



# *Mastering Resilient Growth*

How understanding the business context can  
accelerate innovation



**CORPORATE CITIZENSHIP**

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**Sustainability, Simplified**

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*“Analysing the context of any business can uncover powerful insights for innovation and growth.”*

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## The challenge for business

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Strategic planning by companies needs to change. Many businesses are facing tough challenges, including how to: grow revenues in a fast-changing world; anticipate the next generation of customer needs; forward-plan in an uncertain economy; and maintain discipline on costs.

Yet too many companies adopt a short-sighted and narrow approach to strategic management. They focus on beating their competitors by matching their activities, developing similar products through incremental improvements and delivering value through the same old business models. They want to use the old models but make them work harder.

The long-term success of companies today is no longer guaranteed. Indeed, the very existence of many businesses is under

threat. The average lifespan of an S&P 500 company has shrunk from 61 years in 1958 to just 18 years today.<sup>1</sup> History is littered with examples of companies that fail to adapt fast enough to new market dynamics, such as Blockbuster video, Pan American Airlines and Polaroid cameras.

A radical rethinking is required. The old manuals need to be torn up. The key to the future is understanding what we call the context – the trends, impacts and relationships between a business and the wider world.

Analysing the context of any business can uncover powerful insights for innovation. This can sustain performance for the long-term. A resilient strategy is one that is in step with a company's wider context, allowing the business to thrive for years to come.

# A new opportunity

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Business does not exist in a vacuum. Context refers to the economic, social, political, technological and environmental issues that create business opportunities and risks. These factors have traditionally been considered as part of a limited risk assessment by most companies. But there is a bigger opportunity.

An analysis of relevant relationships, impacts and trends can provide fresh insights. When approached strategically and holistically, Corporate Citizenship's **Resilient Growth**

approach can help to weather the storms and uncover the opportunities from unexpected regulation, changing customer fashions and wider economic fluctuations.

This paper sets out how any forward-thinking business can understand its context, analyse the opportunities, unlock fresh insights and innovate for long-term growth. It provides an approach that business can use to develop a robust and enduring strategy in a fast-changing world.

## Our Fast-Changing World

Business planners use the language of VUCA, originally developed by the military, to describe the challenges facing companies:

- **Volatility** – new issues are constantly emerging which can cause turbulence and upset the status quo
- **Uncertainty** – it is hard to predict what lies ahead and trends can evolve in unexpected ways
- **Complexity** – interactions and interdependencies can create an

intricate web of multiple causes for any single issue

- **Ambiguity** – a lack of clarity means there is the potential for confusion and misreading trends.

Business leaders need to address the risks head on. More positively, **Mastering Resilient Growth** can help to turn risks and uncertainty into new opportunities – transforming business models and revolutionising whole sectors.

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*“Mastering Resilient Growth can help to weather the storms and uncover the opportunities”*

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# Mapping the context

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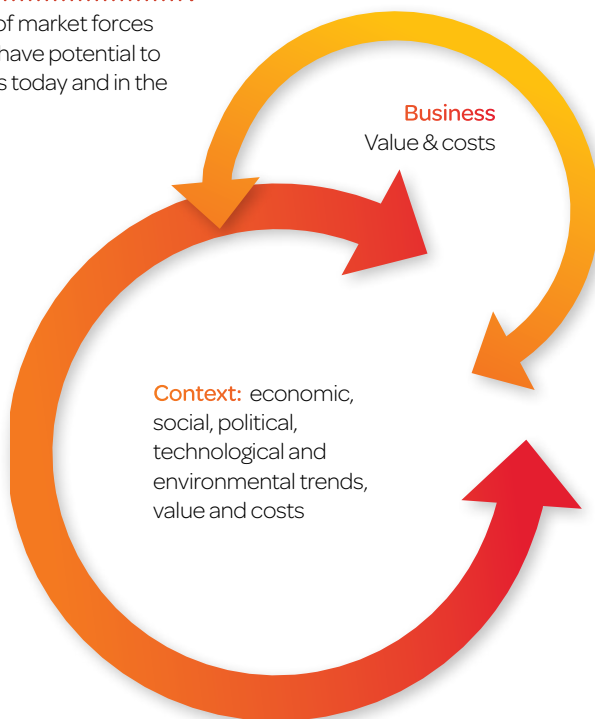
No business is an island. Invisible bonds shape the firm through a complex interaction of economic, social, political, technological and environmental trends. Companies that want to be positioned for long-term success need to gain a holistic understanding of the relationships that shape their context. This should consist of:

