EUROPE DELIVERS

Unlocking Europe's vibrant future — 5 jobs to be done

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XYNTEO

Europe is a powerhouse of innovation, enterprise and entrepreneurship. It is a beacon of citizenship and collaboration, in what seems like an increasingly fractious world.

And yet we face, like the rest of the world, a set of serious challenges – from the climate crisis and a social contract under stress, to uncertainty around employment and threats to our global competitiveness.

It's time to rise to these challenges. It's time to unlock a vibrant future for Europe, based on a new understanding, and practice, of economic growth.

With their technology, capital and talent, businesses need to play a leading role in this shift.

That's why the latest chapter in the Europe Delivers conversation has seen Xynteo speak with 27 business leaders of companies from across the continent.

What did we ask them?

What they felt European businesses could do to help build an inclusive, regenerative, competitive growth model.

Read on to find out what they said. And then get in touch with Xynteo to join the conversation.

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Europe Delivers is a programme run by Xynteo, which works with business leaders to transform themselves, their organisations and the systems in which they operate, in service of a future-fit growth model.

We help businesses form and run coalitions across industries and sectors to drive collaborative action on systemic challenges. We also work directly with leaders to design and deliver transformation within their businesses.

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Foreword: Europe can deliver

Osvald Bjelland is the founder and CEO of Xynteo, which runs Europe Delivers in partnership with the Europe Delivers advisory board.

Though our market-led growth model has delivered huge gains to humanity, it has become exclusionary, degenerative and dangerous. But it needn't be this way. From conversations with 27 CEOs, chairmen and other C-suite executives from European businesses, Xynteo has identified five 'jobs to be done' by business to enable progress towards an inclusive and regenerative growth model in Europe, while building competitiveness in an economic system undergoing deep change.

"Globalisation brought prosperity for billions of people but not for all people in all countries. The response shouldn't be to put up fences, but to make globalisation more inclusive."

— FEIKE SIJBESMA
CEO, DSM

IT'S TIME TO BREAK ANOTHER PARADIGM —

In 1610 a Pisa-born polymath peered through a homespun telescope to observe four moons in Jupiter's orbit. With this observation Galileo Galilei helped demolish the world view that our planet sat, fixed, at the absolute centre of the universe. The death of this idea – geocentrism – was bigger than itself: its destruction opened doors to new expanses of understanding about our cosmos and humanity's place within it.

Both before and after Galileo runs a long line of European paradigm-breakers – mavericks who helped not just Europe but the world let go of one defunct model and thus transition toward a new one. Today, 409 years after Galileo clocked the moons of Jupiter, 502 years after Martin Luther set out his heretical challenge to church authority, and 243 years after Adam Smith laid the cornerstone of global capitalism, we need another shift in world view: we need to reinvent our understanding, and practice, of economic growth.

A PROBLEM NOT OF MEANS, BUT OF LEADERSHIP —

It is clear that the current growth model is no longer working for us. Climatic crisis, rising inequality, social fracture – the list of 'exhibits' goes on. We need to find a completely new way of growing that is regenerative and inclusive, not degenerative, exploitative and exclusionary.

This economic paradigm-shift is not only necessary but absolutely possible in technical terms. We emerged from feudalism; we've been through an agricultural revolution and several industrial revolutions. We remain in the throes of a digital revolution that is profoundly changing the way we live, work and play. We have undergone transitions of this magnitude before, and we can do it again, leveraging our enormous stores of knowledge, capital and technology.

We face a problem not of practical means but of leadership – of will.

A huge share of this leadership burden falls on the shoulders of our political leaders. But given the disarray of politics today and that 69 of the world's 100 largest economic entities are businesses rather than countries, it follows that our CEOs and their organisations need to assume more of the leadership load.

FIVE JOBS TO BE DONE – INSPIRED BY CEOS —

To find out what European business leaders themselves felt about this challenge, Xynteo (as part of the Europe Delivers programme) spoke with 27 CEOs, chairmen and C-suite executives* from European companies with a combined market cap of over €2tn. Our main, and profoundly encouraging, takeaway was that these leaders accept as an almost foregone conclusion their responsibility to contribute actively to a new growth model – not least since they see this contribution as a core source of competitiveness and differentiation.

**from this point on, the group of leaders we spoke with will collectively be referred to as CEOs.*

> "Businesses have a responsibility to step up and help governments design and provide solutions, through sustained dialogue, public-private partnerships where relevant, or more innovative cooperation."
>
> — THOMAS BUBERL
> CEO, AXA

Delving into and across our conversations we identified not only a shared general impatience for practical progress but also considered views of specific jobs we as a society need to get done in order to overcome the challenges of today and unlock a new growth model, in Europe and the rest of the world.

Xynteo has selected five of these 'jobs to be done' and explores them further in the pages that follow, supplemented with quotes and case studies from our conversations with CEOs as well as selected results from a survey of more than a hundred additional businesses leaders from across Europe.

ANOTHER PHOENIX MOMENT FOR EUROPE —

A prominent theme in our conversations with these 27 CEOs was the wish for Europe, for lack of a better phrase, to "get its mojo back".

Europe's standing in the world is perhaps not what it was in the time of Galileo, Luther and Smith. Its challenges are formidable; some of them – the failure to collaborate to any satisfactory effect on immigration; the possibility of a Brexit-inspired domino effect; infighting over austerity; dangerous populist lapses in places – could be existential enough to choke off the whole EU project. Yet we in Xynteo (and more or less all the CEOs we spoke to) believe Europe has tremendous competitive advantages, strengths it should be drawing on to provide sorely needed leadership and focus in a cacophonous, distracted global arena.

The second largest economy in the world, Europe remains a potential powerhouse of ideas. Thirty-six of the world's 50 most innovative economies are in Europe – a position that owes itself, at least in part, to Europe's so-called 'diversity advantage'. Not only does Europe span 44 countries; its citizens typically live in countries where 15-25% of people come from somewhere else. Europe has what it takes to deliver.

A final word on Galileo: one of the four Galilean moons was christened Europa, after the princess kidnapped by Zeus from Phoenicia. 'Phoenicia' shares the same root as 'phoenix' – a symbol of repeated reinvention. Europe has reinvented itself many times. It can do so again, in so doing lending force to the broader transition in the world.

We in Xynteo and the wider Europe Delivers movement hope that this report helps business play its crucial part in that reinvention while setting itself up to thrive in a new commercial reality.

WHY 'JOBS TO BE DONE'? —

'Jobs to be Done' (JTBD) is an approach to innovation that treats customers and stakeholders not as buyers but as executors of jobs. According to this framework, popularised by Clayton Christensen from Harvard Business School, successful companies are those that, rather than focus narrowly on innovating their existing products, are best at helping customers solve functional and emotional problems.

Xynteo is riffing off the JTBD discipline because we want to underscore what we think is a necessary shift in business strategy: in order to maintain their licence to operate businesses need to demonstrate how they are helping societies solve problems rather than creating new ones.

Here is a teaser of the five jobs to be done.

1. **Move beyond shareholder primacy**
2. **Lead the consumer**
3. **Shape the future of work (don't wait for it)**
4. **Liberate data through trust**
5. **Reset the collaboration between business and government**

"Don't let the perfect be the enemy of the good", goes the saying. With these five jobs to be done, we don't pretend to have definitive answers. And we in Xynteo want to stress that the jobs explored in this report represent *our* takeaways from the CEO conversations. As such they are our words, and our words alone.

We do hope that, in the absence of the more fundamental changes that the economic system needs, they can serve as a stimulus for action that businesses from all sectors can take – now.

> "Let's build on our proud heritage as Europeans and not depress ourselves into the future."
>
> — ANTONIO MEXIA
> CEO, EDP

Your cheat sheet – five jobs to be done

Einstein said, "Everything should be made as simple as possible, but not simpler." How should we evolve the way our economies and businesses grow? This is a big and hairy question indeed.

The subjects that are tackled in this report are not easily condensed into one-pagers. So we haven't tried to do that, both to respect the complexity of these topics and to allow ourselves space to represent a much larger share of the subject matter covered in our fascinating CEO conversations.

Each of the jobs to be done is addressed in an essay, requiring about 15 minutes to read. We recommend that you don't try to read this report from front to back but rather pick an essay and read it.

All five essays follow the same three-part structure. First we frame the job with an exploration of a 'problem statement'. Then we articulate a vision of what success looks like, before outlining the 3-5 business actions that we synthesised from the CEO conversations. Throughout the report you'll find practical examples of how businesses, including the ones whose CEOs we spoke with, are addressing the challenges under discussion.

On this page you'll find a cheat sheet summarising all the problem statements, visions and business actions per job, along with page numbers so you can jump in where you please.

After you've had a chance to read and reflect we would love to hear from you at europedelivers@xynteo.com

#01 Move beyond shareholder primacy p. 16

Problem statement

A near exclusive prioritisation of maximising shareholder return is restricting businesses from driving inclusive, regenerative growth.

Vision

An evolution in how businesses create value, returning solid and reliable dividends to shareholders while benefitting society at large.

Business actions

1. Amplify proof that shareholder and society value can go hand in hand
2. Connect with the right investors
3. Mobilise the board
4. Reprogramme the company itself

#02 Lead the consumer p. 24

Problem statement

Our current consumption model is wasteful and degenerative by design.

Vision

A circular economy, based on intelligent abundance, where functional benefits are decoupled from ownership.

Business actions

1. Nudge intelligently
2. Take bad options off the table
3. Redesign business models for intelligent abundance

#03 Shape the future of work (don't wait for it) p. 32

Problem statement

Our approach to work is becoming obsolete, and we are not ready for AI, automation and widespread gig work.

Vision

A dynamic workforce delivering high productivity, sufficient income security and high human development.

Business actions

1. Let humans be human
2. Learn to learn – continuously
3. Invest in a shared workforce
4. Share responsibility for income security
5. Build a change-as-BAU work culture

#04 Liberate data through trust p. 40

Problem statement

Mistrust of the digital economy could hold us back from using data to drive both commercial and societal value.

Vision

A human-centered data economy that powers better businesses and better lives.

Business actions

1. Seize the early-mover GDPR advantage
2. Demonstrate data's vast societal benefits
3. Open up to unleash data's full value

#05 Reset the collaboration between business and government p. 48

Problem statement

We need the government-business partnership more than ever, but mistrust is undermining effective collaboration.

Vision

A revitalised partnership, rooted in mutual appreciation of respective value and collaborative competence.

Business actions

1. Create a new narrative built on mutual appreciation
2. Learn and practise collaborative competence
3. Work towards the highest common denominator

What is Europe Delivers?

Europe Delivers, powered by Xynteo, is a programme for mobilising business-led action to reinvent growth in Europe.

It has three aims: to inspire a new narrative on what growth should look like; to build a movement of leaders working actively towards this vision; and to catalyse practical impact through projects.

Europe Delivers started its work in 2017, when we kicked off by setting up an advisory board comprised of 11 European business and political leaders (see page 12 to find out more).

Together with our advisory board we selected our areas of focus: four Grand Challenges for Europe (see pages 14-15). We then met with a wide-ranging set of stakeholders in 'studios' held in European cities from Rome, Sofia and Vienna to Brussels and London to canvas their views, before supplementing the content we had gathered with a digital ethnographic study. Using AI we explored a one-month slice of online conversation about the Grand Challenges, to identify hotspots within each theme as well as how different European countries tended to feel about them.

In October 2018, Europe Delivers went live, at the Xynteo Exchange in Oslo. This was a proud moment – not only did we launch our first report; we also announced our first project – an initiative spearheaded by Scania to unleash the power of the bioeconomy in Europe.

Using our first report on the Grand Challenges as a thought starter, we zoomed in on a player with pivotal influence on the trajectory of Europe's growth: the CEOs of the continent's largest businesses. We sat down with 27 of them to ask which of the Grand Challenges they considered most pressing and what their businesses were doing to address them. We also asked them what action they felt was missing – and that's how we arrived at the 'jobs to be done' that form the basis of this, our second, report, entitled 'Unlocking a vibrant future for Europe – 5 jobs to be done'.

Our plan for 2020, after releasing this report at the Xynteo Exchange 2019, is to work with some of the CEOs featured in this report to engage a wider sphere of business leaders and stakeholders. This phase of engagement will be leveraged to identify and launch additional projects that move Europe's growth model forward. Your invitation to participate is on page 56.

Create a narrative to drive the growth we need in Europe

Mobilise a community of leaders to accelerate the transition

Develop and launch projects that advance future-fit growth

2020-2025 ACTION

Interviews with 27 CEOs, chairmen and other business leaders

Scania-led bioeconomy project picks up steam with Hamburg workshop

Report on the 'jobs to be done' is released at the Xynteo Exchange 2019

2019 ENGAGEMENT

The foundations of Europe Delivers are laid

Our studios series identifies four Grand Challenges for Europe

Europe Delivers goes live at the Xynteo Exchange 2018

Our first project, on the bioeconomy in Europe, launches – led by Scania

2017-2018 FOUNDATIONS

Who is in our community?

Europe Delivers is guided by an independent advisory board of 11 European business leaders and former political leaders. Together the advisory board and Xynteo are building a community comprising businesses, policymakers, entrepreneurs, academics and civil society organisations.

Carl Bildt
Former prime minister and foreign minister, Sweden

Osvald Bjelland
Chairman and CEO, Xynteo

Tarja Halonen
Former president of Finland

Connie Hedegaard
Former European commissioner for climate action

Henrik Henriksson
President and CEO, Scania

Jeremy Leggett
Founder and chair, Solarcentury

Henrik Madsen
Former CEO, DNV GL

Henri Proglio
Former CEO, EDF and Veolia

Wolfgang Schüssel
Former chancellor of Austria

Hans Vestberg
CEO, Verizon

Thorhild Widvey
Chair, Statkraft and former minister of petroleum and energy, Norway

POLICYMAKERS

CIVIL SOCIETY

ACADEMIA

The CEO conversations

In the first half of 2019, Xynteo sat down with 27 top business leaders from across the continent. Together the businesses they lead represent a combined market cap of over €2tn.

We supplemented these interviews with a telephone survey of 105 mid- to large-cap businesses. These leaders were: above director level but below board level, under the age of 50 and working in companies with more than 1,000 employees.

In the report you will find direct quotes from the CEOs and other senior business leaders we interviewed, as well as results from the telephone survey. All the publicly available sources Xynteo has drawn on are listed at the back of this report.

Otherwise, this report draws on Xynteo's decade of experience working with multinationals on their growth strategies.

Thank you
Xynteo would like to thank all the individuals we spoke with for giving up their precious time to provide such rich, fresh and diverse insight.

