

ICB on wings



April 2019

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 **Initiatives of Change**
for Business

Editorial

We were grateful for the enthusiasm with which our last month's issue had received, more so because of the featured article on, "Power Doesn't Corrupt — it just exposes who leaders really are". Encouraged by this, we have taken the opportunity to publish another writing sent to us by a Chief Executive of a leading business house. We believe that you will find the letter to CEO's written by Larry Fink, an interesting one.

Should you, dear readers have an article like this, which you find could encourage others in business, feel free to send it to us at the Email address provided on the cover page.

Further, in this issue, we have included a brief report of the ICB Working Group meeting that was held at Pune a few weeks ago.



For private circulation.

*Published by Sarosh Ghandy, Chairman, ICB; Friends of Moral Re-Armament (India), Asia Plateau, Panchgani - 412 805, India
Views expressed in these pages are those of the respective authors and are not necessarily held by ICB or by lofC.*

Editor: Charles Fernandes

ICB Working Group Meeting

A Report

On March 18 and 19, 2019 Luis Gomes, from Goa and Charles Fernandes, from Panchgani, met with Sarosh Ghandy who had travelled from Bengaluru. Thanks to Farhad Forbes, who graciously permitted the use of the Forbes Marshall Guesthouse at Satellite Towers, the three discussed various topics on the Agenda. Foremost on the list was the need to review preparation for the CEO Conclave that recently concluded at Asia Plateau, Panchgani where 35 leaders from business and industry deliberated over the weekend between April 12 and 14 the theme, "Meeting Growth while

remaining Socially Conscious and Eco-friendly". Some of them were accompanied by their spouse. A Report of this is being prepared and will be shared with you soon.

Additionally, the small working group at Pune discussed two international events planned in early 2020 — a CEO Conclave and ICB's Biennial Conference. Thought was given to the possible themes and description on their respective invitations.

In a separate meeting with Farhad Forbes, Joint Chairman, Forbes Marshall Group of Companies, Pune, later that



evening there was much introspection on whether ICB is addressing business needs. Frank and open discussions led to Sarosh preparing a note on this and asking friends and associates involved in business to also provide their inputs. In it was shared the focus of ICB. Interestingly, it garnered many valuable responses.

The next day, the three met with the ICB Pune Chapter core team members. This meeting was held at the Tata Management Training Centre. At that meeting, several thoughts and ideas emanated on how ICB could strengthen itself as a fellowship of businesspersons.



L to R: Sudhir Gogate, Luis Gomes, Emmanuel David, Sarosh Ghandy, Allan Burby, Anant Nadkarni, Charles Fernandes, Sanjiv Mehta, Kiran Gandhi

It would be fitting to mention how despite Sarosh Ghandy's age and health, he continues to serve in promoting how ICB can become a fellowship of like-minded individuals from business and industry who can together help businesses remain sustainable. If ICB has been able to do what it has done in these past years, since 2003, it is largely because of Sarosh Ghandy. Through his relationships with leaders from business, ICB has managed to get a small group to join in putting their shoulder to the wheel too. Unassuming, and always willing to fade in the background, Sarosh, this Editor knows, is not going to be very happy with this paragraph. Yet he felt it necessary.

Purpose and Profit

Larry Fink's 2019 Letter to CEOs

Dear CEO,

Each year, I write to the companies in which BlackRock invests on behalf of our clients, the majority of whom have decades-long horizons and are planning for retirement. As a fiduciary to these clients, who are the owners of your company, we advocate for practices that we believe will drive sustainable, long-term growth and profitability. As we enter 2019, commitment to a long-term approach is more important than ever — the global landscape is increasingly fragile and, as a result, susceptible to short-term behavior by corporations and governments alike.

Market uncertainty is pervasive, and confidence is deteriorating. Many see increased risk of a cyclical downturn. Around the world, frustration with years of stagnant wages, the effect of technology on jobs, and uncertainty about the future have fueled popular anger, nationalism, and xenophobia. In response, some of the world's leading democracies have descended into wrenching political dysfunction, which has exacerbated, rather than quelled, this public frustration. Trust in multilateralism and official institutions is crumbling.

Unnerved by fundamental economic changes and the failure of government to provide lasting solutions, society is increasingly looking to companies, both public and private, to address pressing social and economic issues. These issues range from protecting the environment to retirement to gender and racial inequality, among others. Fueled in part by social media, public pressures on corporations build faster and reach further than ever before. In addition to these pressures, companies must navigate the complexities of a late-cycle financial environment — including increased volatility — which can create incentives to maximize short term returns at

the expense of long-term growth.