**1** Understanding the company's complex interactions in its many markets, and with its many stakeholders.

**2** Analysing the kinds of market forces and influences that have potential to impact business success today and in the future.

**3** Identifying how to integrate this thinking into business strategy and planning to capture the most value and ensure long-term success.

There is a two-way interaction between the business and its context. Society creates costs and value for businesses and business creates value and costs for society. A deeper analysis of these relationships can provide a springboard for innovation.



## Future Change

The context is dynamic, not static. The world is changing all around us. A billion new consumers are added to the world every fifteen years.<sup>2</sup> Around 4.2 billion people use a mobile device to access social media today.<sup>3</sup>

Some changes can be surprising. Who could have forecast in 1990 that demand for organic food would explode by 3,000% to become a \$30 billion market – 4.2% of all food sales – in the United States today?<sup>4</sup> Regulation can be dramatic too: in 2008, China banned ultra-thin plastic bags whilst Denmark introduced a tax on foods high in saturated fat.

Some companies respond by following the rules. This may be necessary in the case of laws, and desirable in the case of norms, but it is not sufficient to gain competitive advantage. Others go further and seek to identify the opportunities for “win-wins” where they can benefit from a change. These overlapping interests can create success stories in select areas.

The most agile companies embrace change and use it to their advantage.

**Mastering Resilient Growth** is a systemic response: anticipating change, appreciating the connections, harnessing new insights, shaping the context itself and creating real competitive advantage that can be sustained for years to come.

# Innovation with a wide-angle lens

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Innovation is essential to unlock the opportunities for **Resilient Growth**. The business context should be assessed holistically with a 'wide angle lens' that looks at a broad range of factors over multiple time scales, including 10, 20 and 30 years ahead.



By stretching this frame of vision, companies can identify enduring opportunities that can be sustained for long-term success. Analysing the context can shed light on new angles for companies to innovate more creatively, reduce risks and build greater resilience.

At its heart, this process is about identifying and responding to previously unidentified, unarticulated or unmet needs through new products, services and business models. These often stem from an analysis of trends and impacts, and how the interdependencies between them could shape unexpected outcomes in the future.

In our paper 'Future Business'<sup>5</sup> we outline some of the mega-trends from our Futures Database that companies need to prepare for. Once adapted to an individual company's growth strategy, they can become extremely powerful if a business wants to shape the future in a different direction.

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*"Companies wanting to redefine their markets do not just accept the future, they seek to change the rules of the game."*

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### What types of change can emerge?

- New products and services that meet a previously unmet need (e.g. low cost energy; safe food and drinking water; improved education and health; enhanced institutions and infrastructure)
- New business models that improve efficiencies and re-use products in a closed loop model that creates more value from fewer inputs
- Employment and job creation in the supply chain that may involve overlooked groups (e.g. smallholder farmers; women; the unemployed)
- New ownership structures that share rewards differently (e.g. cooperatives)
- New collaborations with suppliers, joint venture partners, customers and non-profits that meet shared goals
- Mass engagement with consumers that changes perceptions and behaviours
- A reduction in the overall environmental and/or social costs that business places on society

### What are the potential commercial benefits?

- Top line growth from new product and service development
- Lower cost of goods from improved efficiencies
- Faster response to new regulations than competitors
- Improved traceability in the supply chain
- Reduced risks and increased resilience of business operations
- Improved health and safety record
- Reduced transaction costs from higher levels of trust (e.g. with customers)
- Enhanced reputation and brand equity
- Improved employee motivation and productivity
- Increased creativity and idea generation
- Attraction of better talent and reduced staff turnover
- New alliances and more profitable collaborations through shared goals
- Lower cost of capital from a lower risk profile

The opportunities are unique to each company. They will depend on the specific context and company ambitions. No two interactions are the same and these issues vary from company to company, as well as continent to continent.

