



RE:HUMANIZE INSTITUTE

Responsible Business:
**The key to competitive
advantage in the Nordics**



Can Nordic companies trigger a Butterfly Effect of business responsibility to the benefit of the world and gain significant performance rewards as well?

We believe the answer is Yes—if they recommit to that cause and take a cutting-edge approach to putting responsibility at their core. It's time for bold action on this front. New research by Accenture and Rehumanize Institute identify four steps to making it happen.

Nordic companies can trigger a Butterfly Effect

The looming climate crisis, ongoing pandemic effects, and a war on European soil have presented enormous challenges for businesses around the world, making responsible practices critical to humanity’s future welfare. However, in this context, the scope and speed of needed change can appear overwhelming, especially as rapidly advancing technologies offer solutions and expand competitive threats at the same time.

But we believe therein lies a unique opportunity for Nordic businesses. Just as the flap of a butterfly’s wings on one side of the globe can metaphorically kickstart a tornado on the other, so too can the positive changes our local organizations make drive and support the needed response worldwide.

Consider: Nordic companies have long been known for their Responsible Business practices, and other businesses still look to Nordic companies for best practices in responsibility. According to research by Accenture and Rehumanize Institute, fewer than one in four American and British companies think their own business is ahead of Nordic companies on Responsible Business. If Nordic companies reaffirm their reputation as responsible leaders today, they can originate Butterfly Effects enabling a better tomorrow. The potential financial rewards of this path also appear attractive, as this report will show.

In these complex times, the responsibility to cater for people and planet is, to a high degree, in the hands of businesses. We believe that Nordic companies can and should embrace that responsibility wholeheartedly, and that doing so will pay off for them.

What is the most effective approach?

To answer that question, Accenture and Rehumanize Institute surveyed nearly 400 business executives in Denmark, Finland, Norway, Sweden, the UK, and the US. We also conducted more than 20 in-depth interviews.

Our research findings identified four steps to becoming a Responsible Business Leader:

- 1 **Articulate a fundamental Future Focus that grounds all actions;**
- 2 **Set an intentional direction through Impact Leadership;**
- 3 **Foster and facilitate Ecosystem Action; and**
- 4 **Engage in continuous measurement, using Responsible Business Indicators.**

Responsibility as a competitive advantage

With COP26 behind us, and COP27 just around the corner, Responsible Business is increasingly on business leaders’ minds. Business leaders say it is one of their top priorities, with good reason. The burning platform not only includes the accelerating climate crisis, but also the need to leverage new technologies such as AI ethically, and address persistent inequality, exclusion, and lack of diversity. Consumers are making it clear that they are willing to buy more responsibly. And a growing number of governments have made firm commitments to become more responsible – e.g., by committing to net zero goals.

For companies, our analysis shows a correlation between taking responsibility and stronger financial performance. In fact, across the Nordics, the US and the UK, the 25% of companies that are most advanced on responsible business (“Leaders”) achieve 14x higher revenue growth and 4x higher operating profit growth on average than the 25% that are least advanced (“Laggards”) (see our methodology on page 34). Prior Accenture analysis also indicates that

