conversation follows.

**Diane Brady:** Hello, and welcome to *The McKinsey Podcast*. I'm Diane Brady. In this episode, we're talking about stakeholder capitalism with two people who are leaders and, in my view, the gold standard in this area. First, my colleague Dame Vivian Hunt. She's a senior partner in McKinsey's London office who has done a lot of work both within the firm and with clients in stakeholder capitalism. In 2018, she was appointed Dame Commander of the Order of the British Empire for her services to the economy and also to women in business. Vivian, welcome.

**Vivian Hunt:** Thank you, Diane. It's a pleasure to be here.

**Diane Brady:** As CEO of Unilever for ten years, Paul ran what was not only one of the best-performing companies in the sector, but also one that was a real pioneer in stakeholder capitalism. When he stepped down in 2019, he became cofounder and cochair of IMAGINE, where he is now helping other companies to achieve these goals. He's also chair of Oxford Saïd Business School, as well as honorary chair of the International Chamber of Commerce. Paul, welcome.

**Paul Polman:** Thank you, Diane. I look forward to it.

**Diane Brady:** Vivian, stakeholder capitalism. It's a term we've heard for a couple of years now. What exactly does it mean?

**Vivian Hunt:** You're right, Diane. Stakeholder capitalism is not new. It is a broader concept than shareholder capitalism. Absolutely at the core is a successful business that delivers on the economic returns over the mid and long term that any shareholder or investor would expect. But stakeholder capitalism is broader. By considering everyone that a company's actions touch—whether that's employees, suppliers, activists, consumers, local communities, the environmental context—it requires companies to take a broader consideration of who their stakeholders are, and to factor that into their strategy and choices.

The good news is we know companies that do that are more resilient and also perform better. They also have more success in building trust, which is important for their long-term success. It's clear that, in 2020, the multiple priorities and crises that the world and the economy were facing came into really sharp relief. We're still living and managing through it, but it reminded us, in a pretty foundational way, that we live in a dynamic system.

The fact that the crisis had multiple vectors—health, economic, social justice, technology, and uneven effects around the world—really reminded business leaders that we have to respond in a different way. Businesses have realized a pretty urgent need for change, not just because of 2020, but the cumulative effect of these crises. Whether they're your employees, activists, different trenches of investors, or customers, understanding stakeholder needs and managing them better and in a more holistic way came to the fore.

## From shareholder to stakeholder capitalism

**Diane Brady:** Paul, you are somebody who has been talking about this for years. I'd love to get a sense as to how your thinking has evolved on stakeholder capitalism. Why did it matter to you at Unilever?

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—Dame Vivian Hunt

**Paul Polman:** I fully agree that the current model, which is basically shareholder primacy as a prevailing model, is a failed doctrine. That has shown to destroy the natural resources, the social cohesion. Vivian has talked about some of the effects that we’ve seen quite transparently during the COVID-19 pandemic. A longer-term, multistakeholder model has always been more attractive to me.

I’ve always believed that business needs to be accepted by society. Competing on trust and responsibility are probably some of the most important things that it has to do, as well as creating this deeper relationship with all of its stakeholders that has built on that trust, that has built on that truce, and on these failures, if you want to. I’ve felt from day one that I entered business, which was a little bit by serendipity, that I didn’t want to be part of creating the world’s problems, but I wanted to be part of solving the world’s problems. And I don’t think you want to work for a company where you keep earning when the world is burning.

This is what we are facing right now with climate change. When I entered Unilever it was not a company that was in good shape. It had significantly seen its turnover decline over decades. It had seen its share price stabilize or decline when the rest of the world was moving up.

There was something in the book from Jim Collins, *Good to Great*, that’s about nurturing the core before you stimulate progress. That resonated with me. So I went back to the core, to Lord Lever, at the

end of the 19th century, when he already talked about shared prosperity, when the purpose of his company was to make hygiene commonplace in Victorian Britain, where one out of two babies wouldn’t make it past age one.

He was entirely focused on building a multistakeholder model, not just a shareholder-primacy model. That was very appealing to me, that these boundaries that the company operated under were redefined to be a little bit broader than just pure performance, or pure financial data, but also started to include people, planet, and profit, if you want to. That was the beginning of the Unilever Sustainable Living Plan that we put out in 2010, more or less.