Mark Cutifani
CEO, Anglo American

Thomas Buberl
CEO, AXA

Lorenzo Simonelli
Chairman, president and CEO, BHGE

Bob Dudley
CEO, BP

Emmanuel Faber
Chairman and CEO, Danone

Jochen Thewes
CEO, DB Schenker

Feike Sijbesma
CEO, DSM

Simone Rossi
CEO, EDF Energy

Rui Teixeira
CEO, EDP Production

Francesco Starace
CEO, Enel

Topi Manner
CEO, Finnair

Hein Schumacher
CEO, FrieslandCampina

James Emmett
CEO, HSBC Bank Plc

Jesper Brodin
CEO, Ingka Group (IKEA Retail)

Maurits Tichelman
General manager EMEA, Intel

Michael Miebach
Chief product officer, Mastercard

Mark Schneider
CEO, Nestlé

Risto Siilasmaa
Chairman, Nokia

Casper von Koskull
Then president and CEO, Nordea

Svein Richard Brandtzæg
Then president and CEO, Norsk Hydro

Thomas Thune Andersen
Chairman, Ørsted A/S

Rickard Gustafson
CEO, SAS

Jean-Pascal Tricoire
Chairman and CEO, Schneider Electric

Harry Brekelmans
Project and technology director, Royal Dutch Shell

Dave Lewis
CEO, Tesco

Paul Polman
Former CEO, Unilever

Svein Tore Holsether
CEO, Yara International

Four Grand Challenges for Europe

"With its history, commitment and strong governance, Europe is in a unique position to lead at this pivotal time and Europe Delivers is a platform to show the creative collaboration so vital to this leadership."

— **HENRIK MADSEN**
FORMER CEO OF DNV GL AND MEMBER OF THE BOARD OF THE UN GLOBAL COMPACT

Europe enjoys some of the world's highest levels of well-being as well as a large share of its strongest economies. However, like the rest of the world, Europe is facing a potent mix of economic, political, social and environmental risk. Europe Delivers condensed these risks into four 'Grand Challenges', which comprise the main areas of focus for the programme and served as the starting point for the CEO conversations that inspired this report.

A green and resilient economy

How do we recalibrate the weighting between short-term economic growth and the long-term sustainability of our natural resources?

Europe has long been at the vanguard of action to protect the environment and tackle climate change both within its borders and globally. It is well-positioned to lead the world towards a radical new green economic model, and to harness the vast business opportunity of doing so.

A new social contract

How do we establish a new social contract between leaders and citizens fit for an inclusive, participative 21st century society?

In many European countries, the social contract – the written and unwritten rules and norms that govern our society and relationship between leaders and the people – is broken and needs repairing. Public trust in the institutions that uphold the social contract – government, business of all sizes, civil society organisations and the media – is alarmingly low.

The future of work

What will the future of work look like and how should the relationship between workers, the market and the state change amidst dramatic technological shifts?

The landscape of work in Europe and beyond is changing. Longstanding workplace structures and cultures are being disrupted by rapid and far-reaching technological innovation from artificial intelligence (AI) to digital transformation; the rise of the gig economy; flexible work; and the ideal of work as the expression of individual personal purpose and fulfilment.

A global Europe

How can Europe renew its leadership role on the global stage and build meaningful partnerships with the rest of the world?

Europe has an opportunity to step up and lead the world towards a new, more co-operative international order — characterised by a long-term, internationalist perspective; and guided by a belief that global prosperity can be enhanced to the benefit of all countries, companies and communities.

Job to be done #01
Move beyond shareholder primacy

The capitalist model has played a starring role in humanity's advances over the past few centuries. As capital-owners and risk-takers, shareholders have been prime movers in this success. But the model is no longer functioning as it should. Resetting it calls for deep change along many fronts, but there is one shift upon which all else depends: the repurposing of business to deliver value not only to shareholders but also to a wider set of stakeholders. While it is vital that shareholders continue to win a robust return, we need to move beyond narrow interpretations of shareholder primacy.

How can business leaders engage with their shareholders, boards and teams to deliver robust dividends while moving society closer to an inclusive, regenerative growth model?

PROBLEM STATEMENT:
A NEAR EXCLUSIVE PRIORITISATION OF MAXIMISING SHAREHOLDER RETURN IS RESTRICTING BUSINESSES FROM DRIVING INCLUSIVE, REGENERATIVE GROWTH —

Capitalism – an ingenious idea
A host of indicators tell the story of how the prevailing growth model – dominated by market-led capitalism – has elevated humanity. The number of children who live past their fifth birthdays; the number of people who receive both primary and secondary education; the total number of years people tend to live – in no small part because of the market, the world is a much better place than it was a century ago. As the late and much beloved Swedish professor and self-styled 'possibilist' Hans Rosling reminded us: "step-by-step, year-by-year, the world is improving."

At the root of capitalism is a family of ingenious ideas. First, the ability of capital to grow into more capital. This means, effectively, that the size of the pie can grow, providing sustenance, as it were, to ever large numbers of beneficiaries. Second, the ability to borrow money – reducing the barrier for a larger pool of entrepreneurs to start new ventures. Third, the ability to liberate investment by shielding shareholders from liability.

If we look at capitalism through the prism of the time in which it was born – for Europe a time of authoritarianism, tyranny, extreme class stratification, institutionalised maltreatment of the working classes, appalling public health – it makes sense; it is actually ingenious and elegant.

But as with any era – whether feudalism or the agricultural revolution, the reformation or the enlightenment, the age of exploration or the industrial revolution – there comes a time for transition. The world has changed and now it is time for a new era, a new paradigm better suited to the needs of humanity.

A story gone sad
Just as the historical record illustrates the gifts of the capitalist model, the present shows its costs with equal starkness. Right now, the cost that is weighing most heavily on our minds is the climate crisis, with the latest science warning that we have just over a decade to achieve what seems like an increasingly daunting ambition: activating, implementing and earning the effect of measures to restrict warming to less than two degrees.[1]

> "I ask myself what is the ultimate public good that my business has to deliver? And then the profit is a consequence, a temperature check."
>
> — **SIMONE ROSSI**
> CEO, EDF ENERGY

But our global economic system is actually pushing us over not just one but multiple planetary boundaries. According to the Stockholm Resilience Centre, we have also crossed the boundaries for biodiversity loss, nitrogen and phosphorus flows and land-system change.[2] And while professor Rosling was right to celebrate the remarkable fact that the number of people living in extreme poverty has halved over the past 20 years, income inequality within many countries is a sadder tale.

The equality of a society is tied to the size of its middle class. Around the world this segment is faring differently. In emerging markets like China and India, the middle class is growing (but, it has to be said, with much lower purchasing power than their counterparts in developed countries). In much of Europe and North America, however, the middle class is shrinking. While Europe's middle class still makes up 60% of its population (compared to 50% in the US), the downward slide is fuelling a breed of populism that we thought we had seen the back of.[3]

The world has changed and now it is time for a new era, a new paradigm better suited to the needs of humanity.

Paradoxically, the inequality generated by the system may be threatening a fundamental driver of the current growth model: the ability of ordinary people to consume. Today's version of capitalism may be cannibalising itself.

Off the bench and onto the pitch
Taking on the role of pragmatist, many leaders tend to voice caution about hasty transitions away from what we know, from 'what is working'. But the truth is: we are already in strange territory.

In the words of the FT's Martin Wolf: "something has gone very wrong." After dismantling the explanations that rising inequality can simply be blamed on the bogeymen of offshoring and immigration, and arguing that a fast-growing financial sector should be viewed not as a sign of coming economic plenty but of economic danger, he rounds off his 18 September 2019 article thus:

"We need a dynamic capitalist economy that gives everybody a justified belief that they can share in the benefits. What we increasingly seem to have instead is an unstable rentier capitalism, weakened competition, feeble productivity growth, high inequality and, not coincidentally, an increasingly degraded democracy. Fixing this is a challenge for us all, but especially for those who run the world's most important businesses. The way our economic and political systems work must change, or they will perish."

In the shift ahead of us, businesses will not be sitting on the bench watching a game played by regulators, government and public service providers; they will be on the pitch.

"If you have a structure of short-term ownership against you, you have to be incredibly skilful to contribute to leadership and change."

— **JESPER BRODIN**
CEO, INGKA GROUP (IKEA RETAIL)

"Alongside more sustainable growth, we need to create an economic system that is more inclusive. In our current system, we reward capital and not labour. The few people that are in the financial market have done very well; the few people in the stock market have also done very well. "

— **PAUL POLMAN**
FORMER CEO, UNILEVER

Suiting up
But is business set up to play this active leadership role, working in partnership with government and civil society?

On the one hand, yes. Sixty-nine of the world's largest economic entities are businesses.[4] They have the capital; they have the technology; they have the talent. And many are already stepping up.

On the other hand, if business is to deploy these formidable assets in service of a new growth model, it needs to start playing a longer, wider game – delivering value beyond quarters and to a larger number of people. And that calls for a rethink of one of the most deeply held principles in the practice of modern business: the idea that the primary purpose of a corporation is to maximise shareholder return.

The law might change, but will we?
Shareholders are to the market what rain is to a crop: they have played and continue to play a critical role in the success of the market capitalist model.

The idea that the only purpose of a corporation is to maximise shareholder return is a relatively recent concept. Its most powerful early champion was Milton Friedman, who wrote in 1970 that "the manager is the agent of the individuals who own the corporation" and that the manager's primary "responsibility is to conduct the business in accordance with the owners' desires".

Some experts in corporate governance and law are challenging the way in which Friedman's interpretation has been applied. In a 2017 article in Harvard Business Review, Harvard professors Joseph L. Bower and Lynn S. Paine argue that corporate governance has gone "astray". At the heart of their analysis is the legal difference between an "agent" (who is obliged to execute the orders issued by the principal) and a "fiduciary" (who makes discretionary decisions on behalf of a principal). "Legally, directors have a fiduciary duty to act in the best interests of the corporation, which is very different from simply doing the bidding of shareholders."[5]

Corporate habits around shareholder primacy still exert a powerful brake on CEOs who want to step out of the short-termism of the past.

So, goes this argument, directors – and, by extension, CEOs – legally have a mandate to move away from an exclusive focus on maximising shareholder return. In fact, according to this reading, fiduciary duty entails that directors take a wider view of the corporation's value creation, given the risks that issues like climate change and inequality pose to the company´s commercial health.

But while corporate law, it seems, isn't actually a straitjacket restricting the movement of companies towards environmentally sustainable, inclusive growth, the way it is practised does act as a brake.

If, say, management announces a departure from what the market considers core business, the share price could drop as shareholders flock to alternative stock offering superior short-term returns. A CEO may be able to defend a small drop in the share price, but a more enduring fall invites her or his removal by the board. At the very least the CEO's compensation package – assuming it is linked to share performance – is likely to shrink.

So even as legal opinion evolves its view of fiduciary duty to allow and even require that investment horizons expand, corporate habits around shareholder primacy still exert a powerful brake on CEOs who want to step out of the short-termism of the past.

VISION: AN EVOLUTION IN HOW BUSINESSES CREATE VALUE, RETURNING SOLID AND RELIABLE DIVIDENDS TO SHAREHOLDERS WHILE BENEFITTING SOCIETY AT LARGE —

Some businesses on this planet were born even before the combustion engine was invented. They owe this longevity to a truly remarkable capacity for reinvention, for transforming themselves in response to changes in the market and society at large. Shell may be a huge energy company today, but it started out as an antique shop in London that in the 1830s expanded to selling oriental seashells – a venture that would lead them half a century later into the import-export of oil.

It's time to evolve again, letting go of old ideas and adopting new ones. In the interests of society, businesses and their shareholders, we need now to embrace a longer, wider view of value creation than typically afforded by shareholder primacy.

How can businesses work to evolve the corporate governance model to create robust value for their shareholders as well as their employees, their customers, their suppliers and the communities in which they operate?

This represents a tremendous structural shift, but there is a lot that CEOs can do now to move in the right direction. Through Xynteo's conversations with CEOs, we identified four ideas to help get this job done.

Business action 1: amplify proof that shareholder and societal value can go hand in hand
On his first day in office as the CEO of Unilever (the only day, he would later say, he couldn't be fired), Paul Polman did make that difficult decision to go against the shareholder pressure for short-term returns when he abolished quarterly reports and earnings guidance and moved to a longer-term, multi-stakeholder model of value creation.

He matched these disruptive moves with bold commercial vision, pledging to double Unilever's revenue while halving its carbon footprint. In Polman's words: "I wanted to prove that what we were doing was not just good for society but ultimately also good for shareholders".

Following his abolition of quarterly reporting, Unilever's share price dove by 8%. But Polman wasn't fired by the board, and as the Sustainable Living Plan gathered traction and momentum over the following decade, the company delivered consistent, industry-outperforming top- and bottom-line growth as well as 300% shareholder return – in addition to a number of big wins against its sustainability goals.

Unilever is used repeatedly as a proof point for the case that sustainability and shareholder value can go hand in hand – and that CEOs have the power to lead their companies in a new direction. Today we need new proof points, in larger numbers, from all manner of industries. And when this proof materialises, we need to amplify it.

The good news is that there is a lot of good news:

- There is a strong correlation between sustainability performance and stock value.

"We have added social and environmental impact to our P&L. We have set-up an alliance...to standardise the current models in the market...What we need now is investors to steer more companies according to this broader P&L."

— **WOLFGANG WEBER**
VICE PRESIDENT OF COMMUNICATIONS AND GOVERNMENT RELATIONS FOR EUROPE/EMEA, BASF

Companies recognised for leadership in sustainability – such as French luxury good company Kering SA and mining company Umicore, both fixtures on rankings such as the one put out by Corporate Knights (CK) every year[6] – seem to significantly outperform the Dow Jones Industrial Average.[7] Finnish petroleum refiner Neste is a poster-child: a stalwart on the CK ranking since 2007, it has shown an outrageous 1700% jump in stock value since 2009. While the majority of Neste's business still remains in oil and gas refining, it now earns a quarter of its revenues from refining biofuels and is looking to increase this share to 50% by 2020.[8]

- A research study comparing ten years of data from companies on the Dow Jones Sustainability Index from 2005 to 2015 found that being on the index resulted in an increase in stocks held by long-term investors (and a 30% boost in attention from financial analysts).[9]
- A 2017 study by Nordea Equity Research reported that from 2012 to 2015, the companies with the highest Environmental, Social and Governance (ESG) ratings outperformed the lowest-rated firms on financial measures by as much as 40%.[10]
- In 2018 Merrill Lynch found that firms with a better ESG record than their peers produced higher three-year returns; were most likely to become high-quality stocks; were less likely to have large price declines; and were less likely to go bankrupt.[11]

These trends go against the conventional wisdom of the past decades that says that successful businesses are those that focus nearly exclusively on their shareholders. It's time to shine a much brighter light on the ESG winners.

Business action 2: connect with the right investors
A 2019 piece in Harvard Business Review by Robert Eccles and Svetlana Klimenko argues that we are in the midst of an "investor revolution". After interviewing 70 senior executives from over 40 global institutional investing firms, including asset managers, giant asset owners and major government pension funds, Eccles and Klimenko found that – contrary to the seemingly mainstream feeling that investors are not interested in sustainable dealflow – "ESG was almost universally top of mind."[12]

In 2006, 63 investment firms with $6.5tn in assets under management (AUM) signed up to the UN-backed Principles for Responsible Investment. In so doing they pledged to integrate ESG into their investment decisions. In 2018, the number of signatories had swelled to 1,715, representing $81.7tn in AUM.[14]

But have executives got the memo? A recent survey by Bank of America Merrill Lynch suggests that US executives dramatically underestimate the percentage of their companies' shares held by firms employing sustainable investing strategies. The executives estimated 5%, but the actual number was closer to 25%. In spite of European leadership in sustainable investing, it seems reasonable to assume this perception gap exists to some extent here too.[14]

Part of this disconnect may be attributable to the time it is taking for investor firms' strategic commitments

"We cannot hide behind a nice target saying we are going to have emissions-free aviation by 2040 or something like that. That's too far out. We need to build a plan – a trustworthy plan – towards grand goals. The path to get there needs to be tangible, and a lot of that needs to happen here and now."