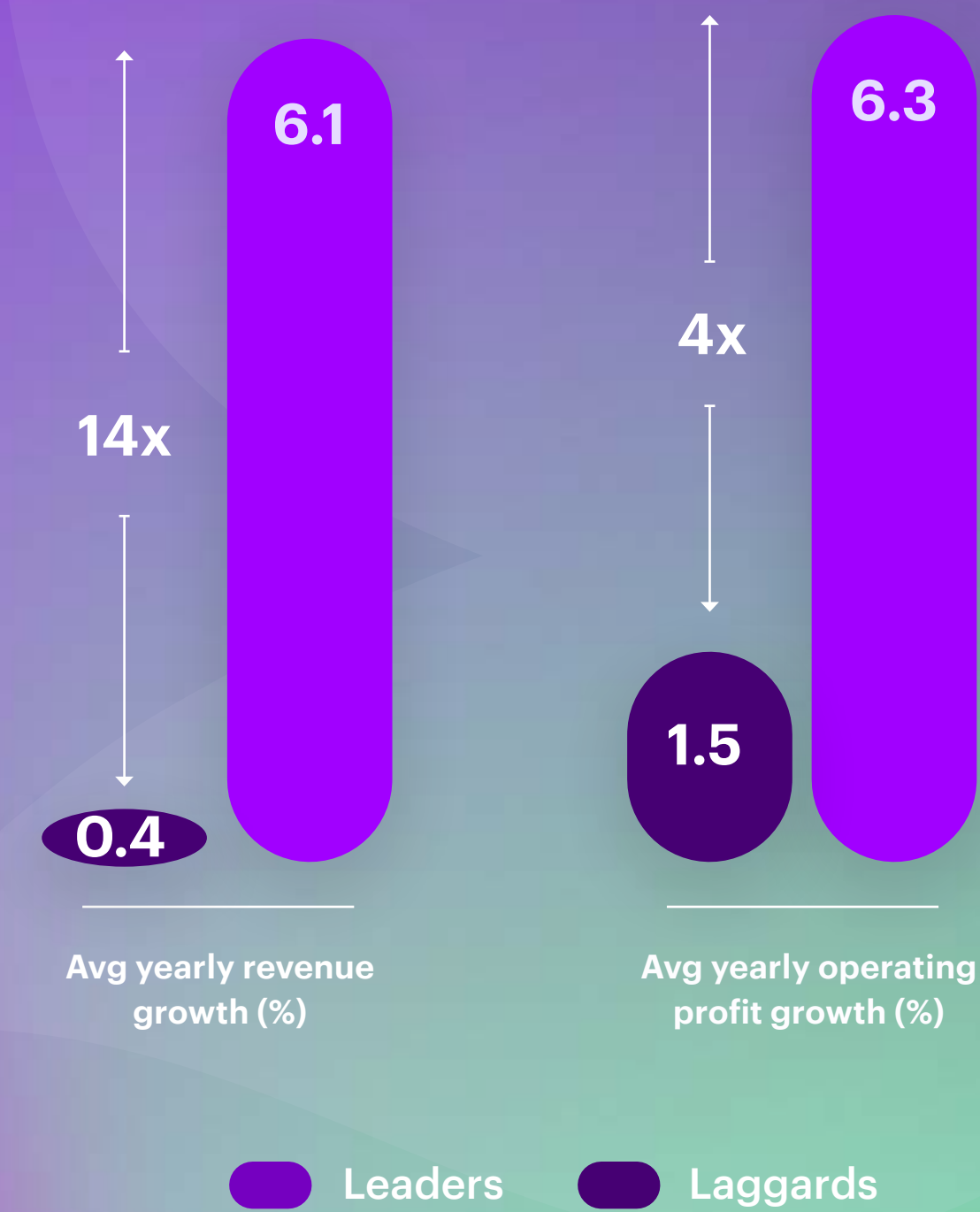
leadership teams that build sustainability into the DNA of their organizations are better able to deliver financial value and wider stakeholder impact. In fact, organizations with the most deeply embedded sustainability management practices outperform peers by 21% on both profitability and positive environmental and societal outcomes.

This information suggests that we are rapidly moving into an age where organizations need to go through a Responsible Business Transformation—arguably the most important business transformation ever—to protect the future and thrive in it. As one of the executives we interviewed said: “If we don’t invest now, we’re not going to have a business in the future.”

Leaders are more than 2x more likely than Laggards to consider it very important to them personally as senior executives that their organization is a Responsible Business.

We define a Responsible Business as an organization working to transform the global economy to be more responsible and work for the benefit of all, e.g., through focusing on sustainability, diversity and inclusion, equality, privacy and data ethics, circular and regenerative business models, and the UN’s Sustainable Development Goals.

Responsible Business Leaders achieved 14x higher revenue growth and 4x higher operating profit growth than Responsible Business Laggards in the past 3 years.



Nordic companies' history as Responsible Business Leaders

Companies from the biggest Nordic countries (i.e., Denmark, Finland, Norway, Sweden) have long had a well-deserved international reputation as responsible actors.

A great deal of credit for this reputation should go to their governments. Sweden was, for example, the first country in the world to pass an environmental protection act in 1967. And Nordic countries regularly come out at the top of global sustainability rankings: the top three countries in the ranking of the 193 UN member states' performance on the Sustainable Development Goals (SDGs) are Nordic, while all the Nordic nations regularly place in the top 10 of the greenest countries in the world.