## Finding a broader purpose

**Diane Brady:** Vivian, I heard you echo *Good to Great*.

**Vivian Hunt:** Many companies, if they go back to their foundation—where did we start, what was our original purpose—when they look at those foundational principles, many companies incorporated. They joined together financial capital, human capital, and systems to do something more than just make money. The notion was that you had to have a healthy business that created an economic profit, so the shareholder capitalism and the economic imperative is, of course, at the core. But most companies, at their foundation, had more than that in their system.

Whether it's the foundation of Unilever or Hershey in the US, many Japanese companies, German companies, you see many, many incorporations that were really about the corporate body, people collaborating, working together in different ways in an organized system. When businesses really look at their heritage, when they go back to their original purpose statements, they often find seeds, the roots of the solution to the problems we face today. The journey that Paul and Unilever went on during your early days is a familiar one, where you often hear CEOs and leaders going back to their roots to understand more deeply, or to challenge, improve, contradict what's in their history. Many companies now would be well served by going back to their roots and checking how it fits with this notion of a broader purpose, including, but beyond, economics.

## Corporate social responsibility versus responsible social corporations

**Paul Polman:** You go back to the core to learn from that, but then you have to adjust your plans to the current realities, which are often quite starkly different from when the company began. I entered Unilever at the height of the financial crisis, where it was clear to me that our system was failing us. Our system was too high a level of private or public debt, over consumption, and leaving too many people behind would ultimately rebel against itself. Unfortunately, during the financial crisis ten years ago, we didn't heed those lessons.

Climate change went up on a very dangerous trajectory. Inequality further increased. We saw that expressed at the polls in populism or xenophobia, increased nationalism, and a decrease in multilateralism. But we also saw that at the people level, with more and more people in the streets or speaking up that they really expected the companies they work for to take a more socially responsible model.

That's why I've often thought that what we need to do is move from CSR—corporate social responsibility, which is really becoming less bad—

and partly addressing some of these issues, but still to your own benefit. We need to move to RSC, which is responsible social corporations. As a responsible social corporation, you really try to be net positive.

Too many companies, even today, think that they can outsource their value chain, and by doing so, outsource their responsibilities as well. That simply doesn't work anymore. So this moves it up to a much higher level by putting purpose at the core, by putting sustainability at the core.

It even goes beyond this Business Roundtable statement from the US, where you don't put profits or shareholders at par, but where you actually say, "We focus on all these other stakeholders, and by doing so, you'll have better profits and better shareholder return." It's a result of what you do. It's actually not the reason for doing, no different than the white blood cells in your body. We need the white blood cells to live, but I hope that we agree that we don't live for the white blood cells.

## Building trust with corporate stakeholders

**Diane Brady:** Vivian, one of the prerequisites for cooperation is trust. And that is something that has not really been a surplus when it comes to how people view business. How much is that an obstacle?

**Vivian Hunt:** There are probably two obstacles to the pivot that Paul's describing. One is recognizing that you need to have more holistic multivariant objectives but not knowing how to track and measure them across your stakeholders. A lot of business leaders are well intentioned. Ninety-two percent of populations in recent reports we've done say they want their employers to promote an economy that serves all people, stakeholders, and is more holistic. Many CEOs repeat that with their purpose narrative. But it's then connecting that responsible social cooperation to the actual outcomes for stakeholders and outcomes for their performance that's hard.

Secondly, you earn trust over time. It's one of those things that can be eroded in a moment but takes a long time to build. Part of that is competence and resiliency around what you do as a corporation, being reliable as an employer in your commitments to various stakeholders. But it's also about intimacy, knowing them well, having a way of staying in touch; you would call it "sentiment analysis" if you are powering it with AI in modern language. How do you stay close to and genuinely informed by the probably competing interests of your different stakeholders? You have to know them well enough so you can authentically engage with them and meet their needs and do that underpinned by low self-orientation.

The business mindset is more humble now than it's ever been, and that is a good thing. Once stakeholders believe that business leaders are trying to solve the problems genuinely with their competing interests in mind, they'll be more confident and more trusting of business leaders. So while I'm encouraged by the recent Edelman Trust Barometer that launched at the virtual Davos Agenda, and Paul, you will have seen that, that listed your supervisor or your business manager as one of the most trusted sources. One, it's a caution for governments and other sources that they need to build trust. But two, it's a responsibility that I think now more than ever businesses have to take seriously.

## **Why values-based companies are built to last**

**Diane Brady:** That's true, the trust barometer did look very hopeful for CEOs this year. Paul, I was reminded when you mentioned white blood cells, that if I was to go to central casting and pick two leaders, you and Vivian are very much off script. You started out wanting to be a doctor when you grew up, did you not? Or a priest?