— **RICKARD GUSTAFSON**
CEO, SAS

to ESG to trickle down to the teams of investors making the everyday calls. Nonetheless, it seems that many companies are simply struggling to connect with investors and shareholders that are in fact ready to put their money towards longer-term aims.

Some companies are finding that green bonds – where proceeds are earmarked for assets or projects that have positive environmental or social impacts, can open up relationships with new investors. The popularity of green bonds has soared over the past few years, with annual issuance skyrocketing from $11bn in 2013 to $167.3bn in 2018. Europe represents the largest regional market, ahead of North America and Asia-Pacific.[15]

Other companies are designing financial instruments that link sustainability performance directly to financial rewards. "We recently launched a revolving credit facility, where our financing costs are linked to our ability to reach our emission targets," explained Svein Tore Holsether, CEO of Yara International.

And in January 2019, 16 European companies (including three that Xynteo interviewed: EDF, EDP and Ørsted) joined forces to set up the Corporate Forum on Sustainable Finance, a network for exchanging views and developing "a broader set of financial market instruments under the umbrella of sustainable finance such as green and sustainable bonds and loans, credit facilities as well as other sustainable financing tools recognising the sustainability of their issuers' business model."[16]

While all this momentum suggests that business is finding a way to tap into the revolution in sustainability investment, there is an important knot waiting to be unravelled: the absence of an agreed standard for reporting on ESG performance.

Business action 3: mobilise the board
One of the CEOs Xynteo interviewed recounted how he had asked an audience of executives at Davos whether they thought climate action was important. All hands went up. He then followed up with a second question: "How many of you discuss the topic on a regular basis with your board?" This time, he said, only around 30% raised their hands.

Engaging boards is a precondition for extending value creation beyond the shareholder. Directors need to mediate between shorter-term expectations and longer-term prerogatives. It will take skill to navigate this line.

As Michael Miebach, chief product officer at Mastercard, put it: "It's hard to move from foregoing shareholder return for the next quarter, to investing in something that's going to make a big difference in five years' time."

He went on to highlight the value of giving boards direct experience of the business' frontline: "One of the things that makes a difference is actually taking your board out to the front lines, taking your board to see what customers are looking for, helping them understand the issues and dynamics of the ecosystem."

But while management can shape what the board sees and what it talks about, the board's ability to think and act differently will be constrained by the mindsets and world views of the directors themselves. One way of dislodging this groupthink is to shake up the board with more diversity.

But there may also be a limitation to this strategy too. Unless this diversity includes representation of the stakeholders that business is supposed to be serving, the board lacks 'skin in the game'. In 13 European countries – including France, Germany and the Nordic nations – worker representation on the board is a legal requirement for private companies above a certain size (with the threshold varying by country).[17] What can we learn from this experience? Should governments require that boards include representation of all core stakeholders, from workers to local communities?

Another model – one that does not depend on regulation – has been proposed by the partners at Wachtell, Lipton, Rosen & Katz. In a paper commissioned by the World Economic Forum in 2016, the legal practice sets out a new vision for corporate governance called the 'New Paradigm'.[18] Intended as a voluntary framework that companies can adjust to their own contexts, New Paradigm makes over 75 recommendations on how to evolve corporate governance, among them:

- Beyond the primary criteria of competence and integrity, board composition should focus on diversity, as "directors with diverse backgrounds and experiences strengthen board performance."
- Boards and management should work together to develop the company's purpose and long-term strategy, making sure it satisfies wider stakeholders, including employees, suppliers, customers and the community, as well as shareholders.
- The board should take an active role in communicating the company's long-term strategy to investors to establish mutual trust.
- Executive pay should be adjusted so that CEOs are incentivised for long-term performance, and incentives that drive short-term performance at the expense of long-term results should be avoided.

Business action 4: reprogramme the company itself
One of the many strengths of business is the ability to translate strategic ambition into minutely-planned frameworks to direct the corporation's assets, capital and people towards a common set of goals. So it follows that the drive to maximise shareholder returns is not just restricted to management and the board; it has been hard-wired into the DNA of the practice of business, permeating from the top to the front-line.

There are obvious and less obvious signs. On the more obvious side of the spectrum you have executive pay. With most CEOs' variable remuneration being tied to share price, it is perhaps not that surprising to see a rise in share buy-backs (though buy-backs in Europe remain relatively low at only 6% of cash usage, well behind the US where buy-backs hover between 25% and 30%).[19] But it follows that shareholder-centricity colours other aspects of the organisation as well, including how important junior staff believe it is to take into account or even listen to other non-client stakeholders. In Xynteo's experience, many middle managers often consider dialogue with societal stakeholders to be a poor use of time – and that's simply because, according to their performance metrics, it often is.

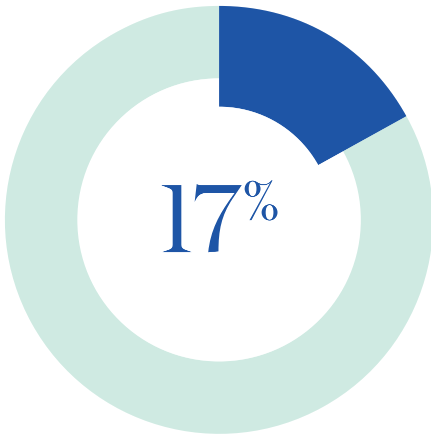
Though much is rightly being made of the increasing desire of the workforce to derive 'purpose' from work, it is also the case that the team can be a blocker for business model transformation.

In 2009, then CEO of Danish energy company Ørsted (formerly DONG Energy) announced a dramatic flip of its model from being 85% 'black' (powered by coal, oil and gas) and 15% green (powered by renewable sources) to the reverse ratio within a generation. By 2018, 75% of Ørsted's energy output was already green, and it was able to report record-breaking financial results, delivering $2.3bn in operating profit. The initial announcement of the new 85/15-strategy met with scepticism from staff who felt uncomfortable moving from what they knew – the harnessing of coal, oil and gas for power – but Ørsted has gone even further, now setting its sights on a target of 99% green energy generation by 2025.[20]

This just shows how critical it is to invest in building the team's trust in the transition. During any transformation the wider team will search for practical proof that the change is in earnest. Adjusting performance metrics and incentives to reflect sustainability commitments is a must. This can include tying incentives to progress against sustainability goals. "I have half of my variable income linked to how we perform on non-financial value creating targets," said Feike Sijbesma, CEO of DSM.

Of our 105 survey respondents, 70% agreed that employees in their businesses are increasingly prizing purpose and fulfilment in their work – above other factors such as financial compensation.

Even with an overhaul of performance metrics, it is not a given that the team has the capabilities required to deliver a new kind of value that benefits shareholders as well as society at large. It is one thing to manage performance on cost, time and quality within a tightly bounded sphere and minimal distraction. It is quite another to balance the interests of multiple stakeholders across a dynamic system, or to learn how to collaborate with partners governed by different and even conflicting cultures and incentives. This shift may in fact require a lot of unlearning.



Of our 105 survey respondents, **17%** said their businesses had linked pay and environmental targets. **70%** agreed that employees in their business are increasingly prizing purpose and self-fulfilment in their work – above other factors such as financial compensation.

The last decade has seen a welcome rise in businesses setting ambitious, long-term commitments that demonstrate intent to deliver value beyond shareholder return. Notable examples include Schneider Electric's commitment to carbon neutrality by 2030 and IKEA's commitment to a positive impact on people and planet by 2030.

Commitments of this order do carry real weight in and of themselves in that they serve to normalise a new kind of corporate behaviour. That said, these sorts of goals can be vulnerable to the charge that long-term commitments are all too easy when the CEO knows that he or she won't need to own the result: the median tenure of a FTSE 350 CEO is now only 4.5 years.[21]

While producing this report, four of the CEOs we spoke with announced their departures from their businesses. If we are to expect more leadership from CEOs in taking the longer-term decisions that society so patently needs, it follows they need more time to deliver.

Job to be done #01
Move beyond shareholder primacy

PROBLEM STATEMENT

A near exclusive prioritisation of maximising shareholder return is restricting businesses from driving inclusive, regenerative growth.

VISION

An evolution in how businesses create value, returning solid and reliable dividends to shareholders while benefitting society at large.

BUSINESS ACTIONS

1. Amplify proof that shareholder and society value can go hand in hand
2. Connect with the right investors
2. Mobilise the board
3. Reprogramme the company itself

A FINAL THOUGHT —

It is estimated that the UN sustainable development goals represent a $12tn market opportunity.[22] There is upside here, for both shareholders and humanity. But capturing this value calls for a revolution not just in our business practices, but also in our minds. As Francesco Starace, the CEO of Enel, told us:

"The constraint of not growing at the expense of future generations is a stimulus for a different way of thinking. We discovered we can still have growth, and this growth is actually much larger and more diversified than we expected."

We need to think completely differently, unlearning the things that brought us success in the past. As Abraham Lincoln said:

"The dogmas of the quiet past are inadequate to the stormy present. The occasion is piled high with difficulty and we must rise with the occasion. As our case is new, we must think anew and act anew."

Job to be done #02
Lead the consumer

> "What would our customers expect us to do if they knew what we know? We can't just rely on customers to ask us for healthier, sustainable alternatives."
>
> — **DAVE LEWIS**
> CEO, TESCO

European consumption patterns are unsustainable – and consumers increasingly know it. While meeting our needs and wants, our consumption is propelling a whole host of negative impacts: climate change, plastic waste, resource scarcity and social injustice to name but a few. Rising consumer awareness, however, does not mean businesses can delegate responsibility and rely on their customers to lead the change. While consumers can make choices within what's available, a systems change away from the linear 'take-make-waste' model to a circular economy is only possible if businesses take charge.

How can businesses show more decisive leadership in the transition to a circular economy, both by actively shaping sustainable consumer behaviour and by redesigning business models and value chains?

PROBLEM STATEMENT: OUR CURRENT CONSUMPTION MODEL IS WASTEFUL AND DEGENERATIVE BY DESIGN —

The Age of the Anthropocene

The success of our GDP-led driven economies depends on the conversion of natural capital into stuff as quickly and as cheaply as possible. While the increase in consumption in Europe since the second world war has accompanied a steady rise in living standards, it has put society in a bind that is getting tighter and tighter: we are now, it seems, locked on a course that is seeing us crash through a series of planetary boundaries.

Globally, we have cut down nearly half the world's forests, destroying 17% of the Amazonian rainforest over the past 50 years. About half of the planet's habitable spaces have been converted into farmland; three-quarters of which is used to rear livestock. Wild animals have been all but squeezed off the planet – only 4% of mammals are not cows, pigs, horses, chickens, dogs, goats, sheep or humans. We have seriously compromised our freshwater resources, polluting the majority of Latin American, African and Asian rivers. Air pollution is rampant: nine out of ten people around the world breathe highly polluted air, precipitating 7 million deaths every year.[1] And we have seriously destabilised our global climate system – which governs our ability to extract any value whatsoever from our natural environment.

As Europeans, we play a disproportionate part in this destruction: if every person on the planet consumed roughly the same amount as each of us Europeans do, we would need almost three planets.[2]

This is what is called the Age of the Anthropocene – the epoch in which humans have the dubious distinction of having gone from living as one of many species within the earth's intricate ecosystem to a bona fide force of nature capable of changing our planetary trajectory. But it doesn't have to be this way.

With great knowledge comes great power?

Over 20 years ago, researcher and sailor Charles Moore discovered what became known as the Great Pacific Garbage Patch, a 1.6 million square kilometre tract of ocean filled with an estimated 1.8 trillion pieces of plastic – a portion of the mind-boggling mass of plastic (somewhere between 4.8 to 12.7 million tonnes) entering the oceans annually.[3] So, by the time Sir David Attenborough's Blue Planet II aired in 2017, showing the pathos-igniting image of dolphins playing with plastic bags, the problem was not at all new.

It may have taken a long time for the public outcry to be unleashed, but when it was, it felt like a tipping point had been reached: a convergence of consumer knowledge, effective political campaigning, community champions, celebrity reach and the availability of alternatives.

One lesson from the plastics case is that consumer shifts often depend on multiple factors; another is on the limits of knowledge. While information is a critical starting point, it's not sufficient on its own. In one of many surveys on this subject, 65% of respondents said they wanted to buy purpose-driven brands that advocate sustainability; however, only about 26% acted on these stated convictions.[4] That is because the act of purchasing is, in large part, a highly emotional decision.

In fact, it might not even be a conscious decision at all – it is thought that 40-45% of the 'decisions' we make every day are habit-driven – which means a large share of our purchases will be, too.[5]

> “Nearly 90% of people are willing to change their behaviour to fight climate change but only 3% of them know how, so there’s a gap there that we can fill.”
>
> — **JESPER BRODIN**
> CEO, INGKA GROUP (IKEA RETAIL)

> “Even if something would still be permitted by regulators going forward, the younger, better-educated, more-informed part of the population will be turning their back on your products if they are perceived to not be sustainable.”
>
> — **MARC SCHNEIDER**
> CEO, NESTLÉ

Wasteful by design

The irrationality of consumers is not lost on businesses, which expend good money and energy on engineering our purchasing decisions, an endeavour that began back in the 1950s.[6] Marketing taps into our neurochemistry – in particular the dopamine-fuelled rush we experience when (or, to be more precise, just before) we make a purchase – in order to ensure that consumption feels good.

The last decade has seen a surge in the application of behavioural insights, with many businesses establishing dedicated units that focus on using experimentation and data collection to shape our choices.[7] The recent rise in these corporate ‘nudge units’ is facilitated by the exponential growth of consumer data (see JTBD#03 on page 32). The dilemma is that this intimate knowledge of our decision-making is most often being used to make us consume more – at a time when we need (especially in developed countries) to be consuming fewer resources.

55% of Europe’s economy is dependent on consumer spending.[8] While not all this spending is on ‘stuff’, our growth model’s reliance on consumption, coupled with the linearity of our industrial system, means that consumers are driven to buy a lot and waste a lot – and then buy more again. Many consumer products – from washing machines to mobile phones to clothes – are built to obsolesce either physically (i.e. they stop working artificially early) or psychologically (i.e. they go out of style with high rapidity) because corporate design and marketing teams are incentivised to maximise sales. Cultural norms make material possessions an indicator of social status, an association fuelled by television and social media.

The dilemma is that this intimate knowledge of our decision-making is most often being used to make us consume more – at a time when we need (especially in developed countries) to be consuming fewer resources.

Powerful consumers, even more powerful businesses

Of our survey respondents, 41% recognised consumers as ‘very influential’ in driving environmental performance in their business. Both current consumer pressure and expected demands from future consumers are shaping company behaviour, pushing them both to make changes to supply chains and to change their offerings.