But the business sector has also long earned its due as well. Consider: Every year, the Toronto-based magazine Corporate Knights presents a list of the 100 Top Ranking Sustainability Performers. Their ranking is based on listed companies with gross revenue higher than USD 1 billion for the prior fiscal year (e.g., FY2019

in 2021). Over the past three years, at least three out of the top 10 companies on their index have been Nordic. This is not a small feat for a region where the four aforementioned countries' GDP combined would constitute only the 12th largest economy in the world.

Less than 1 in 4 (24%) of US/UK companies perceive their organizations to be ahead of Nordic companies on Responsible Business.

Nordic outperformance is well represented beyond the top 10, as well. In 2021 for example, the share of Nordic companies on the Top 100 list was 4x higher than in the initial pool of more than 5,000 companies (i.e., 14% of Nordic firms made the top 10, while Nordic firms accounted for only 3% of the initial pool).



Turning a fading advantage into competitive advantage

Despite their stature, Nordic companies' Responsible Business advantage is quickly fading away. Nordic firms are still progressing on Responsible Business. However, another Accenture analysis shows that Nordic organizations' lead on the Responsible Business front—as measured by average company ESG score from several data providers—has dropped by more than 30% since 2015. While this data signals a much-needed growing interest in Responsible Business, it should also serve as a warning to Nordic companies. They cannot count indefinitely on their responsible reputation as a competitive differentiator.

Additionally, Accenture's Sustainable Organization Index—which grades almost 4,000 companies on the strength of their ESG-supporting practices (what we call "Sustainability DNA")—also suggests that Nordic companies may be falling behind relative to European competitors. The analysis of 4,000 companies, including 191 Nordic companies, indicates that, in 2021, Nordic companies scored higher than the global average, but below the European average.

Several reasons explain these trends. First, although Nordic companies have a reputation of being more responsible than others, the requirements for being responsible have grown, and many have not kept up by embedding responsibility

deep into their organization's core. Fewer than one in 10 Nordic companies (8%) say that acting as a Responsible Business is part of the whole organization's operating model. And less than 40% (38%) say that they are very prepared to be a leader on Responsible Business in 3 years' time. In line with this, both Nordic companies and those in the rest of the world achieve ESG scores on average between 50 and 60—far from the top of the scale at 100.

Second, as global peers have increased their focus on responsibility, actions that would have been considered as progressive in the past are now becoming "hygiene factors" that are not enough to set a company apart from competitors.

In line with this, Nordic respondents say that increased global competition is the number one factor that has increased the difficulty for their organization in advancing its focus on being a Responsible Business. Third, a mix of regulation, new technology, and increased need for speed are making it more difficult in general for companies to translate Responsible Business targets into concrete processes and behaviors in an agile way. Instead, we see Nordic companies and others getting bogged down as they try to execute on top-level directives.