**Paul Polman:** Well, I started out wanting to be a priest until I discovered the limitations of that profession in the Catholic church. So then I moved to become a doctor. In the Netherlands, we have what we call numerous fixes where the government limits the number of places as the studies are being paid for. So unfortunately, when that didn't work out. I had to find something else when my father made clear that I had to make a living. By serendipity I ended up in business and worked for three great companies: P&G [Procter & Gamble], then Nestlé, and then Unilever, all at the executive level.

So that was a tremendous experience. One of the things that I learned there is that all these companies have been around for 150 years or more. P&G started in 1837, Nestlé in 1866, as a coincidence, Unilever in the end of the 19th century. These are companies that are built to last. The question really is why? We're trying, at least, to operate under this

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longer-term, multistakeholder model, which is, more importantly, strongly values based.

This comes back to the truth and trust. You build trust with truth, and truth is so often missing now from society, from the political level, from the media level, obviously exaggerated in the past few years. That's why you've actually seen the trust go down. Yes, it is true that business comes out a little bit better, but if you look at the absolute levels of trust, we have a lot still to go for. It's interesting, because what has changed over the past 50 years is that 50 years ago, you could look at a balance sheet and sort of decide what the value of a company is.

Today, 85 percent of a company's value is in intangibles or goodwill, or in fact, it is trust or reputation. The value of a company now is created in trust and reputation. That means, "do what you say, say what you do." That means working in a much more transparent environment. That also means being part of these broader partnerships or bigger transformations that make you a net-positive company. When I started the Unilever Sustainable Living Plan, I put out 50 targets, three overarching targets on environmental and social, but 50 targets.

People said, "You're totally nuts to put out 50 targets." But the whole idea there was to create that transparency that was actually building trust. It served us well. It's regrettable to me that even today, 12 or 13 years later, we're still the only company that has done two human-rights reports, a report on child labor and slavery. We were not shy in that creating of trust to be transparent about the toughest challenges that we have in our business models.

**Diane Brady:** I do think the background as well makes a difference with the mindset. Vivian, what did you want to be when you grew up? I don't believe CEO was your initial passion that drove you to where you are today.

**Vivian Hunt:** Oftentimes when you're older in your life and more experienced, you apply language and logic to yourself as a child that probably didn't exist when you were younger. So in my case, my parents were just very committed to service, high-quality education, and being of service to your family and to society. Those were the governing principles. My mom was a primary school teacher, and my father was in the military, and then later he became a pastor or a priest. Paul, my dad eventually ended his career as a priest, so you may still have another chapter ahead of you.

**Paul Polman:** My mom was a teacher as well in primary school, so we have that in common.

**Vivian Hunt:** It's that notion of service, and it was very present in the work that they chose to do, and how they chose to take something that might've been restrictive for them. My father, although he had a college education, he was an African American male coming out of school in the early '60s to a very segregated and polarized society, that didn't have any of the inclusive norms that we talk about today.

Going into the military was one of the few options he had to put his education to good use. But he turned that into a real example and a positive one. This notion of service was one really big concept. Secondly, recognizing that your life, literally your existence, is a function of the cumulative contributions and sacrifices that others have made before you. That can be something as simple as voting-rights legislation. It's very easy to see how those campaigns and battles for justice have created rights and entitlements for people all over the world, all the way through to the clothes you're wearing, the things you buy, the luxuries we enjoy today.

So when I first got out of university, I went into the Peace Corps. I became a sage-femme or a midwife in West Africa, partly just to make a change from

what I had done before, partly to live and work deeply in a culture that was predominantly African or Caribbean culture, to live and work in a culture that was intrinsically of my heritage, and third, probably just to get away from my parents. All the things you do as a 21-year-old. It really turned me on to the importance and foundational nature of healthcare, which is a big economic driver and foundational to all of our health, and secondly, to the concept of service. Those are the things that really shaped me then and now.

## Driving systemic change

**Diane Brady:** Paul, let me turn to you, because you're now taking your experiences and conveying them both at the policy level but also with other leaders who want to put this into practice. What advice do you have for somebody at the company level in terms of implementing this?