The dynamic nature of the context means that new issues are always emerging.

Forward-looking companies should seek to capture the emergent value before competitors do. But leading companies don't just react to trends; they actively try to shape them to their advantage. Companies wanting to redefine their markets do not just accept the future, they seek to change the rules of the game and transform systems and people to their advantage.

## Long-term Value Optimisation

Commercial ventures need to be profitable in the long run. Astute business leaders know that this does not always mean the objective should be short-term profit maximisation. There are no fixed rules about the timescale over which value must be created. It is society's pressures – from myopic biases to stock market expectations – that often constrain businesses.

Over the coming years, we expect more and more companies to talk about a shift away from short-term profit maximisation to long-term value optimisation. **Resilient Growth** identifies new commercial benefits that can sustain profits and shareholder value in the long-run.

## How **Resilient Growth** creates value for companies

Some companies are already capitalising on these types of insights. A fictional case study illustrates how the processes can be applied in practice. It is based on our experience of working with businesses on these issues.

*ABC Pharmaceuticals has seen slowing sales growth, declining profit margins and a pipeline which investors view as uninspiring. Employee morale is low, creativity is lacking and a series of problems have been played out through negative media comments.*

*A strategic review using the **Mastering Resilient Growth** approach (see page 10) begins by understanding the firm's greatest impacts on society and how value is created for the business from society. In addition, horizon scanning identifies a set of new medium to long-term risks and opportunities.*

*From a long list of potential ideas, a new insight is identified to offer a life-changing nutritional product at a lower cost to many more people. This major opportunity has so far been untapped. An innovative new business model is required to realise the ambition and ensure it delivers within resource and budget constraints. Alongside offering the food, the company provides a free local health check to consumers. A partnership with small-scale distributors enables the service to break even and reach scale more quickly. This opens up new routes to market that were previously untapped, and allows more products to be sold. Meanwhile, operational and supply chain functions embark on a programme of enhanced traceability for the product and a leaner production process. This delivers a lower cost of goods, a higher quality*



*product and a more resilient supply chain.*

*After several years, the venture is profitable after rapid volume growth that was not possible under the old business model. Alongside top line growth and rising profit margins, new talent is attracted to the company. Employee morale and creativity rise. As part of the business turnaround, the longer term pipeline improves. The stock market welcomes the results and an increased confidence in management is evidenced through a lower cost of capital. Stronger relationships with stakeholders – such as customers, regulators and*

*the media - create a stronger brand, higher levels of trust and sustain rising profit margins into the future.*

Of course, this fictional example sounds too good to be true. But it's not far from the types of new products that companies like **Danone** (Shakti Doi yoghurt), **Vodafone** (M-Pesa money transfer), **Unilever** (Pureit water purifier) and **Cemex** (affordable housing in Mexico) have brought to market. In reality, the journey is never straight-forward and there are set-backs along the way. But the evidence shows that these types of approaches are possible and can be profitable.

# Mastering Resilient Growth

Corporate Citizenship's **Mastering Resilient Growth** approach helps businesses to quantify relevant impacts, identify new opportunities and innovate for the future. It provides clear steps to ensure that a company integrates the insights that stem from the innovation process into a profitable and enduring strategy for long-term success.

The first stage of insights typically involves:

- Understanding the current and future issues in the context that are unique to your business
- Mapping the most relevant issues and impacts for your company, both value and costs
- Horizon scanning for medium to long-term risks and opportunities that have not so far been capitalised on
- Engaging stakeholders to offer fresh perspectives and shed light on new trends, expectations and ideas.