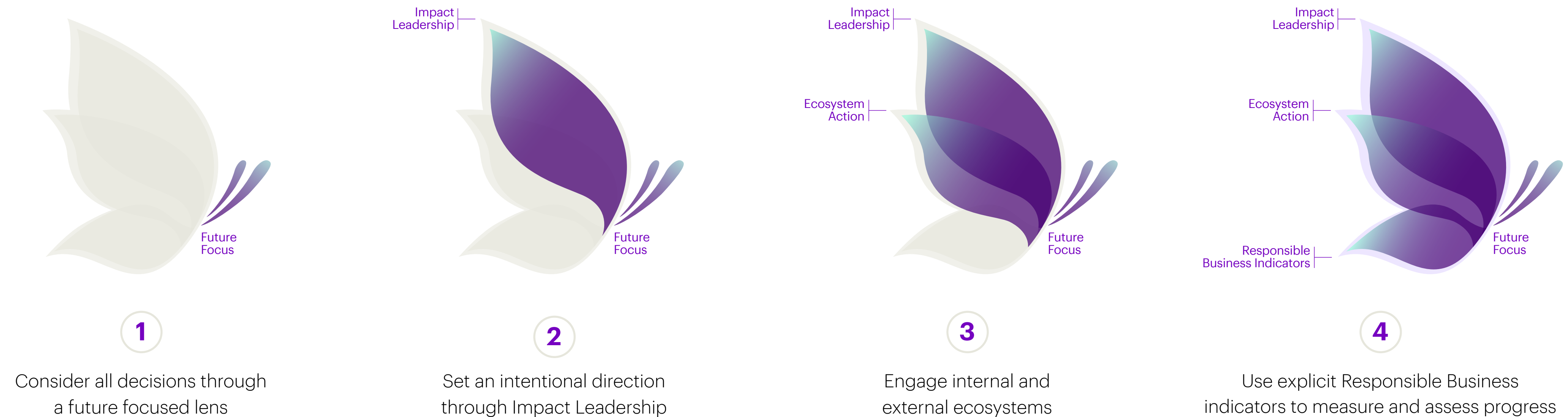


"I have a clear sense that we will move from carbon reductions to speaking about sustainability more broadly in terms of climate and equal opportunities for all, and we will look more broadly at how we as humans can live and survive on this earth."

Global technology company Executive

As noted, our research indicates that a four-step framework can help companies be responsible in today's world.
A set of specific actions nest under each of these headings.
These actions don't exist in isolation, however. In practice, they're deeply intertwined.

The four steps to Responsible Business leadership



To arrive at these steps, we identified the companies that are leading and lagging in terms of responsibility, in the scope of the study and analyzed the differences. We then considered leaders' differentiators, and the commonalities among leaders' actions, in more detail.

Step 1

Future Focus

Exploring what drives long-term impact

Foundation

To set priorities, organizations need to develop a map that shows what their options are. Specifically, this means exploring potential scenarios, conducting trend and technology research, articulating what success will look like, and creating explicit supports to achieve success—for example, by aligning formal continuous learning throughout the organization to that end.

“Through the many organizational trainings we’ve done, it’s clear that knowledge tends to be very compartmentalized. This means that professionals are deep experts in one area – the best in the world even – but they do not know what goes on in adjacent areas. This is increasingly a challenge as technologies as well as industries are converging. To be future-ready organizations therefore need to have both deep and broad knowledge about trends and technology.”

Rehumanize Institute



Future Focus

Enablers

Mapping the future: Invest in understanding technological development, changes in global governance, geopolitical shifts, and other macrorends. One of the executives we interviewed has set up a climate innovation fund to help them scope out future problems and start brainstorming solutions using a variety of existing and emerging technologies. This approach helps the organization embed the principle that their Responsible Business practices cannot be static but must change continuously as the nature of the challenges and the possibility for new solutions evolve.

Continuous learning: Enable—and require—employees at all levels to learn from inside of the organization, as well as from outside. As executives from the companies leading in Responsible Business today told us, fostering a deep understanding of emerging technologies and trends among all employees betters

their odds of being more effective innovators who can solve tomorrow's problems. To do this, they told us, they combine a variety of formal and informal tactics. For example, in addition to requiring employees to complete common training programs, some run cross-functional debate clubs on future challenges; others run programs to help employees map out their skills gaps and passions related to company strategy. The specific activities differed considerably among our respondents; the common thread was regular and cross-functional training and engagement.

Interestingly, we found that the companies we identified as leaders (see our methodology) reported higher levels of idea sharing and collaboration overall than companies that were behind the curve as Responsible Businesses. This finding strongly suggests that a mix of efforts with a shared intent add up to great effect.