**Paul Polman:** Well, in terms of implementing it, the reason I created IMAGINE was that, broadly, many of the people are aware of the direction we need to go and the issues we need to attack: food security, climate change, poverty, inequality, et cetera. But, unfortunately, it is all change within a current system, which leads to incrementalism and not the step changes that we need. We need to be bolder and braver in what we do. In a society where still there are a lot of skeptics and cynics, where change is undoubtedly difficult, you first have to work on that inner core. Then you have to work on the external side, or the outer core. That truly starts by realizing that it's not about yourself.

The moment you realize that by investing in others and putting them ahead of your own, you're actually better off yourself as well, is the moment that you hit a sweet spot in leadership. We need to get more comfortable working with the different sectors of society, civil society, and governments, together with business, because these issues have such magnitude now that nobody can solve them alone. We need to have different contracts with society, both shorter term and longer term, and create these

partnerships that at times might be a little bit uncomfortable but are the only way to drive these systemic changes. We've realized that the CEOs themselves might have some limitations inherently built into their jobs or the current structures, so our theory of change, very simply, is to work collectively to drive home these broader system changes that individual companies cannot do alone.

**Vivian Hunt:** I like the idea of bravery as a leader, which isn't irrational, it's just showing courage in the face of the decisions and choices that you have. You look at Dan Schulman when he went into PayPal and made the decision to review their pay standards, increase the benefits, add shareholding. So it's shared ownership and incentives and outcomes as a conscious investment and decision.

There's no question it has unleashed an engagement, commitment, and enthusiasm from his employees but also helped with other parts of the system. Any time a leader goes into a new role, just think about when you've been promoted or changed jobs, or when you have a new opportunity. It's an opportunity to ask yourself, how can I embed my own purpose, my own narrative, into the role that I now have, with this moment?

Some people are dreaming of becoming a manager, dreaming of becoming CEO, dreaming of leading an organization in some way. But when you have that opportunity, there is a moment of reflection that you should have to pause and consult and ask yourself, how can I make sure that I feel authentic and genuinely motivated by what we're asked to do here? That's what I'm going to stand up and advocate for, with all the challenges and contradictions and difficulty that probably lie ahead for most of us as business leaders, in a way that's authentic and meaningful for me personally, as well as for the company. That pause for what's the opportunity for me to make a bigger difference, and how could I add to or change my leadership model, particularly when you're changing roles or starting something new, is a really important moment for a lot of leaders.

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**Paul Polman:** And don't you feel, Vivian, that COVID-19 has given a lot of people that pause to reflect a little bit more on their own purpose and the higher order for businesses to start to strive for? I feel relatively positive about that, that many have used that pause for good.

**Vivian Hunt:** I agree with you, Paul. Once you add that empathy, clarity of communication, and iterative problem solving, system problem solving with your stakeholders, with your employees, with your shareholders, particularly powered by the transparency that AI and data are providing us. Once you start and commit to that level of engagement and communication, you can't stop, right? Once you've engaged your supply chain in a more transparent way, or once you've shared, in your case, those 50 goals, or a broader set of objectives beyond economics, I don't think CEOs and companies have the option to go back to the way we were.

The word “transform” means to change in a way that you can't go back to the way you were before. I feel like 2020 was that kind of moment, because even the language we're using to describe the impact that business can have on the world has changed. I think and I hope it's a permanent change in how leaders are thinking of themselves and what their organizations can do.

### **‘A Greta Thunberg in every organization’**

**Diane Brady:** Now, if I'm a shareholder, and I go back to that, I guess it's Milton Friedman's doctrine of the social responsibility of business to increase profits, how does this affect my faith in leaders' abilities to deliver on how I might measure success in a company? Paul?

**Paul Polman:** Well, there are two things. I always say that Adam Smith wrote this book, *The Theory of Moral Sentiments*, 17 years before he wrote *The Wealth of Nations*. Even if Milton Friedman would be around today, I don't think that he would write the same thing for which he got rewarded the Nobel Prize. I really think that he would be advocating the multistakeholder, longer-term model of value creation. Don't forget that the issues, when he wrote that, were quite different.

The organizations were set up quite differently. The financial market was quite different. There was a higher level of involvement of the shareholders. Businesses were more local and were forced to be linked to their local communities. They had a human face. So Milton Friedman, which is now over 50 years ago, should not be judged by today's standards. And I don't think he would have the same opinions.