The rise of the conscious consumer – especially the millennial – was very much on the minds of the CEOs we spoke with. And they are not alone. According to a recent Deloitte survey, 42% of millennials began or deepened their relationship with a business because of its perceived positive impact on society and/or the environment, while 37% ended or lessened their relationship because of the company’s perceived unethical behaviour. “Even if something would still be permitted by the regulator going forward, the younger, better-educated, more-informed part of the population will be turning their back on your products if they are perceived to not be sustainable,” said Mark Schneider, CEO of Nestlé.

In response to the public’s rejection of plastic, a growing group of businesses are committing to going plastic-free – and at speed. In 2018 IKEA announced it would, by January 2020, remove all single-use plastic products from its home furnishing range, as well as from its restaurants, bistros and cafes.[9] And as part of the New Plastics Economy Global Commitment, which launched in 2018, 123 companies (including Nestlé, whose CEO we spoke with) have pledged that by 2025 they will eliminate all plastic deemed to be unnecessary and innovate so that any necessary plastics are designed for reuse, recycling or composting.[10]

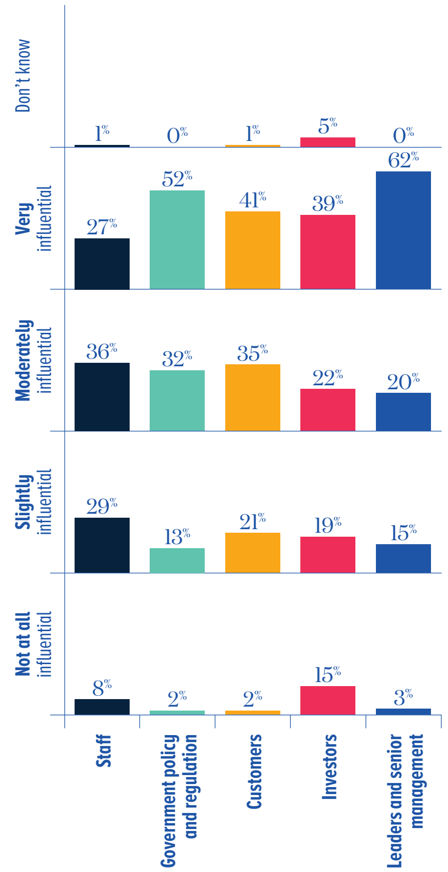
While robust responses to existing and nascent consumer preferences are vital, reactive approaches can mean either focusing on the wrong part of the problem or tinkering at the edges of a fundamentally flawed model. For example, over the last few years we’ve seen consumer pressure in Europe and elsewhere for companies to ban plastic straws. But plastic straws account for just 0.03% of total plastic waste[11] – it’s fishing nets and microplastics from clothes that make up the bulk of the plastics in our oceans.

Another pitfall to avoid is what Alan Jope, Unilever’s new CEO, has called ‘woke-washing’, where companies seek to capture conscious consumers through marketing campaigns that speak to environmental and social goals without actually advancing them. In June 2019 Jope said:

“Purpose is one of the most exciting opportunities I’ve seen for this industry in my 35 years of marketing…However, purposeful marketing is at an important crossroads. Woke-washing is beginning to infect our industry…There are too many examples of brands undermining purposeful marketing by launching campaigns which aren’t backing up what their brand says with what their brand does.”

Moving to a new form of consumption that meets human needs, supports healthy economies and stays within our planetary realities is a task that requires but exceeds consumer influence – this is a challenge that demands truly astute, credible and trustworthy systems leadership from business.

Responses to the survey question: how influential are these groups in driving environmental performance in your business?



VISION: A CIRCULAR ECONOMY, BASED ON INTELLIGENT ABUNDANCE, WHERE FUNCTIONAL BENEFITS ARE DECOUPLED FROM OWNERSHIP —

Current rates of consumption and waste are untenable, not least as population growth and rising income levels augment the purchasing power of the large emerging-market middle classes. Our resource use is already overshooting planetary boundaries, and we are running fast. The OECD's projection that by 2060 we will need double our resource base to sustain current consumption levels already takes into account efficiency improvements and technological progress. No more tweaking around the edges of a linear 'take-make-waste' model; we need a radical, far-reaching and urgent overhaul.

As beneficiaries of the current consumption model and a powerful driver of consumer decisions, business needs to take a front-seat role in this shift. The commercial benefits are sizeable, not least as millennials make up an ever larger share of the consumer base. How can business leverage its influence over consumers, the shape of its value chains and the design of its products to orchestrate a shift to a circular model of consumption?

From our conversations with CEOs we heard three areas of action to help get this job done:

Business action 1: nudge intelligently
Businesses can influence consumers towards products and services by shaping how a choice is presented, nudging them to make desirable decisions.

Recognising the potential to apply nudges explicitly for sustainability, Europe's Brand Association AIM launched a 'Nudging for Good' initiative in 2015, which promotes nudging towards more sustainable or healthier choices among their member companies – including huge consumer brands such as Danone, Nestlé and Unilever – while helping them learn from each other's experiences.[12] Nudging, and behavioural insights more widely, seem to be establishing themselves on the sustainable consumption map.

No more tweaking around the edges of a linear 'take-make-waste' model; we need a radical, far-reaching and urgent overhaul.

UK retail giant Tesco is hard at work putting nudging for good into practice. In partnership with Oxford University, Tesco has used data from its 16 million Clubcard customers to measure the impact of small nudges on the health of the basket that people are buying. This exercise will now be extended to analyse the effects of nudges to reduce the environmental impacts of Tesco customers. "What would our customers expect us to do if they knew what we know? We can't just rely on customers to ask us for healthier, sustainable alternatives," said Dave Lewis, CEO of Tesco. "It's our role to provide customers with more sustainable options that are simple and easy, and that are not more expensive or require spending more time."

Michael Miebach, chief product officer at Mastercard, told us about the global payments company's partnership with the fintech company Doconomy.[13] They have developed a mobile banking service that enables users to track their carbon footprints – and then asks them if they want to offset their consumption via UN-certified projects. Users are also offered investments in funds with a positive social or environmental impact. The partners also launched the 'DO card', a credit card that shuts down when purchases hit a carbon limit. This innovation illustrates how consumer-facing information can be combined with tools for activating sustainable choices.

While nudging is a powerful lever for moving towards circularity, it is to be used with care in an age marked by eroded trust in business. Just as there are good nudges, there are also 'dark nudges' (think of that free monthly trial you signed up for that seemed like a great deal, but then had you paying for a product or service for months because cancelling it was so difficult).

Nobel prize-winning behavioural economist Richard Thaler offers three principles for nudging: nudges should be transparent, opting out should be easy, and the consumer being nudged should experience increased welfare as a result.[14] When considering a nudge, companies should consider this simple litmus test: if the customer knew about the nudge, would she or he feel empowered or cheated?[15]

Business action 2: take bad choices off the table
Some businesses simply remove unsustainable choices altogether, in a practice sometimes known as 'choice editing'. For example, 40 of Danone's brands are now what it calls 'Manifesto Brands' – brands that improve the health of people and protect the planet. The aim is to move all the company's brands into

> "We must create transparency at consumer level, that is science-based and understandable, so that we can drive spending behaviour towards the right products."
>
> — SVEIN TORE HOLSETHER
> CEO, YARA INTERNATIONAL

this category: sales of Manifesto Brands are currently growing faster than its other brands, and ten of them accounted for 20% of 2018 sales.[16] And Tesco, under its 'Remove, Reduce, Reuse and Recycle' plan, has pledged to ban any brands that use excessive packaging from its stores.[17]

Large companies like these have the power to exert significant change in their supply chains, both within and outside of consumer facing industries. "I'm personally pushing our suppliers' CEOs to be more ambitious in their environmental performance where I consider the global regulations to be inadequate," said Jochen Thewes, CEO of logistics firm DB Schenker. Acting collectively would be still more powerful. "Why are the 3-5 biggest players in our industry not coming together to put out a communication as a group?" asked Jochen Thewes. "Anti-trust regulations are a bit tricky, but there are still possibilities to do something stronger as an industry."

An industry could also come together to set collective targets for minimum sustainability performance and then leave it up to each company to decide how it mobilises its supply chain. For example, through the Consumer Goods Forum, 400 companies pledged in 2010 to achieve zero net deforestation in their supply chains by 2020. As we near this deadline, the Consumer Goods Forum admits that many of the signatories will fail to meet the target because they lacked follow-through.[18]

The good news is this: if we designed 'take-make-waste' into our consumption model, surely we can design it out.

Business action 3: redesign business models for intelligent abundance
Neither nudging nor choice editing is on its own sufficient to make our consumption sustainable. We need to restructure the industrial systems that underpin production and consumption.

The good news is this: if we designed 'take-make-waste' into our consumption model, surely we can design it out. Inspired by living systems, the circular economy (a concept that first emerged a few decades ago) proposes that we abandon our linear industrial model and replace it with one that emulates the flows of nature. Doing so, goes this thinking, would empower us to free up resources that are currently being lost to poor organisation and badly designed systems, all while living within planetary means – a balance that could be called 'intelligent abundance'.

Circularity would design out waste and pollution and keep products and materials in use rather than disposing them to landfill. And all the energy for the transport, movement, and heating and cooling required to keep the system ticking over would come from renewable sources.

In a circular economy, goods would be designed to be reused, remanufactured and recycled. Service-based business models would enable consumers to derive value from the function of goods without having to own them, meaning we could theoretically have fewer goods per capita. Businesses would, moreover, be incentivised to preserve rather than curtail the useful lives of their products – and by extension the natural resources used to create them.

Just as waste from one organism is used by another in nature, the circular economy would see businesses reorganising their value chains in order to harvest each other's waste products as valuable inputs into their own production processes. Surely this is capitalism as it should have been, as Adam Smith would have wanted it: hyper-efficient, hyper-prudent and hyper-focused on delivering actual value?

The shift to circularity makes not just social and environmental sense; it represents serious economic value. It could add €900bn to Europe's GDP by 2030 and increase household income by €3,000 a year, while halving CO_2 emissions compared with 2015 levels.[19]

Technological advances are enabling companies to take practical steps towards seizing this opportunity:

- Nokia has institutionalised remanufacturing in its supply chain, so that used products are returned to the original manufacturer, allowing components and materials to be used again to produce new products.[20]
- Since 2008, Intel has recycled 75% of waste generated in its operations, through upcycling, recycling, recovery and reuse of materials. For example, a copper recovery process at its semiconductor and microprocessor manufacturing sites makes it possible for copper that was previously waste to re-enter the company's metals supply chain instead.[21]
- DSM, whose mission is 'enabling a circular world', announced in September 2019 that it had designed the first lightweight, 3D-printed pedestrian bridge prototype, in collaboration with Royal HaskoningDHV and CEAD. Not only does the innovation use recycled materials; by using sensors in design, a digital twin of the bridge is built in order to predict and optimise maintenance before construction – knowledge which is converted into a longer lifespan for the real bridge.[22]

As critical as technology is to circularity, so too is the development of new business models in which consumption is decoupled from ownership – this applies especially to durable consumer goods. In a services-led model consumers still derive the functional benefit of the product, but since the companies retain ownership, they are incentivised to maximise the life of the asset, designing the products to last longer and to be reused and recycled.

As critical as technology is to circularity, so too is the development of new business models in which consumption is decoupled from ownership

As part of its ambition to become climate-, forest- and water-positive, IKEA is moving partially from a products-led business model to a circular, services-led one. In IKEA's case, this means leasing furniture as well as selling it.[23] IKEA will design all new products using circular design principles – meaning they will be intentionally designed to be repurposed, repaired, reused, resold, and recycled. By 2030, all IKEA products and packing materials are planned to be based on renewable and/or recycled materials, with virgin fossil plastic removed from products.[24]

The transition to circular business models depends, moreover, on a revamp of the underlying organisation itself. Performance indicators would no longer be able to rely on sales volume as a measure of success; new investors with sustainability mandates may need to be identified and won over (see JTBD#01 on page 16). And given that circularity depends on efficient interfaces with other value chains, team capabilities would require an update – for instance, a shift from competition within silos to

collaboration across systems with a range of partners including businesses from other industries, start-ups, academia, research institutions and governments at all levels.

A host of businesses are on the pitch, forging the collaborations needed to drive circularity:

- Tesco has called on the UK government to introduce a national recycling infrastructure and offered to help build a closed loop for all packaging in the UK, including setting aside space in their car parks for recycling and collection of materials that are not currently recycled by local authorities. in August 2019, Dave Lewis, CEO of Tesco, publicly announced that the invitation still stands and "the need for action has never been more pressing. If we don't work together, we will miss the opportunity to tackle one of the biggest challenges facing us."[25]
- Yara announced a circular economy partnership with waste company Veolia in early 2019 to create a circular food system. The collaboration combines Yara's fertiliser production expertise with Veolia's access to recovered nutrients. By 2024, the companies aim to offer new fertiliser products and nutrient recovery installations in several major European cities.[26] In June, Yara and Veolia, alongside the likes of Danone and Nestlé, both joined a bigger circular food initiative launched by the Ellen MacArthur Foundation.[27]
- Nestlé Waters and Danone (the world's two largest bottled water companies) have joined forces with start-up Origin Materials to develop 100% bio-based bottles that are fully renewable. PepsiCo has since joined the initiative, called the NaturALL Bottle Alliance. Origin Materials has already achieved 80% bio-based bottles in its most recent pilot plant. Nestlé, Danone and PepsiCo aim to move the technology from pilot to commercial scale, with the aim to producing at least 75% bio-based plastic bottles at commercial scale by 2020 and reaching 95% by 2022.[28]

“Saying it's the customer that decides is making it too easy for ourselves. While you can't force the customer, you can make them aware and engage.”

— JOCHEN THEWES
CEO, DB SCHENKER

These are encouraging signs that businesses see the commercial logic of the circular economy; now it's a question of scale.

Job to be done #02
Lead the consumer

PROBLEM STATEMENT

Our current consumption model is wasteful and degenerative by design.

VISION

A circular economy, based on intelligent abundance, where functional benefits are decoupled from ownership.

BUSINESS ACTIONS

1. Nudge intelligently
2. Take bad options off the table
3. Redesign business models for intelligent abundance

A FINAL THOUGHT —

'Flygskam' – which translates literally as 'flight shame' – entered popular discourse in Sweden in 2018. And it is striking how rapidly the feeling of guilt by climate-conscious consumers is creeping into the numbers: the Swedish airline industry has seen a 3% drop in domestic flights since 2018, and many expect this is the just the beginning.[29]

While reducing emissions from aviation is absolutely necessary, that word – shame – is among the sharpest and the hardest we have. It's also a difficult term to wield – more often than not, it backfires.

In contrast, with the circular economy we have the opportunity to credibly deploy a quite different narrative – one of abundance. Because underpinning the concept of circularity is the realisation that, if we really stretch to hit the root-cause, the world's ills stem less from finite limits and more from really bad organisation, poor prioritisation and short-sighted choices.

This is good news: because if we rise to the challenge, we can choose another way. The game is not up. It could be that the changes are profound; or perhaps we'll be surprised, once again, by the ease of our adjustment. But no matter what, it is clear that circularity offers us the hope of better lives and healthy businesses.

And as Nelson Mandela said:

"May your choices reflect your hopes, not your fears."