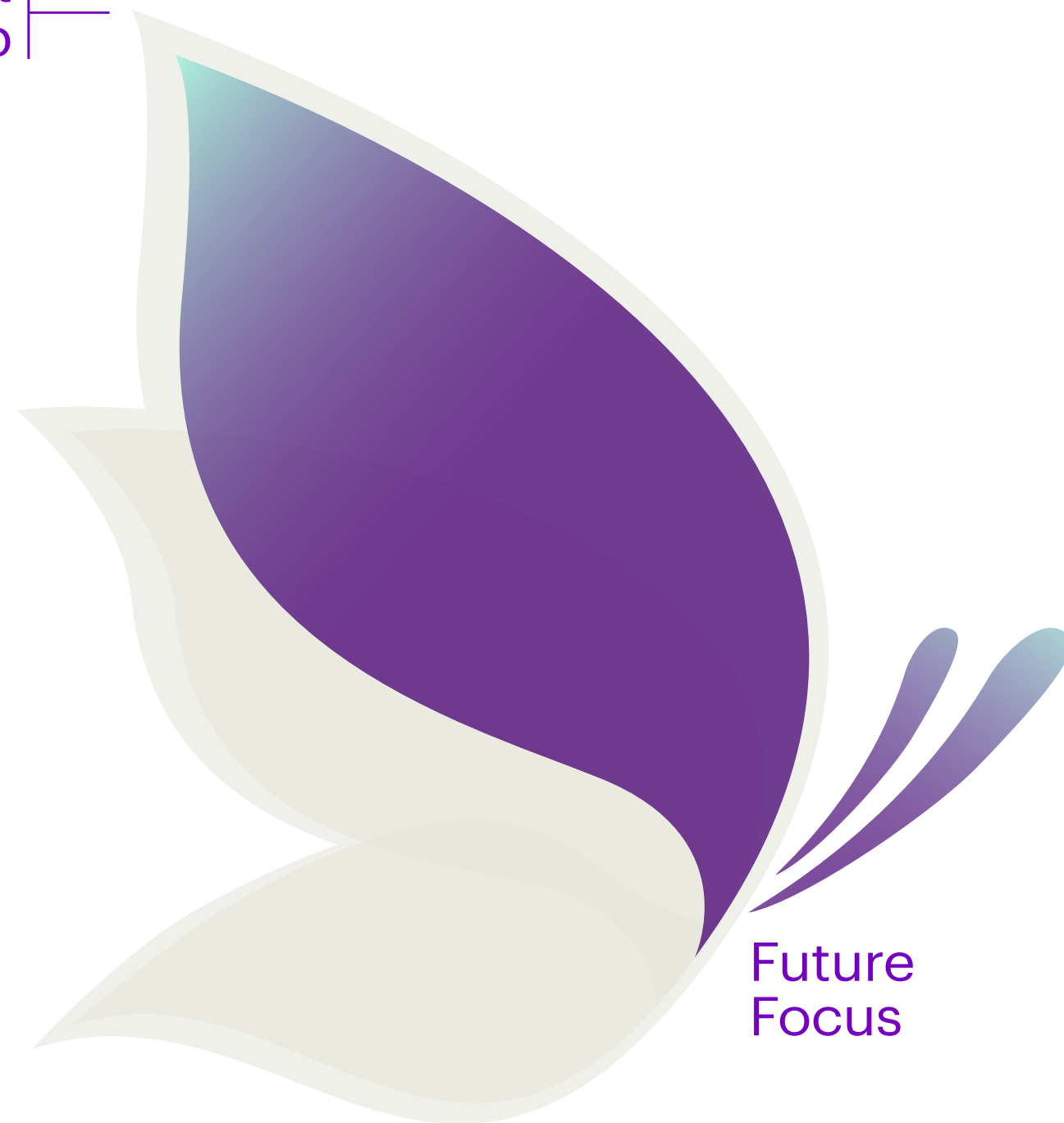


Step 2

Impact Leadership

Setting the intentional direction

Impact
Leadership



Future
Focus

Foundation

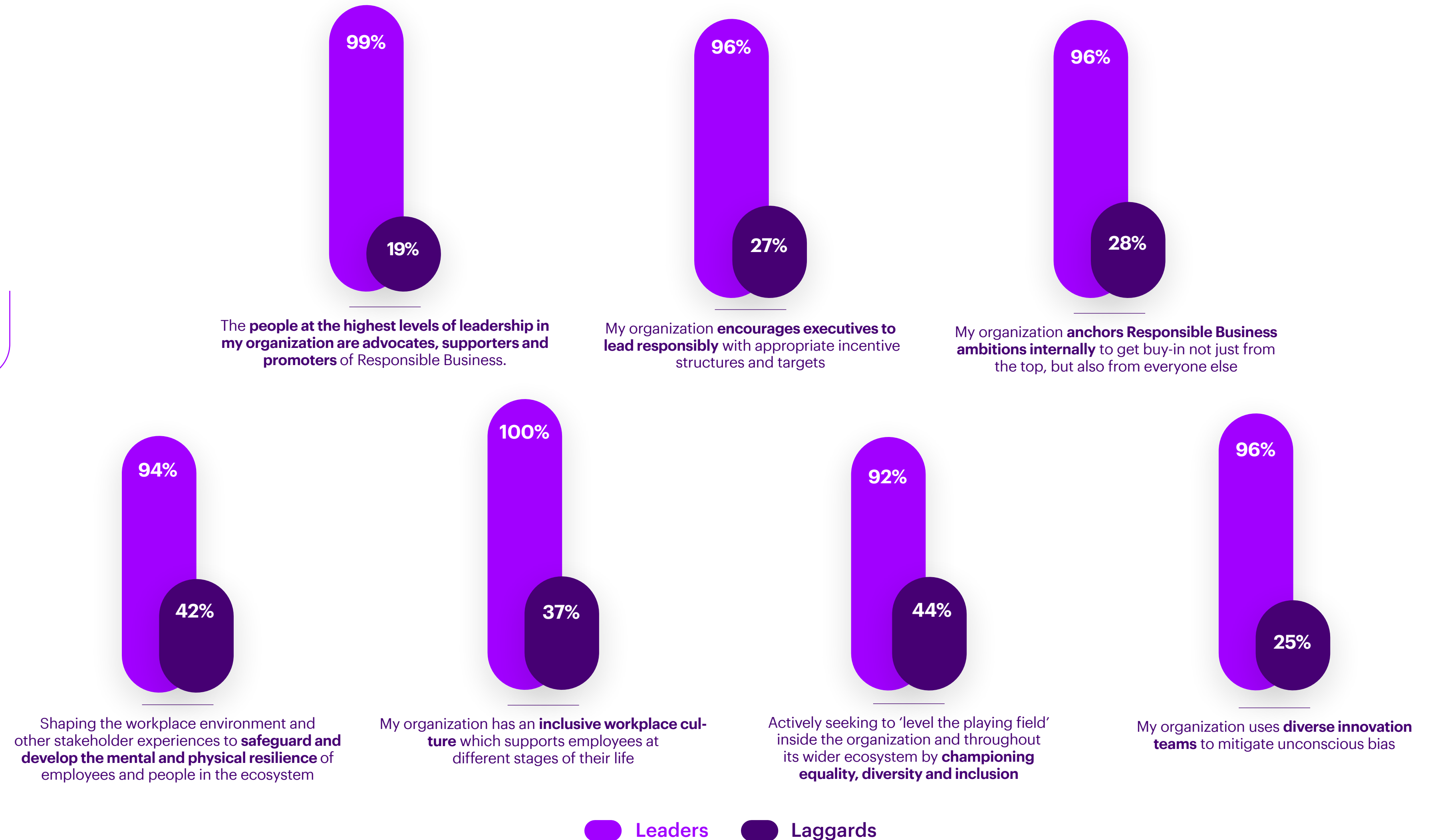
Becoming a responsible organization requires intent at the heart of the company. Senior leadership teams at the leading Responsible Businesses were more than two times more likely than those furthest behind the curve in our study to say that it's very important to them personally that their organization is a Responsible Business.

The organization should see it and feel it daily through systems, management practices, and management attitudes. In this way, being a Responsible Business is always in view; ultimately it becomes part of the company's culture. As being responsible becomes a default company practice, it also affects the business ecosystem, influencing partner relationships.

“With regard to the climate crisis, I think we acknowledge the fact that the company is contributing to the problem, but we also acknowledge the fact that we need to do something about it and lead the way.”

American multinational Executive

Almost all Responsible Business Leaders (99%) say people at the highest levels of leadership in the organization are advocates, supporters and promoters of Responsible Business. This compares to less than two in 10 Laggards (19%).



Enablers

Leadership buy-in: Perhaps unsurprisingly, senior leaders at the most Responsible Businesses made it a practice to articulate what being a Responsible Business means to them explicitly, and continuously. They talk about the values they see as core to being responsible, both internally and externally. They also talk about their practices—and their learning curves—publicly and widely. And they follow through with policies, practices, supports, and incentives to show employees and other stakeholders that their talk is backed with action. That's Impact Leadership. These activities also trigger the Butterfly Effect.