If you believe in shareholder primacy, then there is one thing that has definitely happened over the past ten years, something that I probably did not have as much of a benefit from when I started the Unilever journey, but was convinced about, which is that we can now show with hard facts that a more diverse organization—or an organization that has built more resilience in its value chain, or an organization that pays its people decent wages, or an organization that internalizes the challenges of climate change—we're now able to show that they're also resulting in overwhelmingly higher returns.

There obviously are the standard factors of having a good strategy and hiring the right people, and broadly we see that now. The financial market is catching on as well. Unlike the financial crisis, as I mentioned, ten years ago, in 2020 a lot of people are saying, "Oh, this whole area of ESG [environmental, social, and governance] will go in reverse." It's actually the opposite. If there's one lesson that we've learned, it's that it actually has accelerated, that more businesses have put purpose at the core in starting this transformation. Regarding social and environmental issues, people now understand this interconnectedness that Vivian talked about, and that you can't have healthy people on an unhealthy planet.

There's a whole new generation now evolving faster than I had expected myself that is calling out. There is now a Greta Thunberg in every organization. They're walking out if you're not aggressive enough on climate change, if you sent mattresses to the borders where parents are separated from their children. If your company works on face recognition with the government and people feel that's an intrusion, if you don't fight for the rights of LGBTs or other minorities, people are increasingly speaking up. There is a movement for change in society that is probably bigger than we realize, in very tough external conditions with COVID-19 that, as we come out and start to rebuild these economies, we will benefit from.

The final thing that I think COVID-19 has shown us is we have now spent \$13 trillion, \$14 trillion to just save lives and livelihoods, and frankly, all that money has been spent because of the failure of us to act earlier. It has also shown us that the cost of not acting now is significantly higher than the cost of acting. If you turn that positively, businesses that understand that are probably sitting on the biggest business opportunity that you have. Greening our society moving forward, retrofitting buildings, moving to green energy, mobility-system electrifying, and restoring our natural capital, all these things are high multipliers on investment return.

They also create more jobs; they create better jobs. Businesses that position themselves in that direction will be rewarded. The peak of that thing you saw last year happening was Tesla, which shot up in value to the same market cap as all the other companies combined in the car industries. The same is happening in many other industries. We're sitting on the crest of a revolution of a scale and magnitude we've never seen before.

## **Characteristics of value-creating companies**

**Vivian Hunt:** Even if you look over the longer term, those same patterns show. When we look at our long-term data sets across countries for value creation, companies that have performed better, have had multiple goals, are more holistic in those outcomes, they're broader in terms of the metrics that they measure.

That's both at the investor level as well as the operational level. That's every country as well as every sector. So whether you look at the near-term recent examples, or you look over the longer five-, ten-, 15-year cycle of value creation, companies that have a broader diversity of goals and objectives and have fulfilled those in sustainable ways do find higher returns.

You have to have the confidence as a leadership team that you can have a clear strategy, a deep understanding of your stakeholders, sustain and manage that over time, manage the risks and the downsides. A lot of us are afraid of making mistakes, particularly when there's increased transparency. Instead of engaging with stakeholders, we shy away from them. So it takes really good architecture for what your strategy is, really good architecture of performance metrics and outcomes contingency so that you are able to make some mistakes, able to change course.

You'll see that those more diverse investments do result in higher returns. Whether it's in the near term, powered by technology and innovation, or the long-term data sets that we see in the McKinsey Global Institute, they're both correlated with a more holistic, broader defense of stakeholder capitalism.

## The role of corporate boards

**Diane Brady:** Vivian, what's the role of the board? Because we've talked a lot about the stakeholders externally. Any thoughts as to how both the relationship with the board, the makeup of the board, has to change in this environment?

**Vivian Hunt:** We try to give boards and executive teams courage so that they can take the sometimes difficult decisions that they need to take. In a sense, a board's responsibility is to provide an external and internal balance and challenge and support for an executive team. The board itself has to represent a diverse range of views and stakeholders, and that's why sometimes the most effective boards are ones that have ways to systematically include the input of different stakeholders through their committee structure and outcomes.

But at the end of the day, if their annual report is about financial returns only, their aperture is probably too narrow. We'd argue that, first, taking

this broader definition of what the company is solving for and having that very clear in the purpose of the company and what the impact report or the annual impact report speaks to so that the board—both in its composition and inputs that inform the company strategy and decision, and also how it counsels and supports the executives—reflects those diversity of views.