Purpose and Profit: An Inextricable Link

I wrote last year that every company needs a framework to navigate this difficult landscape, and that it must begin with a clear embodiment of your company's purpose in your business model and corporate strategy. Purpose is not a mere tagline or marketing campaign; it is a company's fundamental reason for being — what it does every day to create value for its stakeholders. Purpose is not the sole pursuit of profits but the animating force for achieving them.

Profits are in no way inconsistent with purpose — in fact, profits and purpose are inextricably linked. Profits are essential if a company is to effectively serve all of its stakeholders over time — not only shareholders, but also employees, customers, and communities. Similarly, when a company truly understands and expresses its purpose, it functions with the focus and strategic discipline that drive long-term profitability. Purpose unites management, employees, and communities. It drives ethical behavior and creates an essential check on actions that go against the best interests of stakeholders. Purpose guides culture, provides a framework for consistent decision-making, and, ultimately, helps sustain long-term financial returns for the shareholders of your company.

The World Needs Your Leadership

As a CEO myself, I feel first-hand the pressures companies face in today's polarized environment and the challenges of navigating them. Stakeholders are pushing companies to wade into sensitive social and political issues — especially as they see governments failing to do so effectively. As CEOs, we don't always get it right. And what is appropriate for one company may not be for another.

One thing, however, is certain: the world needs your leadership. As divisions continue to deepen, companies must demonstrate their commitment to

the countries, regions, and communities where they operate, particularly on issues central to the world's future prosperity. Companies cannot solve every issue of public importance, but there are many — from retirement to infrastructure to preparing workers for the jobs of the future — that cannot be solved without corporate leadership.

Retirement, in particular, is an area where companies must re-establish their traditional leadership role. For much of the 20 Century, it was an element of the social compact in many countries that employers had a responsibility to help workers navigate retirement. In some countries, particularly the United States, the shift to defined contribution plans changed the structure of that responsibility, leaving too many workers unprepared. And nearly all countries are confronting greater longevity and how to pay for it. This lack of preparedness for retirement is fueling enormous anxiety and fear, undermining productivity in the workplace and amplifying populism in the political sphere.

In response, companies must embrace a greater responsibility to help workers navigate retirement, lending their expertise and capacity for innovation to solve this immense global challenge. In doing so, companies will create not just a more stable and engaged workforce, but also a more economically secure population in the places where they operate.

A New Generation's Focus on Purpose

Companies that fulfill their purpose and responsibilities to stakeholders reap rewards over the long-term. Companies that ignore them stumble and fail. This dynamic is becoming increasingly apparent as the public holds companies to more exacting standards. And it will continue to accelerate as millennials — who today represent 35 percent of the workforce — express new expectations of the companies they work for, buy from, and invest in.

Attracting and retaining the best talent increasingly requires a clear

expression of purpose. With unemployment improving across the globe, workers, not just shareholders, can and will have a greater say in defining a company's purpose, priorities, and even the specifics of its business. Over the past year, we have seen some of the world's most skilled employees stage walkouts and participate in contentious town halls, expressing their perspective on the importance of corporate purpose. This phenomenon will only grow as millennials and even younger generations occupy increasingly senior positions in business. In a recent survey by Deloitte, millennial workers were asked what the primary purpose of businesses should be — 63 percent more of them said "improving society" than said "generating profit."

In the years to come, the sentiments of these generations will drive not only their decisions as employees but also as investors, with the world undergoing the largest transfer of wealth in history: \$24 trillion from baby boomers to millennials. As wealth shifts and investing preferences change, environmental, social, and governance issues will be increasingly material to corporate valuations.

Sincerely,

Larry Fink
Chairman and Chief Executive Officer
BlackRock Inc.

*The above is an extract from
Larry Fink's 2019 letter to CEO's published on his website:
<https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter>*

Asia Plateau Program Calendar

April 2019

- 8 to 11 Effective Living & Leadership Program for Industries
17 to 20 Heart of Effective Leadership Program for Industries
27 to May 1 Lead for Change

May 2019

- 2 to 5 Effective Living & Leadership Program for Families
15 to 18 Effective Living & Leadership Program for Industries
22 to 25 Heart of Effective Leadership Program for Industries

June 2019

- 12 to 15 Heart of Effective Leadership Program for Industries
19 to 22 Effective Living & Leadership Program for Industries

The design of the Effective Living and Leadership programs for industries is prepared for shop-floor workers; while that of the Heart of Ethical Leadership is for middle-level and senior managers. Lead for Change is for young professionals.

Programs mentioned above are subject to change.
For enquiries and confirmation, please write to programs@in.iofc.org
For more information, please visit www.in.iofc.org