Job to be done #03
Shape the future of work (don't wait for it)

The future of work is alternately light or dark, depending on who you listen to. Headlines tend to paint a bleak picture, with automation and AI plunging us into mass unemployment and strife. And then there are the technology optimists who extol the efficiency-driving potential of machine labour while giving scant thought to the possibility of joblessness. Somewhere between these two polarities is a possible sweet spot – where there is balance between efficiency of economic throughput and sufficiency of meaningful work. But finding this balance demands that we act with foresight.

How can business unlock higher productivity and new value by combining human and machine labour in a new employment model anchored in sufficient labour protection and ever higher levels of human development?

PROBLEM STATEMENT: OUR APPROACH TO WORK IS BECOMING OBSOLETE, AND WE ARE NOT READY FOR AI, AUTOMATION AND WIDESPREAD GIG WORK —

The human factor

With income inequality worsening in more or less all world regions over the past few decades, and the middle classes in advanced industrialised countries especially squeezed, it is not surprising that the question on people's minds is: will the machines take our jobs too?

Study after study has endeavoured to put a number on the degree of potential disruption. McKinsey estimates that we could already automate as much as 50% of current workforce activities using existing technologies.[1] When these numbers make the headlines, it can create the impression that mass unemployment is a mathematical certainty. This is a hasty conclusion.

First off, the share of technically automatable jobs is very different from the actual number of automatable jobs – how many jobs are automated in practice depends on a range of factors beyond technical feasibility, including cost, regulation and social acceptance.

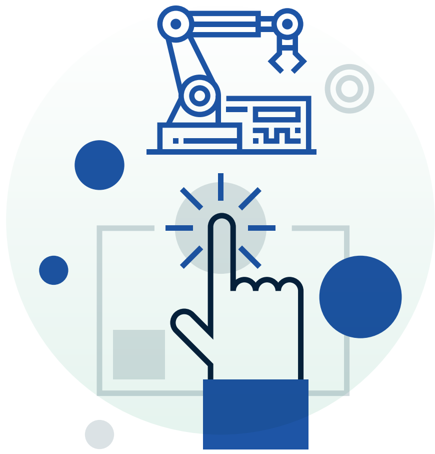
Secondly, while 50% of tasks could be automated using the technologies of today, only 10% of those jobs are automatable at a level above 90%.[2] That is, the lion's share of these jobs will still require a human alongside the machines.

Business leaders recognise the value of the human-machine collaboration over straight-up substitution of human labour: a Harvard Business Review study of 1,500 companies suggests that using automation to complement human skills, rather than cutting headcount, wins the largest performance improvements.[3]

"The human factor will remain crucial, particularly around strategy, design, customer engagement and the development of future talent," said Jochen Thewes, CEO of DB Schenker. An exciting partnership between the logistics firm and Swedish start-up Einride to pilot driverless electric delivery trucks on public roads in Sweden illustrates this

"If anything, we are probably underestimating the amount of new jobs that will be created by technology."

— TOPI MANNER
CEO, FINNAIR



'human factor': an operator will supervise up to ten vehicles at a time.

And yet some apprehension is warranted. Automation and AI could worsen pressure on the middle classes, as it's the middle-skill tasks, such as admin, production and sales, that are expected to be more affected than low-skill tasks (e.g. services and construction) or high-skill tasks (e.g. management).

And if the middle class finds itself unemployable, while capital owners capture the productivity gains of the new technologies, social unrest could pick up. "If you don't fix the future of work, the social contract issue is going to be dramatic," warned Michael Miebach, chief product officer at Mastercard.

Destruction or creation? That depends on us

Apprehension over new technology is nothing new. During the industrial revolution English workers smashed textile machinery in a bid to counter the perceived threat to their jobs. And it turns out that the Luddites, as they were called, were both right and wrong. In the short term this new tech did exacerbate inequality, pushing workers into lower-paid jobs. But over time, the technology unlocked productivity, higher wages and job creation. Indeed, in 2018, AI created three times as many American jobs as it destroyed.[4]

Fast-forward two centuries and we could be on the edge of a similar lag – the interval (known as Engel's delay) separating technological roll-out and its translation into productivity. But this time around, argues Carl Frey, a Swedish economist and co-author of The Technology Trap, we have the benefit of knowing what's likely to be ahead of us. We can therefore 'look around the corner' to manage a better transition.

Instead of waiting to see what happens, business and government can pre-emptively safeguard the societal and economic benefits of automation by minimising the impact for those who lose out, through instruments such as wage insurance; compensation for workers who have to move to a lower salary; and relocation support to make it easier to move to cities where jobs are being created.

We don't have to wait for the future of work. We can actually shape it. But this will require unprecedented, far-sighted leadership, from both government and business.

"The human factor will remain crucial, particularly around strategy, design, customer engagement and the development of future talent."

— JOCHEN THEWES
CEO, DB SCHENKER

> “Technology will create other capabilities and needs that require human interaction”
>
> — **RICKARD GUSTAFSON**
> CEO, SAS

> “If we don’t fix the future of work, the social contract issue is going to be dramatic.”
>
> — **MICHAEL MIEBACH**
> CHIEF PRODUCT OFFICER, MASTERCARD

Time for a brave new world of work

So what we are facing is not necessarily a cull in the total number of jobs, but a mismatch between the capabilities of the current workforce and the kind of human labour required to steer an AI-driven economy. Someone who has lost their job as a tax accountant cannot immediately walk into a job as a programmer.

Business widely recognises the delta in skills and, if our survey is any indication, shows a willingness to shoulder its share of the responsibility for closing it: 84% of the leaders who took part agreed that business, rather than governments, will have to take the lead in reskilling workers for the demands of the new world of work.

We need also to radically rethink the capabilities people will need to have in order to collaborate with machines to good effect.

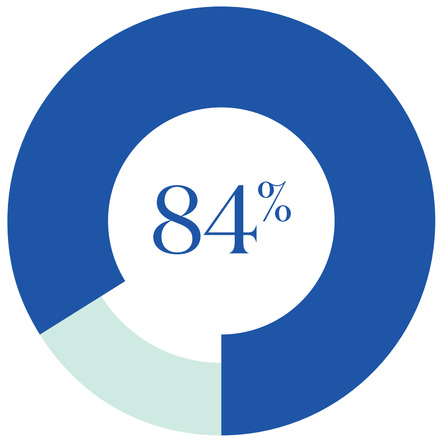
This could signal a pivotal shift in the employment model. Historically, workers would normally choose one vocation as young adults, get educated once to perform the tasks required by that vocation, and then stay in that vocation (or close to it) for the rest of their lives. Furthermore, the work done has typically been governed by an exclusive contract with one employer at any one time, with the employer absorbing the risk of the market on behalf of the worker in exchange for stability of income and other benefits.

This model is evolving, driven by intersecting factors – among them a push by businesses for greater agility and lower costs, some workers seeking more flexibility and enabling technology. In a recent survey by EY, one in two organisations said that they had increased their use of so-called ‘gig workers’ in the last five years. Two in five expect to use more gig workers by 2020. And one in three employers of companies with 100,000 employees or more expect to see 30% of their labour force come from contingent workers by 2020.[5]

Go back to school

The continued rise of automation and AI alongside the expansion of the gig workforce calls for some serious catch-up by our education system. Not only

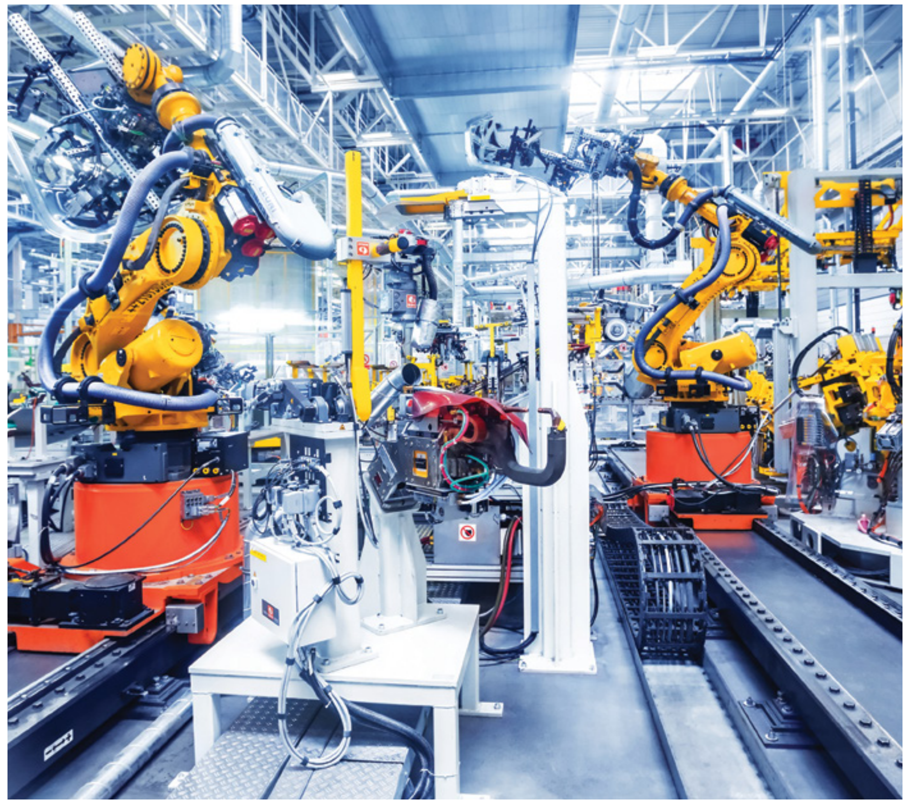
> “When you talk about the social contract, you talk about a whole lot of things that an individual company cannot influence, because they’re baked into the country’s social capital. A retirement system, social security, those are things that we, as a company, cannot single-handedly change.”
>
> — **MARK SCHNEIDER**
> CEO, NESTLÉ



84% of survey respondents agreed that business, rather than governments, will have to take the lead in reskilling workers for the demands of the new world of work

do we need to overhaul the system so that it cultivates life-long learners who are reskilled multiple times over the course of their careers; we need also to radically rethink the capabilities people will need to have in order to collaborate with machines to good effect.

So what skills do we need to see in the workforce of tomorrow? The picture is hazy. Overall in Europe, through to 2030, time spent using advanced technological skills is estimated to increase by 41%, and demand for social and emotional skills will grow by 22%.



Demand for higher cognitive skills, such as creativity, critical thinking, decision making, and complex information processing, will grow by 14% in Europe.[6] But ultimately businesses must translate these expected high-level macrotrends into implications for their individual organisations, including identifying which individuals are at risk.

All companies need to assess what their future workforce needs to look like and how they will develop it, including through retraining and reskilling. But there are limits to retraining and reskilling. These kinds of programmes will need to be complemented by measures to protect those who would otherwise get left behind.

> "So how do you combine people and technology in new ways? What kind of competency would be needed in the future from people? And how do we optimise the contract between people and technology?"

— **TOPI MANNER**
CEO, FINNAIR

> "The jobs that will be lost will mostly be jobs that are fairly repetitive and manual. My view is that humans were never intended to do those jobs. We just had to do them because we didn't have the technology."

— **RISTO SIILASMAA**
CHAIRMAN, NOKIA

VISION: A DYNAMIC WORKFORCE DELIVERING HIGH PRODUCTIVITY, SUFFICIENT INCOME SECURITY AND HIGH HUMAN DEVELOPMENT

So, the challenge we should be solving for is not necessarily a deficit in the total number of jobs rather than how we evolve our overall employment model to perform in the context of at least three shifts:

- the rise of human-machine partnerships
- the ascendancy of lifelong learning
- the decline in exclusive relationships between corporation and worker

As we navigate these shifts, business and government will need to ensure that workers retain sufficient security – whether in light of automation-caused job losses or the consequences of the gig economy.

Running across Xynteo's conversations with CEOs was the sense that the contours of the future of work still remained quite unclear. Nonetheless, the conversations pointed to five areas of action to get this job done.

Business action 1: let humans be human
If managed well, automation and AI could create more space for fulfilling, non-repetitive tasks and redirect more attention to human interaction. "Business now has an opportunity to combine humans and technology in new ways," said Topi Manner, CEO of Finnair.

Since technology seems set primarily to take over select tasks, not entire jobs, human workers could spend a larger share of their time applying their uniquely human attributes, like creativity, empathy and imagination. The role of human workers would be to expand customer value and solve complex problems instead of eking out efficiency gains and doing menial work.[7]

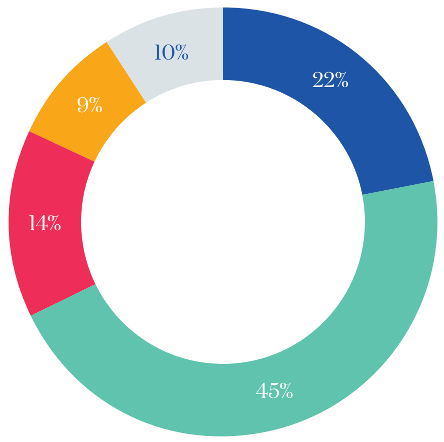
> *We will look to traditional schooling and higher education not to provide us with task-specific skills, but to build numeracy and literacy as well as cognitive skills enabling us to learn how to learn.*

Some companies are already reaping the benefits of human-machine collaboration:

- HSBC uses a humanoid robot to meet and greet customers – but rather than replace staff, the robot ('Pepper') has freed up time for staff to devote more time to more productive tasks.[8]
- Spacemaker, an Oslo-based start-up, uses game-changing technology to improve the ability of architects to explore a much higher permutation of options for building design. This technology, in addition to shrinking project timelines, would allow architects to design for maximum efficiencies while creating a collaborative workflow among architects, engineers, developers and clients.[9]
- In healthcare, AI can take on complex problems that are almost impossible for humans to solve. By identifying meaningful relationships in huge volumes of raw data, AI can radically improve diagnostics and treatment outcomes. IBM Watson Health, a pioneer of medicine-specific AI software, is already helping diagnose and treat cancer patients by synthesising millions of medical reports, patient records, clinical trials and medical journals – a striking example of open data working for the great good of society (see JTBD #04 on page 40).[10]

Business action 2: learn to learn – continuously
Given the pace and constancy of technological change, humans will need to upgrade themselves in tandem. An aptitude for lifelong, continuous learning will thus become a defining competitive strength in the workforce. We will look to traditional schooling and higher education not to provide us with task-specific skills, but to build numeracy and literacy as well as cognitive skills enabling us to learn better and faster.[11]

But beyond the foundation provided by schooling, it appears – according to a survey of 10,000 adults across the UK, the US and Canada – that society is looking to employers, rather than traditional universities, to provide the reskilling and upskilling required.[12]



Responses to survey question:
How many training days does your company provide each employee per year?

- 2 days or less
- 3-5 days
- 6-10 days
- More than 10 days
- Don't know

And business after business is launching new training schemes to prepare their employees for the future of work. Tesco is rolling out digital skills training for all their employees. As part of the group of CEOs responding to president Macron's request for help in addressing the gilets jaunes protests in France, AXA and Danone have committed to increasing the number of training hours for their employees by 20% by 2020. With 1.5 million employees across the 50 companies in the group, this adds up to an additional 6-7 million hours of training (see JTBD#05 on page 48).