The evidence doesn't suggest that that's inconsistent with a strong performance in outcomes. When you look at Unilever or Patagonia or PayPal or Salesforce, many companies in many different sectors that we could name, it is a diversity of goals, endorsed by the board, that leads them in the right direction. There's a lot boards can do in terms of the governance model. But the action, if you will, the activation takes place at the executive level.

**Paul Polman:** If I can build on that, I could not stress [enough] the importance of a diversified board. One of the things we did at Unilever right away was 50-50 in terms of gender diversity. We had two people from Africa, we had two people from China. We made it an absolutely global board, but more importantly, also in competence. What you now see is that most of the CEOs will say the short-term pressure comes from the boards. We still see a misalignment between incentive systems and executive pay, and what this broader, multistakeholder business model requires.

Recent studies would show that only 7 percent of board people are climate competent and 17 percent have ESG knowledge. Then if you look at the turnover in CEOs, where the average tenure is only four and a half years now, this is clearly not enough to address these issues. The board there has a job to do. In the board practices that we work with, and the boards that we discuss with, it often is mentioned that, "Yeah, but if I take more responsibilities in my fiduciary duties than the shareholder alone, I might take too much risk on my plate."

And I would only say here that the opposite is actually true. If you are a board right now and you are not calculating in the other risks or opportunities that are around the planetary boundaries, the social equations that we've talked about, you probably are starting to take more risk on yourself as a board member instead of less. We significantly need to transform the boards. Too many have interpreted it too narrowly as being a fiduciary duty to shareholder primacy.

If you actually go back to the spirit or letter of the law in most of the jurisdictions, it had a different intention. So to bring that back and provide that breathing space—also for CEOs to become brave and bold, as we talked about—is a very important thing that needs to be addressed.

The second thing that needs to be addressed is that we need to measure what we treasure. Our accounting system is basically a return on financial capital. We need to start looking at our accounting systems to also include the return on environmental and social capital. There is a major effort going on now with the IFRS Foundation. They got over 600 responses, overwhelmingly obviously around climate change, but also around other areas, especially the social part, of why we need to force companies to disclose more and start to measure that and be able to compare.

It is very clear that companies that report are making more progress. They're also probably better leaders and more responsible. So getting our accounting systems to change their measurements is an important second thing we need to work on.

**Vivian Hunt:** It also then helps companies clarify which aspect of the outcomes they're solving for can they influence as a company, and maybe to the advantage of their customers, employees, shareholders, and which things do they need to work on collectively with other parts of their supply chain in the industry, and/or with governments.

Because if you're not measuring the outcomes you're trying to solve—if you need different regulatory parameters or different technology investments, or different skill development of your workforce investments that you can contribute to as a company, but you alone probably can't solve, particularly if you've got multiple goals—it helps clarify the areas where you really want to push on something for differentiation so a customer or an employee chooses you.

That is versus the areas where collectively the industry might have some incentives to change the regulatory frame or innovate new ways of working. I just want to come back to this point about boards. The representativeness, in terms of intrinsic characteristics, gender, culture, et cetera, is very important.

The skill set point that Paul made is just as important: technology skills, environmental savvy, experience understanding and monitoring sentiment, coaching skills for the executive, clear sets of diverse goals in addition to their financial stewardship, and then measuring the right things so that you give the executive the room, the playing field on which they can then be successful. If boards and investors don't give companies and investors that permission, it's very hard for a leader to really act against this agenda and reach its full potential.

## **The social costs of the COVID-19 crisis**

**Diane Brady:** One of the things I'd like to address with both of you is talking about the realities and opportunities of the pandemic. Working women, for example, have gone backward to some extent, as we've tried to balance homeschooling, taking care of children, being fully there for our jobs on Zoom calls, and such.

We've seen the achievement gap widen when it comes to the impact on people of color, both with employment, schooling, et cetera. What message do we have, and how do we address some of these real social costs that we've seen?

**Vivian Hunt:** Well, I would hope that we would not only want to get back to where we were before the pandemic, but actually improve on that. We know in the last couple of recessions there have not been an improved economic or balanced set of outcomes for historically underrepresented groups in the workplace. You mentioned women, or ethnic minorities in some cultures. But it's also true with climate goals. We didn't add anything to make it significantly better. The push for a more green and a more inclusive recovery needs to be explicitly built in to how companies are responding.

When we get to a point where the miraculous delivery of the vaccines are at scale in both developed as well as developing economies, and we feel confident communicating, moving around, and interconnecting the way we normally do for business and society to operate, we have to explicitly be able to demonstrate how the company is more green, how it is more inclusive. I mean that not only in terms of gender and ethnic representation, but inclusive in terms of skills and its operating practices. And then finally, more interconnected, better use of the data and platforms that are driving, and AI platforms that are connecting us and making the business system increasingly transparent.