**Innovation** harnesses the insights to identify the new strategy required to deliver value for the business. We find that this stage is often the most challenging, but also inspiring. The outcomes can be a new venture, or a strategy for the entire business. The best approaches deliver value through fresh ways of thinking, embrace new business models, and minimise risk.

**A Plan** commits the company to a pathway for growth, detailing how this value will be captured and on what timescales.

A **detailed action plan** serves to guide management on the implementation of the strategy. Future research to be published in May 2014 will provide examples and details of each of these areas.

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*“Resilient Growth means an interdependent and mutually beneficial relationship between the company and society”*

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# Ways of working for the long-term

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Effective strategy requires companies to secure and sustain competitive advantage.

**Resilient Growth** is a way of thinking that can unlock value through looking at the world in a new way. In times of change it can provide the fresh insights needed to head off a new competitor, increase revenues and sustain growth into the future. It provides a new language and new thinking for business.

Two new ways of thinking are required to fully realise the benefits of **Resilient Growth**.

Firstly, interdependencies need to be really understood. No business is an island, but also no issue exists on its own. Trends in the context interact and shape one another. How might consumer expectations shape regulation? How could a new technology influence the supply chain? The most profitable insights often come from looking holistically, not at single issues in isolation.

Secondly, new ways of working through collaboration can bring about bigger benefits for all. Collaboration begins through discussion with the outside world at the Insights stage. Businesses often don't come up with great ideas on their own. Partnership can also extend to linking up with the right supplier, joint venture partner or non-profit

at the implementation stage. This is because effective partnership can provide fresh insights, reduce costs to the business, scale an initiative more rapidly and increase the size of the pie for all.

Applying the ideas in practice is no easy task. Decision-making requires data but not everything can be accurately measured. Managers need to be comfortable dealing with uncertainty. Trade-offs may be needed. No solution can be perfect and sometimes five steps forward requires three back. All this means that the manager's mind-set may need to change for **Resilient Growth** strategies to be effective.

**Resilient Growth** means an interdependent and mutually beneficial relationship between the company and society. The prize is a business that is more innovative and forward-thinking than the competition; a firm that anticipates new customer needs, and experiences fewer surprises in the market. But most of all, **Resilient Growth** ensures that the company can sustain its performance year after year.

By fine-tuning the business to be in sync with the outside world, the company can thrive for years to come.

## The happy by-products of a resilient strategy

By being more in-tune with the world and its expectations, businesses benefit their stakeholders, society and the environment along the way. Business can be a powerful force for social good by applying their resources strategically so as to ensure long-term profitability that is in step with society. We find that “being seen” to be “doing good” only for reputational reasons is typically less

profitable than identifying the right actions that can help the business to succeed in the long term.

We tell our clients that social benefits and stronger reputations should not be thought of as the goals of such a strategy, but a supporting side-act, the happy by-product of a sustained focus on commercial success.

## Future research and feedback

Our future research will explore the key themes in this paper. For comments, feedback or further information on **Mastering Resilient Growth**, please email: [mail@corporate-citizenship.com](mailto:mail@corporate-citizenship.com)

## References

<sup>1</sup>Creative Destruction, Foster, R. and Kaplan, S; Innosight, 2012

<sup>2</sup>World Population Prospects: The 2012 Revision, Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat

<sup>3</sup>Digital Insights (2012)

<sup>4</sup>Organic Trade Association (2011)

<sup>5</sup>Future Business: The four mega-trends that every company needs to prepare for, Corporate Citizenship, February 2013

## About Corporate Citizenship

Corporate Citizenship is a global corporate responsibility consultancy that uses clear insight and a simplified approach to sustainability to deliver growth and long-term value for business and society. We work globally across industry sectors. Our work takes us to Europe, USA, Asia, Africa and Latin America. We help our clients make the smart choices that will enable them to survive and thrive in an increasingly challenging business environment. Corporate Citizenship promotes the idea that companies can be a force for good. We advise global client list on a number of areas: strategy, reporting, supply chain, socio-economic impacts, inclusive business models and assurance. Our long standing clients include Unilever, Abbott and Vodafone.

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