And yet efforts like these may fall short in terms of the scale or actual skills required. 45% of our survey respondents said their businesses offer 3-5 days of training a year, with 22% offering two or fewer. Only 9% of companies surveyed provide their employees with more than ten days of training. While 63% of survey respondents expect the volume of training their business provides for employees to increase in the next five years, it's essential that these efforts are not focused on simply providing a handful of extra annual training days. "A few courses here and there aren't enough," said Risto Siilasmaa, chairman of Nokia. "We need a systematic and consistent approach. We will possibly have to re-educate ourselves a number of times."

Business action 3: invest in a shared workforce
A shift to a non-exclusive, transient relationship between employee and employer has profound implications for how companies relate to, and invest in, the workforce in the markets in which they operate. Most notably, businesses may need to start seeing the overall workforce as a shared resource,

“For businesses in the financial sector, the need for new systems for income security is a growth area.”

— MICHAEL MIEBACH
CHIEF PRODUCT OFFICER, MASTERCARD

investing in training people they don’t or won’t ‘own’. While they may lose people they have trained, they will also receive people that have been trained by others. The workforce would act as a pool businesses dip in and out of, with the quality of skills maintained collectively.

Business action 4: share responsibility for income security
As more and more workers enter the gig workforce, they lose the buffer that the corporation has historically provided, and their security can drop dramatically. We cannot trade headcount agility for a workable social contract. Business, as the key beneficiary of a skilled, flexible workforce, needs to work with policymakers to ensure that a more pronounced gig economy doesn’t kick us backward when it comes to income security.

Mastercard supports gig workers in a number of ways to ‘address the challenges of workers who juggle multiple jobs, variable pay checks and inconsistent benefits’. One example is its partnership with Care.com, the world-leading service for finding and managing family care, to make it easier for caregivers to manage variable cash flows and personal finances by providing real-time payments for services and budget management tools.[13] Start-ups are also starting to play in this space, like UK-based Trezeo, which offers income-smoothing solutions for the self-employed.[14]

While innovative services like this one could do much to reduce cash shocks for contingent workers, we need to take collective responsibility for the root cause – the insecurity of the worker. It is vital that we avoid further depressing the position of labour in the global economy.

Business action 5: build a change-as-BAU work culture
Given that the workers of the future will likely switch jobs multiple times, it is important that company cultures destigmatise and normalise career changes and celebrate the learning required to start something new.

And as employees move through different jobs, it will be vital for companies to communicate in a radically different way, having early, honest, collaborative conversations with team members on the cusp of a transition. When it had to shut down 24 coal power plants, Italian energy company Enel decided to have upfront conversations with employees at risk – despite warnings that telling the uncomfortable truth was risky. But Enel went ahead.

In the conversations, it was made clear that the workers wouldn’t lose their jobs immediately, but that they would potentially need to reskill and relocate. Enel’s proactivity helped solve the challenge earlier and effectively while building trust with employees.

And by engaging closely with local governments to ignite new projects in the regions where plants were closed, jobs and investment are higher now than when the plants were in operation.[15]

Nokia’s Bridge programme, which first ran in 2011-2014, enacted a range of measures to help transition 18,000 employees who were being let go during an extensive restructuring. Employees were supported to apply for jobs within other parts of Nokia, and provided with career coaching, resumé clinics, job fairs and networking platforms to help them find jobs elsewhere.[16]

For employees who wanted to retrain, upskill or volunteer, Nokia provided grants and financial support. And employees were also encouraged to become entrepreneurs – in any industry – with the help of grants, coaching, mentoring and networking support with local incubators. Around a thousand new businesses have been started by ex-Nokia employees.

As a knock-on effect, the programme built trust and motivation among remaining employees. And the benefits came at a relatively low cost: €50m, or about €2,800 per person, amounting to only 4% of the total restructuring costs.[17]

“It’s very much on our mind how we enhance the employability of our colleagues, not just for their work with Tesco but also for other opportunities that come.”

— DAVE LEWIS
CEO, TESCO

Job to be done #03
Shape the future (don’t wait for it)

PROBLEM STATEMENT
Our approach to work is becoming obsolete, and we are not ready for AI, automation and widespread gig work.

VISION
A dynamic workforce delivering high productivity, sufficient labour protection and high human development.

BUSINESS ACTIONS
1. Let humans be human
2. Learn to learn – continuously
3. Invest in a shared workforce
4. Share responsibility for income security
5. Build a change-as-BAU work culture

A FINAL THOUGHT —

A future of work with increased automation and use of AI has the potential to deliver “higher living standards, better working conditions, greater economic security, and improved health and longevity,” according to MIT’s latest report on the topic. But we will not get there by default. A dystopian machine-centric future with high levels of unemployment can be avoided, but only if we align on the future we want and then identify what actions are needed to make it a reality.[18]

As set out by Thomas Kaye, the World Bank’s education specialist, if we get it right,

“The skills and behaviours required by the next generation of workers are the same skills we admire in well-rounded human beings. Socioemotional skills, including the ability to experience, read, express and manage emotions, are central traits required by our future workers. These same skills are the cornerstones for establishing positive relationships not only with colleagues but also with families, friends, neighbours, and other community members.

Focusing on these skills will drive not only economic growth but also the growth of a better world.”[19]

The stakes are high, but so are the rewards.

Job to be done #04 Liberate data through trust

Data is becoming the currency of today's economy. If used judiciously it has the power to revolutionise our ability to solve a host of problems – from widening access to healthcare to eliminating waste in our energy system. But we are not being judicious enough, with the result that consumers do not trust the businesses that are mining their data.

How can we reverse this downward slide in trust, ensuring that data can be leveraged to unlock a new form of growth – in Europe and the world?

PROBLEM STATEMENT: MISTRUST OF THE DIGITAL ECONOMY COULD HOLD US BACK FROM USING DATA TO DRIVE BOTH COMMERCIAL AND SOCIETAL VALUE —

Beware the externalities

"Data is the new oil." Allegedly coined in 2006 by Clive Humby, the British mathematician who created the Tesco Clubcard, this phrase quickly attained mantra status among tech pundits.[1] If overused, it is nonetheless a useful comparison. Like oil, data can be harnessed for societal good. Though our use of fossil fuels has created untenable planetary and social risks, the role of oil in powering the leap in human development we have seen over the past two centuries is undeniable.

Data, too, has the potential to transform our society for good, but as with the fossil fuel economy the data economy has come to depend on significant externalities – the true cost to society is not currently being accounted for. In order to reap the human, and commercial, dividends of data, we must proceed deliberately, making sure that we are moving towards, not away from, the economic and social model we want.

A digital footprint in neon lights

The numbers already exceed comprehension. IDC, a market-research firm, projects that by 2025 the amount of data created and copied every year will reach 180 zettabytes – which is (apparently) the number 180 followed by 21 zeroes.[2] And the rapidity of generation is similarly dizzying: 90% of all data in the world has been created in the last two years, and the pile is growing by 40% a year.[3]

It is therefore not surprising that, in today's market, companies are increasingly defined by their ability to extract and interpret digital information. Of the world's ten most valuable companies, five – Google, Amazon, Facebook, Tencent and Alibaba – rely on capturing and making use of human data. By analysing our mobile phone activity, aggregating what we like and don't like, tracking our online purchasing behaviour and trawling through the words and images we post, these companies are in effect monetising our digital identities. And our collective digital footprint is growing. By the end of 2018, over 5.1 of the world's 7.7 billion people had a mobile subscription.[4] By the end of 2020, 20 billion Internet-of-Things devices (6 billion of which will be in the EU)[5] will be making that footprint overwhelmingly visible.[6]

The power of data

"If data is the oil of the 21st century," said Gartner's Peter Sondergaard in 2011, "analytics is the combustion engine."[7] It's one thing to generate the data, another to make sense of it.

The big tech companies are sweating to get ahead of the avalanche of information. In 2016 Amazon, Alphabet and Microsoft collectively spent nearly $32bn to build data refineries.[8] The scale of these efforts reflects the rising value of the data they are hunting. While these 'data majors', as The Economist has called them, started out by harnessing data for the purposes of targeted advertising, they are now hard at work at flipping the data into new services – including translation and personality assessments – that can be sold to other organisations.[9]

But big data's significance extends beyond the realm of business. The UN, for example, has been active in highlighting the wide-ranging potential of big data in accelerating progress towards the sustainable development goals, whether it is by making it possible to map mobile traffic to predict (and contain) the spread of pandemic diseases; using financial transactions to expand access to credit to micro-businesses; or combining satellite imagery, eyewitness accounts and open data to track deforestation.[10] We are only starting to scratch the surface of this potential.

A growing trust barrier

Only 0.5% of data is publicly available for analysts.[11] Liberating it depends on both technological and regulatory innovation; these are solvable challenges. A harder nut to crack is the depressed trust in businesses' ability to use consumer data responsibly. According to a recent Gallup poll, more than 60% of Americans don't trust Facebook with their data; 37% don't trust Google; and 28% don't trust Amazon.[12] Here in Europe the picture is potentially even darker. In a 2018 Open Data Institute survey, only 3% said they trusted marketing companies with their personal data, and only 5% trusted social media companies.[13]

> "All over Europe, people trust large, international, and often faceless institutions less than they used to 20 or so years ago."
>
> — MARK SCHNEIDER
> CEO, NESTLE

“The digital economy is great at creating markets, including markets for know-how and tasks.”

— **RUI TEIXEIRA**
CEO, EDP PRODUCTION

“We feel a lot less constrained to get data and use it through artificial intelligence to better manage the hardware we have. It’s with the customer data that we need a lot of governance.”

— **FRANCESCO STARACE**
CEO, ENEL

Part of this could be attributed to eroding trust in business generally – even in Western Europe, according to Gallup, 52% of people believe corruption in business is widespread.[14] And part of it stems from notorious breaches of confidence such as the Facebook-Cambridge Analytica scandal.

But this mistrust also comes from the perception that consumers are being exploited, their identities being converted into capital they never see. 74% of Americans think that letting social media companies collect and use their data in return for free services is not a fair trade-off.[15] Even business leaders themselves, it seems, agree. 70% of respondents in a 2017 EY survey of 200 companies felt that customers sharing their data should be rewarded by returning some of the value back to them.[16]

Compounding this feeling of asymmetry is a business model that operates in two dimensions. When we go into a store to buy, say, some bread, we exchange money for the bread – it is a straightforward and transparent exchange of value. When we use Uber, we pay Uber for the trip, and the driver gets a cut of that payment. That part of the transaction is clear, but Uber’s $82.4bn valuation depends not just on the frictionless exchange between driver and passenger but also on the data that the two parties generate.[17] So from the consumers’ point of view, there is an upfront transaction in which they participate intentionally and benefit from, but also one in the ‘digital shadows’ in which they participate unintentionally and from which they receive no value.

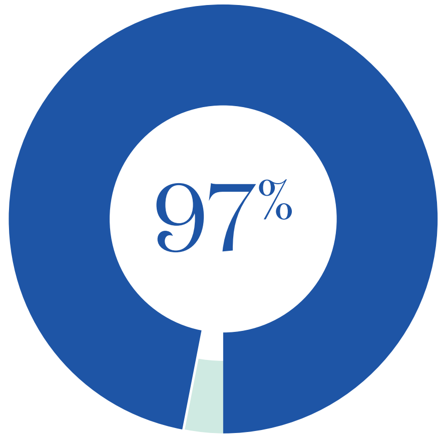
But this mistrust also comes from the perception that consumers are being exploited, their identities being converted into capital they never see.

But it might go beyond this. According to a growing body of research and commentary, tech companies are not just skimming data to neutral effect – their use of the data and their methods for extracting it, goes this thinking, may actually be harming us as a species, as firms do whatever it takes, including employing armies of psychologists, to keep us online and away from our real lives.

In deploying psychological insights to maximise uptake of their products, the newest generation of big business is simply replicating what other consumer-facing companies have done for the last half-century. But with increasing evidence of the negative social, political and mental health impacts of the so-called ‘extractive attention economy’, we could see consumer mistrust in data-driven companies soar. And then a reverse halo effect might come into play, as the perceived sins of big tech colour how people see data use writ large.

VISION: A HUMAN-CENTERED DATA ECONOMY THAT POWERS BETTER BUSINESSES AND BETTER LIVES —

At the root of trust is one party’s belief that another party’s intent is benevolent. If people feel that the data economy is preying on them, the embryonic ‘techlash’ that we are seeing in pockets could snowball, with the effect that the potential of big data is only slowly or partially realised. Data-driven businesses need to get out in front and earn the trust of the consumers whose data they are harvesting.



97% of survey respondents agree that earning the respect and trust of the public is important to their business. **3%** disagreed.

So, though it is the US and China that dominate tech, what can European businesses do to help build societal trust in the data economy? Here are three ideas, sourced from our conversations with CEOs, on how to get this job done:

Business action 1: seize the early-mover GDPR advantage
Much of the data business uses is not generated by consumers but by sensors attached to the machines in industrial processes. For example, airlines like Finnair and SAS have long been using machine-generated data from aircrafts to increase efficiency. The CEO of energy company Enel, Francesco Starace, reminded us of the distinction:

“We feel a lot less constrained to get data and use it through artificial intelligence to better manage the hardware we have. It’s with the customer data that we need a lot of governance.”

“Europe can make a big difference in the world, if we maintain this course of stressing the importance of the individual rights and protecting the individual. The track record of Europe so far has been best in that field.”

— **FRANCESCO STARACE**
CEO, ENEL

“GDPR is a very important mechanism for protecting the privacy of the individual, but I’m concerned that European businesses will not be able to...spark new innovation at the same pace as businesses based in other regions.”

— **RICKARD GUSTAFSSON**
CEO, SAS

In 2018, Europe took a first step in creating this governance, with the implementation of the General Data Protection Regulation (GDPR). The main aims of GDPR are to give consumers more control over their personal data and to harmonise the regulatory environment across the EU. This policy innovation is now being studied closely by other regulators around the world looking to update their frameworks in light of the data economy.

“It’s one example of Europe getting it right – European thought leadership that California and others are now looking at,” said one of the CEOs we spoke with. By imposing a common set of rules across Europe, GDPR enables businesses to manage data more effectively across its borders while protecting consumers by requiring that privacy is embedded into the design of the system.

And the benefits of GDPR are proving to go beyond data protection: in a 2019 study by Cisco, 97% of businesses surveyed said they had experienced at least one benefit not directly related to data protection – including agility and innovation, procedural efficiencies, and a cut in sales delays.[18]

These efficiency improvements are critical, but there is an even bigger game in town: how we can use data to increase our collective capacity to transform our societies in service of a regenerative, inclusive growth model.

There are of course concerns that GDPR could place European businesses at a disadvantage, most notably by restricting the development of the artificial intelligence needed to win in the ‘algorithmic economy’. Rickard Gustafsson, the CEO of SAS, said: “GDPR is a very important mechanism for protecting the privacy of the individual, but I’m concerned that European businesses will not be able to use and mine data to create new products and services and spark new innovation at the same pace as businesses based in other regions.”

To be sure, unevenness in regulatory frameworks can create a disadvantage for the early mover. But GDPR may give Europeans a head-start in building fluency in how to develop and run profitable business models against a backdrop in which consumers a) are much more circumspect about how their data is used, b) expect a return for its use, and c) wield the power, thanks to technology like blockchain, to decide who gets to use it. In this future, trust isn’t a nice-to-have brand characteristic, but a fundamental precondition to securing access to the data required to compete.