I wouldn't say we want to build back the same. We have to build back better than we were, meaning more green, more inclusive, more connected. Businesses should be explicit about the initiatives they're doing in their portfolio, their strategy, their people, and culture, purchasing systems, metrics about how they're adding those things in as we collectively come out of the COVID-19 crisis.

**Paul Polman:** I could not agree more. It wasn't working before. I don't think we have to be polite about that. Gender equality was taking us 257 years before the crisis. Inequality was going up in every country in the world. Climate change was on the curve to get to well above 3.5°C. It was an absolute disaster that led to the COVID-19 crisis in the first place. By the way, the COVID-19 crisis should not come as a surprise. We've had Ebola, we have Zika, and we had SARS.

We get pandemics every five to ten years. Unfortunately, increasingly so, as we destroy Mother Nature and invite these zoonotic diseases in. It cannot go back to where we came from. The first priority has to be to contain and eradicate the fires. That's not done, by any means. The trade-off between lives and livelihoods that some people keep advocating is, in my opinion, a false dilemma. The second priority is that we have to create the conditions for a broad recovery. And that requires international cooperation.

**'We need to be bolder and braver in what we do. In a society where still there are a lot of skeptics and cynics, where change is undoubtedly difficult, you first have to work on that inner core.'**

—Paul Polman

Most of the institutions have failed us. Also during COVID-19, we saw countries putting out export barriers. We saw a disregard for the needs of the developing markets in many different senses. The sense of cooperation of the multilateral institutions needs to be restored if we want to build back better, as Vivian says.

The third priority is to really be sure that we have a new narrative of economic growth, where a more sustainable, a more equitable, a more inclusive economic growth is, in fact, the one that creates the jobs, the social cohesion, and obviously where we can live in harmony with planet Earth, now and for generations to come. That narrative is becoming increasingly attractive. The biggest hurdle that we now have will be a further risk of lack of social cohesion. We've seen unemployment go up to the tune of 500 million jobs lost. Many of them are artificially propped up right now with government spending that will run out.

Again, it's the people who are already suffering from many of the other things who pay a price here as well, young people and women. So if we don't create the jobs, and if we don't make this a more inclusive growth, then the issues of social cohesion are going to be the biggest ones that we have to deal with. We have to invest significantly more than we've invested to deal with the crisis itself. That's a challenge, because governments, and especially you see that now in Europe, are not as eager to spend more money after they've spent these enormous amounts already in the past year alone.

And yet, it is absolutely needed to have a Keynesian sort of globally coordinated spending plan to create these jobs. The good thing is that a greener economy creates more jobs. We've looked at this implementation of the sustainable development goals around the areas of mobility, food, and land use; health and well-being; and cities. We found an opportunity of \$12 trillion and 380 million jobs at a

time when we need that most. This year is going to be a very important year, because we have the UN Food Systems Summit, we have the UN Climate Change Conference, we have the UN Biodiversity Conference.

These are moments now that the countries of this world can make major commitments to help create this framework, and then for businesses, obviously, to follow through. Because ultimately the financing, the innovations, the ideas have to come from the private sector. But it will only work if the governments put the right frameworks in place. The good thing is, I'm relatively optimistic, because the stars are aligned now with the change in administration in the US. Let's not mince words around that. We have eight to ten of the biggest economies in the world making climate commitments, for example, to be net zero by 2050. Those are major changes now that we need to follow through with concrete action and policy changes. This year is going to be crucial for that.

**Vivian Hunt:** You know, it's very easy to look at problems that have to be addressed in a systemic way—the quality of the education system, the skills required, the environmental formula—and believe that it's too big a problem. It's outside my ability to influence as a single company.

But you might choose one or two areas and work on those collaboratively with members of your industry and of your supply chain. But within your company, there's a lot you can do to benchmark your responsible social practices as a corporation.

Link them in value-creation terms, economically as well as other types of value in outcomes, and use your skills in differentiation to deliver well for your company and deliver well for your stakeholders. But if you can't make it specific so that your employees and your managers understand it, it's going to be hard for them to deliver.