Challenging this shift is the fact that businesses have become accustomed to free data; it will be a wrench to unpick what some have called ‘data slavery’, in which human data is the free labour that powers AI.[19] Some tech start-ups – like CitizenMe and Datacoup – are emerging to help people make money from their data, but at least for now, this alternative has limited reach, as it requires too much effort from consumers. But we can expect more innovation here as the public comes to see data, not as an abstraction but as an extension of human identity. As pointed out to us at one of our workshops last year by Henrik Haapajarvi, special adviser to the Finnish minister of transport and communications:

“Human data cannot be treated like machine data. Human data is human.”

Business action 2: demonstrate data’s vast societal benefits

Businesses’ use of data has traditionally focused on driving greater productivity. Finnair, for example, has used PACE, a software, to optimise flight profiles and cut fuel consumption in its A350 fleet. Similarly, logistics companies like DB Schenker use data to move their trucks more intelligently and increase load factors. These kinds of efficiency improvements more often than not translate into societal benefits. DB Schenker’s smart freight solutions have put the company on track to achieving its target of reducing CO_2 per kilometre by 40% over the period 2006-2030.[20]

Finnair’s PACE programme is also delivering progress towards climate aims, the airline’s ambition being to cut CO_2 emissions by 17% from 2013 levels by 2020.[21]

These efficiency improvements are critical, but there is an even bigger game in town: how we can use data to increase our collective capacity to transform our societies in service of a regenerative, inclusive growth model.

Take our cities. Data can help us radically improve how we organise our urban centres, so that they can accommodate the 1.3 million people who move into cities every week, while also reducing emissions and improving quality of life. In 2018 McKinsey assessed 50 smart cities across the globe, finding that current applications could improve quality-of-life indicators such as health, safety and commuting time by 10-30%, while advancing 70% of the UN’s sustainable development goals.[22] From London to Seoul and New York to Dubai, major cities around the world are already using sensors to capture data and then analyse it in order to improve services for inhabitants. The Chinese city of Nanjing, for example, is using sensors installed in 10,000 taxis, 7,000 buses and 1 million private cars to parse traffic data and send citizens commuter information on their smart phones. New routes are being created to ease congestion, without additional spending to build new roads.

When we spoke with Jean-Pascal Tricoire, chairman and CEO of Schneider Electric, we heard how Schneider was innovating in ways that could help advance smart cities. EcoStruxure is Schneider’s IoT-enabled, plug-and-play, open, interoperable architecture and platform

"Banks are now unable to own the financial data of the citizens of Europe. It's like privatising the electricity grid so everybody can use it. It's a fantastic example of 28 countries working together...We've not seen it anywhere else in the world."

— **MICHAEL MIEBACH**
CHIEF PRODUCT OFFICER, MASTERCARD

that allows buildings, data centres, infrastructure and industry to optimise their services – and as a result can cut carbon emissions by up to 50% and energy costs by up to 80%.[23]

If data is held in disparate systems its full value cannot be extracted.

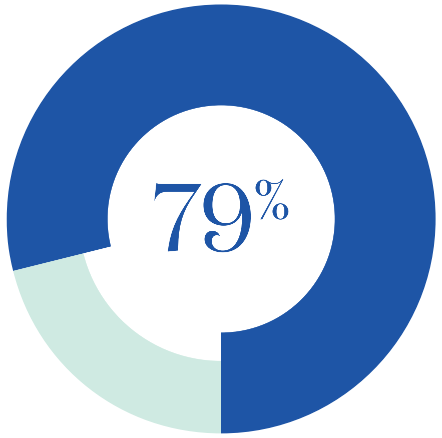
Agriculture is another area in which data capture and analytics can drive markedly better outcomes, not least for smallholder farmers. Yara and IBM are combining their complementary capabilities – agronomic knowledge and data expertise – to innovate and commercialise digital agricultural solutions that enable farmers, both professional and smallholders, to optimise farming practices and as a result increase yields, crop quality and incomes.[24]

In addition to driving commercial solutions to human problems, several companies are also steadily increasing their role in data philanthropy. In 2013, Mastercard, set up a foundation to which organisations like Unilever, the Commonwealth Bank, the World Economic Forum and Accion donate data. Once anonymised, the data is used to solve societal challenges, like empowering micro- and small businesses across the developing world.[25] And in early 2019, Mastercard's Center for Inclusive Growth teamed up with the Rockefeller Foundation to launch the Data Science for Social Impact initiative, aiming to bolster the data science capability of the non-profit, civic and government sectors so that they are better equipped to solve societal problems.[26]

Business action 3: open up to unleash data's full value

One of the biggest technical obstacles to putting data to good use is that it is often collected in silos. If it is held in disparate systems its full value cannot be extracted.

Regulators are in some cases pushing businesses to open up their data. "In the financial sector, the European regulators are ensuring the open availability of data," explained Michael Miebach, chief product officer at Mastercard. "Banks are now unable to own the financial data of the citizens of Europe. It's like privatising the electricity grid so everybody can use it. It's a fantastic example of 28 countries working together to say 'we believe in innovation' and 'we believe in competition', and not at the expense



79% of our survey respondents agree that European businesses need to take on a larger role in building an open and collaborative global community than they do today.

of security and safety. We've not seen it anywhere else in the world."

In other cases businesses themselves are trying to drive data-sharing in their industries. An example comes from the oil and gas industry. Aker BP, Norway's largest privately owned oil company, is advocating for the total liberation of data – which would see the players on the Norwegian Continental Shelf pool data in order to achieve maximum efficiencies in their operations and drive new value creation.[27]

Schneider Electric, too, is breaking down barriers to the free flow of data with the Schneider Electric Exchange, the world's first cross-industry, open ecosystem dedicated to solving sustainability and efficiency challenges. Launched in 2018, the Exchange is open to all, operates globally and provides access to a community of experts, a data and software exchange marketplace and partner resources.[28] Its results include a partnership between Microsoft France and Schneider called 'AI for Green Energy', which aims to accelerate start-ups transforming the energy sector in Europe.[29]

Implicit in all these initiatives to liberate data is the increasing recognition by businesses that it is not the data itself that gives competitive advantage but rather its analysis and application.

Job to be done #04
Liberate data through trust

PROBLEM STATEMENT
Mistrust of the digital economy could hold us back from using data to drive both commercial and societal value.

VISION
A human-centered data economy that powers better businesses and better lives.

BUSINESS ACTIONS
1. Seize the early-mover GDPR advantage
2. Demonstrate data's vast societal benefits
3. Open up to unleash data's full value

A FINAL WORD —

One of the many aphorisms attributed to Henry David Thoreau goes like this:

'It is not enough to be busy. So are the ants. The question is: what are we busy about?'

As we seek to reengineer our economic system we need to apply lessons from our recent past. Since the industrial revolution governments, businesses and consumers have been engaged in a dangerous dance in which the overriding objective is to convert as much of the natural world into capital, as cheaply and quickly as possible.

With data we risk falling into the same pattern, this time converting as much of our resource base into bytes of information. What metrics are we using to determine how much true value is being generated? Or will we repeat our past – aiming for volume for the sake of it and then surprising ourselves with unintended consequences?

Data is a game-changer, but reaping its potential demands unprecedented deliberateness. If we are clear about 'what we are busy about', we can direct data in such a way as to build healthy, efficient societies and thriving, competitive, trusted businesses.

Job to be done #05
Reset the collaboration between business and government

Government and business are deeply dependent on one another. Government depends on businesses to supply tax income, provide jobs and contribute to supply and demand. Business, for its part, needs government to create the conditions for fair competition. This relationship is the linchpin in our societal and economic health at the best of times; today, given the challenges we face, we need it to function better than ever. Yet mistrust and sub-par collaboration are preventing this partnership from flourishing.

How can we renew the collaboration between business and government, anchoring it in respect and inventive use of complementary assets?

PROBLEM STATEMENT: WE NEED THE GOVERNMENT-BUSINESS PARTNERSHIP MORE THAN EVER, BUT MISTRUST IS UNDERMINING EFFECTIVE COLLABORATION —

Wicked problems need collaborative solutions
'Wicked problems' are a special breed of challenge – challenges that seem so big and so complex that they defy solution.

Wicked problems are unclassifiable – the people affected by the problem may not even agree what the problem is or what is causing it. They are inextricable – the problem is made up of myriad other problems that cannot be neatly isolated from one another. And they are mutable – sometimes the solution simply ends up creating a new problem.

We live in an age of wicked problems, both here in Europe and the rest of the world. And the only way to defeat wicked problems (if they can be defeated) is to collaborate inventively and competently across all types of government and business – as well as civil society.

Cartoons and collaboration don't mix
Predatory, tax-dodging fat cats; lumbering, bumbling, venal bureaucrats – these are some of the worst stereotypes that are typically flung at business on the one hand and government on the other – and on occasion even by one at the other.

And the only way to defeat wicked problems (if they can be defeated) is to collaborate inventively and competently across all types of government and business – as well as civil society.

On one side of the aisle, we have business. According to estimates by the European Parliament in 2016, a conservative estimate of corporate tax avoidance in Europe amounts to between €160bn and €190bn a year – approximately equivalent to the GDP of Greece.[1] These numbers do not sit well with a commitment to contribute to national and community well-being. One of the most memorable events at the World Economic Forum gathering in Davos in 2019 was Dutch historian Rutger Bregmans' dressing-down of the corporate audience:[2]

"I hear people talking the language of participation, and justice and equality and transparency, but almost no one raises the real issue, of tax avoidance, right? And of the rich just not paying their fair share. I mean, it feels like I am at a firefighters' conference and no one is allowed to speak about water...We can talk for a very long time about all these stupid philanthropy schemes...but come on, we've got to be talking about taxes... All the rest is bullshit."

On the other side of the aisle, we have the government, mocked for what are perceived to be harebrained interventions, like setting an EU directive on the acceptable curvature of bananas. The stereotype goes that instead of issuing judicious regulation to liberate business, government wastes everybody's time and money ensnaring the market in pointless red-tape. In February 2019, Sir Jim Ratcliffe, the UK's richest man and chairman of chemicals giant INEOS, wrote an open letter to the European Commission to express his exasperation over what he considers stifling regulation:[3]

"Nobody but nobody in my business seriously invests in Europe. They haven't for a generation. Everyone in my business does however invest in the US, the Middle East or China, or indeed, all three...Europe is no longer competitive. It has the world's most expensive energy and labour laws that are uninviting for employers."

Stereotypes may be convenient, sometimes comical and occasionally true, but they are poison for collaboration. Stereotypes short-circuit our capacity for clear reason and for objective evaluation. They restrict our field of vision, driving us to select evidence that fits our assumptions and deselect evidence that doesn't. If the 'other' is seen as a stereotyped cartoon character capable of only one kind of behaviour, the most important precondition for collaboration – trust in the intent and competence of your partner – is missing.

Of course, even talking about 'government' or 'business' as if they were singular entities is a huge and often counterproductive simplification. Success requires all types of government, as well as all varieties of business, from the smallest start-ups to the largest multinationals.

And while the CEOs Xynteo spoke with were predominantly focused on the interface between business and government, these two parties cannot do it alone. Our ability to create an inclusive, regenerative growth model depends also on tight collaboration with civil society and academia.

The harder nuance of reality
Yes, it's true that some companies avoid taxes, and it's true that many have maximised profits at the expense of societal progress.

But businesses also pay taxes; they provide jobs; and a large share of the dividends they pay out go into pensions.

Yes, it's true that some regulation seems counterproductive and maybe even nonsensical for many businesses.

But regulators are not the commercial buffoons we tend to think. In her award-winning book The Entrepreneurial State,

> "We need to find a much more effective interaction between business, academia and politics. These entities are not aligned, and they are not collaborating in an effective manner."
>
> — RICKARD GUSTAFSON
> CEO, SAS

> "If we want to give politicians a chance to do the right thing, we should treat them as partners. In the end, they drive the agenda of countries and populations and if they are doing that on the basis of wrong inputs, the result will not be good."

— **FRANCESCO STARACE**
CEO, ENEL

economist Mariana Mazzucato debunks the received wisdom that the state 'does' bureaucracy while the dynamic private sector is responsible for all the innovation.

In a series of case studies – sourced from IT, biotech, nanotech and green tech – professor Mazzucato explains that the private sector typically only invests after an 'entrepreneurial state' has made the high-risk investments. She recounts that, without the state, the iPhone wouldn't be so smart: every critical part of this stack depended on government funding – from the internet and GPS to the touch-screen display and Siri. According to Mazzucato, the state isn't just there to fix market failures but also to create markets.

Much to play for, much to lose
Perhaps one of history's greatest examples of market-creation by a government is the establishment of the European single market. Formally launched in the early 1990s but with roots going back to the early 50s, the single market is (in the words of The Economist) a "commercial arrangement like no other".[4]

By removing barriers to the free movement of capital, goods and people, the single market cuts the cost of contending with regulatory patchwork and thus makes it easier to achieve economies of scale. Fuelled by the levelling effects of the single market, the EU has become home to as many Fortune 500 businesses as the US, India and Russia combined;[5] and it boasts ten out of 20 of the world's most competitive economies.[6]

The trouble with the single market is that it isn't terribly gripping; in the words of one of its chief architects Jacques Delors, "nobody can fall in love with [it]". And in the absence of this love, the single market is at risk, thereby threatening to unpick the moorings of Europe's economic strength.

A decade ago the EU was home to ten of the world's 40 largest companies by market value – today it has only two on its soil, in 32nd and 36th place. At the heart of the problem is the fact that the single market was created to ease the flow of goods, not services. As The Economist put it: "a policy originally devised to break down trade barriers in the era of coal and steel has not adapted fast enough to the era of bits and likes."[7]

Somewhat paradoxically, the fact that the EU's competitiveness in services lags behind its performance in goods suggests how powerful the single market is. Of Europe's ten largest companies by market cap, eight are product-based firms; in the US, eight of the top ten are services companies. Given that services 'now' make up 75% of Europe's economy,[8] the single market clearly needs an urgent overhaul.

> *The state isn't just there to fix market failures but also to create markets.*

In our conversations with CEOs, we found that they were more or less united in their concern about the implications of a weaker single market. Svein Tore Holsether, CEO of Yara, put it thus: "It is important to remember the immense positive impact the common European market has had. Brexit is a real setback. I believe this will be a huge challenge for Europe."

The absence of concerted action to mature the single market combined with juicy growth rates of emerging economies means European businesses are investing more elsewhere – like Schneider Electric, which has been implementing a global strategy for 15 years and now sees its business split equally across Europe, US and Asia.[9] In 2011, CEO Jean-Pascal Tricoire even relocated to Hong Kong from the company's historical head office in Paris – walking the talk after asking his senior team to make similar moves to reflect the company's growth priorities outside of Europe.[10]

But this outward shift for European businesses in turn demands a robust and cohesive platform from which to negotiate terms of trade – just when that united Europe front is looking increasingly shaky. "At the European level," said one of the CEOs we spoke with, "we are absolutely not prepared to have strategic dialogue with China. We're acting country by country."

VISION: A REVITALISED PARTNERSHIP, ROOTED IN MUTUAL APPRECIATION OF RESPECTIVE VALUE AND COLLABORATIVE COMPETENCE —

Unlocking a vibrant future for Europe, against a backdrop defined by fiendishly difficult intersecting global challenges, clearly demands more collaboration, not less. Now is not the time for fragmentation and tribalism.

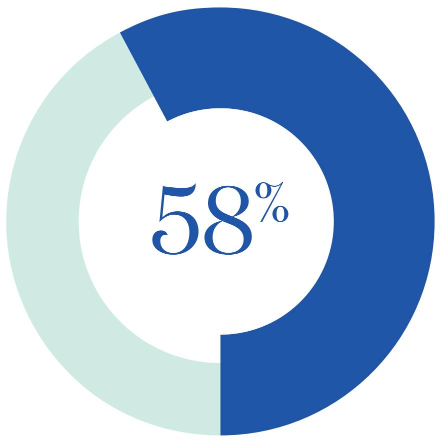
> "Many of our political leaders are continually undermining the importance of business as an engine of the economy, source of taxes, and funder of pensions. UK government cabinet members have asked us what they can do to help business and almost universally, business leaders want them to build public confidence in business."

— **BOB DUDLEY**
CEO, BP

We need, therefore, to take a hard look at the state of the relationship between business and government in Europe, and identify how each party can earn the other's trust while becoming more skilful at the collaboration required to harness complementary strengths.

How can European business leaders collaborate differently with government, improving the ability of the partnership to serve the needs of their businesses, Europe's economy and society as a whole?

Xynteo's conversations with CEOs inspired three ideas on how to get this job done.



58% of our survey respondents agreed European policies should shift focus to support open trade with countries outside the EU, rather than focusing on trade within it. **30%** disagreed.

Business action 1: create a new narrative built on mutual appreciation
In Sapiens, the best-seller by Yuval Noah Harari, an intriguing theory is put forward: the reason for homo sapiens' eventual ascendancy over other human species was its ability to collaborate in large numbers. What was the key to this collaboration? Humans' ability to create narratives, or 'myths', as Harari calls them.

To influence or be influenced beyond the threshold of 150 people – the upper limit on the number of stable social relationships a human is thought to be able to have (even, as it turns out, on social media) – humans need narratives that explain why they should participate in a change.

Similarly, a reset of the relationship between business and government calls for a powerful new narrative, one that recognises the indispensability of each sector to the challenge of our time: building a new growth model, for Europe and the world. Contrary to prevailing sentiment, there are cases showing that government and business can work together to good effect.

“When we look at competition, we look at it through the prism of every country in Europe. We need a vision which looks at and is much more open to a global scale, not just a European scale.”

— **JEAN-PASCAL TRICOIRE**
CHAIRMAN AND CEO, SCHNEIDER ELECTRIC

We need both to make more of these proof points, learn from them and then scale.

Exhibit A: Green Deal in The Netherlands
Svein Tore Holsether, the CEO of Yara, said: “The Netherlands, in particular, is extremely strong on public-private collaboration. It isn’t by chance that some of the companies, with the strongest sustainability profiles and the most future-oriented business models, are based in the Netherlands. And it’s because of this cooperation that they have developed and strengthened over time.”

The Dutch government collaborates with business through so-called ‘Green Deals’ – cross-sector partnerships on themes ranging from energy, mobility and construction to biodiversity, water use and climate. How does it work? Businesses request government support to realise green growth. The government responds by advising on regulation, administration and financing, and on occasion amending regulation and facilitating collaboration with other key stakeholders.[11]

To date, more than 200 Green Deals have been concluded, with the participation of more than 1,500 companies. Outcomes include:

– activating 15,000 electric vehicle charging stations (Netherlands is now the European leader in EV charging stations by far – accounting for as much as 28.1% of the EU total)[12]
– making 8,100 homes energy-efficient
– setting aside more than 2,000 hectares of nature in almost 30 areas

Exhibit B: Gilets Jaunes
December 2018, president Macron asked French businesses to help respond to the heated, violent anti-government protests of a series of tax reforms that would hit the working and middle classes disproportionately hard. Thirteen French businesses, including AXA and Danone, took up the challenge; by June 2019 the group had swelled to 50.[13]

While inviting ongoing dialogue with the authorities on how it could do even more, the group has made four concrete commitments:

1. increase the number of training hours for their employees in France by 20% by 2020 (Given the businesses collectively have 1.5 million employees this adds up to an additional 6-7 million hours of training.)
2. increase the number of new apprenticeships by 50%, to reach 35,000 by 2020
3. implement an inclusive sourcing and purchasing policy, focusing on small, local businesses and businesses in the protected sector (e.g. those who employ people with disabilities)
4. develop affordable products and services

It remains to be seen what this response amounts to in practice. But the partnership is interesting in and of itself – showing how business can step out of its traditional wheelhouse to help government demonstrate practical empathy to disaffected citizens.

Exhibit C: Mastercard’s City Possible
Mastercard describes City Possible as ‘a new model for public-private partnership’. Launched in 2018, City Possible is a global network of cities, private sector partners and academia that aims to develop solutions to urban challenges like housing, transportation, infrastructure and income inequality.[14]

Cities from different corners of Europe – Athens, Belfast, Dublin, Helsinki and Prague – have already joined the initiative, alongside cities from the Americas, Middle East and Australia. Private sector partners include telecommunications giant AT&T, digital mobility provider Kisio Digital and risk management and insurance company Willis Towers Watson, while Harvard’s Technology and Entrepreneurship Center represents academia.
With City Possible, Mastercard aims to overcome the barriers that most often prevent public-private partnerships from successfully developing urban solutions: diverging goals (often private sector actors focus on a narrow, specific problem while the public sector would like to develop a broader roadmap for city-wide transformation); operating in silos (creating solutions that lack interoperability); and the absence of business models that can sustain the solution over time.

“I’m very positive about Europe. We know we are in an era of change and in a change of an era. To me, that’s the ideal time to unlock our potential as a cooperative continent, committed to collaborating effectively for the long term.”

— **HEIN SCHUMACHER**
CEO, FRIESLANDCAMPINA

If business and government are to collaborate to better effect, it follows that they need to become competent collaborators.

Business action 2: learn and practise collaborative competence
“To go fast, go alone. To go far, go together.” So goes the African proverb quoted at many a conference. But collaboration is not simply a choice. As humans are natural collaborators, we tend to think of collaboration as the obvious and easy response to more complex problems. However, our drive for efficiency and simplicity often organises us into silos – of sectors, industries, corporate bodies and departments – stymying our ability to exercise this very human competence.

Each organisation has its own culture, its own indicators of success. It is perhaps to be expected that the gulf between government and business would be wide. But being a business doesn’t make it necessarily easier to collaborate with another business. The bar to success is very high; the bar to exit very low.

If business and government are to collaborate to better effect, it follows that they need to become *competent* collaborators. Here are seven lessons for collaboration, drawn from Xynteo’s work with multinational organisations:

1. **Find, articulate and commit to a shared purpose**.
   Every collaboration depends on a deeply held, co-developed narrative on the ‘why’ of the project. This narrative needs to be felt deeply by all parties and drive their actions.
2. **Define the value exchange.**
   To endure, collaborations need to serve the interests of the partners and leverage distinct capabilities. It is vital to create a granular understanding of what each party should expect to put in and to take out. And then progress against these expectations needs to be regularly monitored, with partners working together to pivot when necessary. Because it will almost certainly be necessary – collaborations by definition have more variables than single-party initiatives and are thus subject to more change.
3. **Demonstrate indispensability.**
   The glue to any collaboration is not goodwill but need. Collaborations should be structured so that each party contributes unique competence that is indispensable to the success of the venture.
4. **Align on a recovery mechanism.**
   Collaborations fail more often than they succeed. Being open about the eventuality of lapses and agreeing in advance on how to address them will strengthen the partners’ ability to bounce back.

"Corporations have to accompany long-term strategy with the regulatory and financial instruments to match and you need to be influential in the debate around what instruments are required to make the societal shifts at scale."

— **HARRY BREKELMANS**
PROJECT AND TECHNOLOGY DIRECTOR, ROYAL DUTCH SHELL

5. **Build a culture of relationships not transactions.**
Organisations often enter a collaboration as if it is 'just another project' with a team of people working to an agreed timeline on a set of deliverables. There is a tendency to forget how much of their authority inside their own organisations is provided by systems and processes. In a collaboration, they might not have the benefit of these guardrails. Taking time to build trusted relationships is critical.

6. **Demonstrate proof of success.**
As soon as any success is achieved, flag it and connect it back to the shared purpose. Be vocal.

7. **Appoint the right blend of leaders and managers.**
While delivery discipline is crucial, what can otherwise be a managerial strength – the drive for certainty – can stifle collaborations if it isn't balanced with leaders that have altitude and creativity.

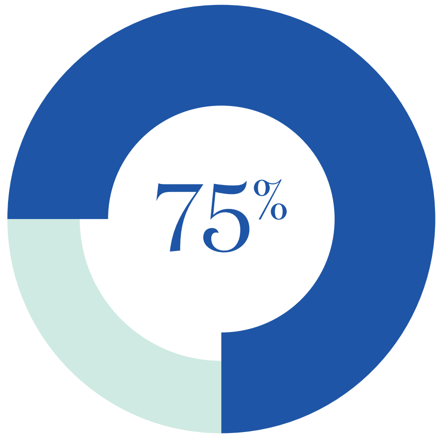
Business action 3: work towards the highest common denominator
The world needs to transition to a form of growth that works for the 21st century – a model that can stabilise the climate, preserve our resources and deliver value to the many, not only the few. In the second half of the 20th century the world typically looked to the US for leadership as we sought to build a more peaceful and open international order. With the disappearance (hopefully just temporarily) of a constructive American presence, Europe needs to step up to provide its own brand of leadership, rooted firmly in humanism, environmental standards and democratic governance.

As the digital economy takes an ever tighter hold we'll need this leadership more than ever. As one commentator writes:

"How the digital economy develops in Europe is key to the global future, especially whether it will rest on the values of humanism, equality and a broadly shared prosperity, or become the newest and most powerful means for exploitation and abuse of human and labour rights."

Taking a leadership position like this will require an outsized effort by European businesses and governments, and a departure from a 'partnership' in which business is either waiting passively for government to issue regulation or lobbying for lowest-common denominator social and environmental outcomes that preserve the status quo. There are encouraging signs that this dynamic is tapering off. In late 2019, 200 CEOs are collectively calling on the new triumvirate at the helm of the EU – the three newly elected presidents of the European Commission, European Parliament and Council of the European Union – to build a 'Sustainable Europe by 2030'; and as part of that call to action, the CEOs are inviting governments and civil society to collaborate.[15]

This is a welcome move and a worthy example of business leadership. But citizens are watching intently for hypocrisy; they need evidence that government-business collaborations are in fact yielding the outcomes they purport to promote. "Repeated political scandals and revelations of the unethical actions of a number of lobbyists have led to high levels of public mistrust in the relationship between government and so-called 'big business'," reported Transparency International (TI) a leading NGO and watchdog for global corruption. Only one out of the 104 companies surveyed in TI's Corporate Political Engagement Index 2018 qualified for the top category of 'excellent', with 73% of companies getting rated between 'fairly poor' and very poor'.[16]



75% of our survey respondents agreed that the promotion of European environmental and social standards globally would help Europe as a whole become more competitive.

Clearly a tricky balance needs to be struck. As Svein Tore Holsether, the CEO of Yara, pointed out: "One of the challenges for European regulators is to ensure that we don't look at things in isolation. It is important to remember that, if we push industries out of Europe, they may end up in places where they pollute even more." Not only do we need to avoid further undercutting the competitiveness of European businesses; we need to protect the gains that have been made in European environmental and social performance.

So as Europe seeks to build this leadership position it needs to look beyond its borders. Rather than lobbying for governments to relax standards in Europe, businesses should push Europe and its governments to collaborate with other governments to lift the bar abroad. Indeed this is consistent with Europe's traditional modus operandi – leveraging its 'soft power' to nudge other countries towards new forms of human-centered governance.

Job to be done #5
Reset the collaboration between business and government

PROBLEM STATEMENT
We need the government-business partnership more than ever, but mistrust is undermining effective collaboration.

VISION
A revitalised partnership, rooted in mutual appreciation of respective value and collaborative competence

BUSINESS ACTIONS
1. Create a new narrative built on mutual appreciation
2. Learn and practise collaborative competence
3. Work towards the highest common denominator

A FINAL THOUGHT —

In 2018, Winners Take All, a provocative book by former New York Times columnist Anand Giridharadaras, hit the shelves. Its argument, in a nutshell, is that business leaders who say they are trying to do good are often just taking tokenistic steps to placate the public into satisfaction with a status quo from which they profit. In the same vein, the reason why businesses talk down government may be to progressively weaken the institutions that would otherwise have prevented them from extracting maximum rents from society.

We might scoff at this as so much conspiracy theory, but it's a pretty devastating narrative; and it could puncture the will of both parties, in business and government, to come together in a way that is commensurate to the challenges at hand.

'If you treat an individual as he is, he will remain how he is,' Goethe wrote, 'But if you treat him as if he were what he ought to be and could be, he will become what he ought to be and could be.' Business and government need to stop treating each other like cartoons, and treat each other like partners united by a shared mission.

Let's be under no illusions: making a reality of this collaboration will be incredibly hard. And yet it is the only way to unlock a vibrant future for Europe – so let's get to work.

Your invitation: from inspiration to action

Are you now inspired to get to work? We hope so! Our call to action is that you will now take steps to transform that inspiration into tangible action.

Share the report with your team. Take it to your board. Discuss it with your peers. Chew it over with partners across your value chain. Talk about it with your kids.

In this uncertain world, we know at least one thing for sure: each of the jobs to be done – and the four Grand Challenges that make them necessary – demands diverse and creative collaboration across organisations, industries and economies.

Next on the Europe Delivers journey
For the rest of 2019 and throughout 2020, Europe Delivers will continue to serve as a platform for ambitious collaboration towards a new growth model for Europe.

In 2020, we will be holding a series of dialogues in cities across Europe hosted by some of the CEOs featured in this report as well as our advisory board. These dialogues will explore responses to the report and seek to ignite cross-sector collaboration and practical projects.

Growing our community
As we expand our project portfolio, we will seek to widen and deepen the community of leaders committed to unlocking a vibrant future for Europe.

We will connect with Europe's largest businesses and the most innovative start-ups. We welcome involvement from all levels of government, from the European Commission to national policymakers and city mayors. We will tap into the cutting-edge research of academia, and the collective power of civil society.

We hope you will want to join us too. We need you! Together, we can create a new kind of growth for Europe.

Get in touch to join the Europe Delivers community.

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The Europe Delivers team

Europe Delivers is run by a team at Xynteo, which works with business leaders to transform themselves, their organisations and the systems in which they operate. Xynteo's mission? To reinvent growth, together.

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Our quantitative survey was carried out by Opinium.

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"The proposed new commission of Ursula von der Leyen will have to navigate the EU ship through stormy seas. The turbulent next five years will be shaped by our success in dealing with Brexit, the slow-down of our economic performance, the negotiation of the EU budget, the challenge of digitalisation and the climate crisis – all the while maintaining international cooperation in the face of escalating trade wars and financial turbulence.

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