## Advice to future leaders

**Diane Brady:** There are many people listening, I'm sure, who perhaps want to be leaders, maybe they are starting out in their careers, and this can be a period in which you feel impotent in the face of all these challenges. Any advice on a personal level that you would give to them? Paul, I'll start with you.

**Paul Polman:** Oh, it's always difficult to generalize there. But I'm very optimistic about the young people. Fifty percent of the world population is under 30 years old. And they're very creative, they're purpose driven.

I would also stress the power of values, integrity, humility, and humanity to restore trust values is going to be very important. Try to be a leader like that. The power of partnership we talked about to make a difference and to address some of these issues requires us to work differently. Younger people, again, are better qualified for that. But above all, the power of purpose, the passion of finding yourself is what gives you passion, perhaps. But purpose is about losing yourself to the service of others.

I think I've realized, as Vivian has, that we've just been outright lucky. When I was born in the Netherlands, I didn't have to worry about access to a piece of bar soap, so I made it past the age of five. I had food, so I didn't have stunting or food security issues. My government paid for education, which my parents could not afford to give their six children. That's why I'm talking to you. But at the end of the day, I won the lottery ticket of life. I didn't do anything for this. And if you won the lottery ticket of life, then you only belong to about 5 percent of the world population, unfortunately, even today.

Then it's your duty to put yourself to the service of the other 95 percent. The more we do that, the better off we'll be—all of us. It was the Dalai Lama who said that if you seek enlightenment for yourself, simply to enhance yourself and your position, you miss the purpose. But if you seek enlightenment for yourself to enable you to serve others, you are its purpose. My simple message is, lead a life with purpose.

**Diane Brady:** Vivian, any thoughts?

**Vivian Hunt:** Paul characterized so well the principles of servant leadership, which is how I would reflect on it. The notion of leading, having something that you're passionate and excited about, that you want to do and that you want to contribute to—and by the way, that's no less important at age 16 than it is 66 or 106—but that you've got real energy and excitement for, that you're doing that in a way that's of service to the organizations that you work with, whether they're in the private sector or the public sector.

If you do that—real passion, real expertise, real contribution in service to the business, in service to others—you won't go wrong. I would also say have high ambitions. It's easy to imagine a world that is different than today. But if you think things are fixed, that we can't change, that the economic pie isn't big enough for us to share and distribute in different ways, that we've got to compete over finite resources, then you end up in quite a reductionist and small mindset.

So this aspiration of collectively growing our impact economically, socially, and in many other aspects of our rights and responsibilities, all of the enablers, then the pie is big enough to share. High ambition really does matter. Not in an egotistical, self-driven way, or an individualistic way, but having high ambition that society can be different and better. That probably is one of the most exciting things that I hear from talking to my teenagers and the younger generation.

The final thing is to recognize that it takes real work. The things we're talking about are not lofty ideas on a shelf; they're things that real people and real companies have done in collaboration with others and governments. You've got to put your shoulder to the wheel. Learn something with excellence, collaborate with others who have integrity and real skills, and really work with other stakeholders to change things. That's not easy. Paul and I can talk about different things, and you've gone along the journey.

We could probably fill the whole podcast with disappointments that we've had over our careers and lives. So don't think that it's going to be linear. The arc of history bends toward justice, but it doesn't mean that it's going to go in a straight line. We're in a period where we've got to straighten up our backs and realize that we have our focus on these more holistic outcomes as businesspeople, as well as citizens more generally. Hopefully that's encouraging to young people, as well as some of us who are a little bit older.

**Diane Brady:** I cannot think of a better place to end than there. Dame Vivian Hunt, I know you are working with leaders worldwide to promote these issues and deal with these tough challenges. Thanks very much for joining us.

**Vivian Hunt:** Thank you, Diane. Thank you, Paul.

**Diane Brady:** And Paul, who is a pioneer in multistakeholder capitalism at Unilever, now helping leaders do the same at IMAGINE, and other realms. Thanks for joining us.

**Paul Polman:** Thank you both. It was a real pleasure. I enjoyed it.

**Diane Brady:** And thank you to the listeners out there for joining us for this conversation. If you do want to know more, of course, go to IMAGINE, and also go to McKinsey's website, where we've written not only about the case for stakeholder capitalism, but also how to do it. I'm Diane Brady, thanks for joining us. See you next time.

**Vivian Hunt, DBE**, is a senior partner based in McKinsey's London office. Former Unilever CEO **Paul Polman** is cofounder and cochair of IMAGINE. **Diane Brady** is a senior editor based in New York.

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