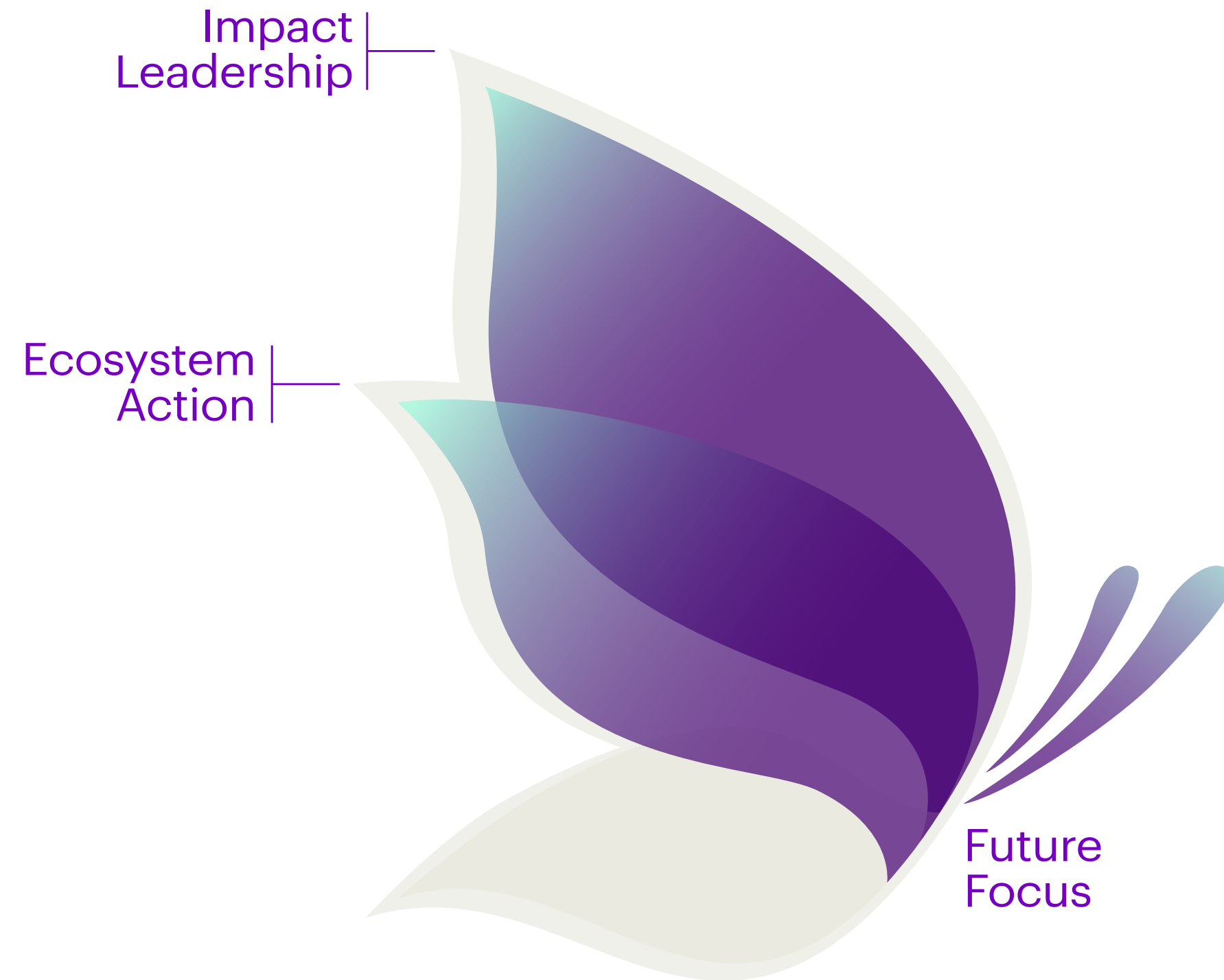
Inclusive innovation culture: Back these beliefs with practices that make it easy to be responsible in tangible ways. A responsible culture can take hold when workers are encouraged and enabled to act responsibly through their daily activities, and when such activities are reflected in performance assessments. For example, the leading companies in our study sponsored regular programming around topics such as diversity and inclusion and mental health to promote employee wellbeing. They are also deliberate about taking steps to avoid unconscious bias in their offerings, for example by deploying diverse innovation teams that represent a wide variety of functions, points of perspective, and experiences.



Step 3

Ecosystem Action

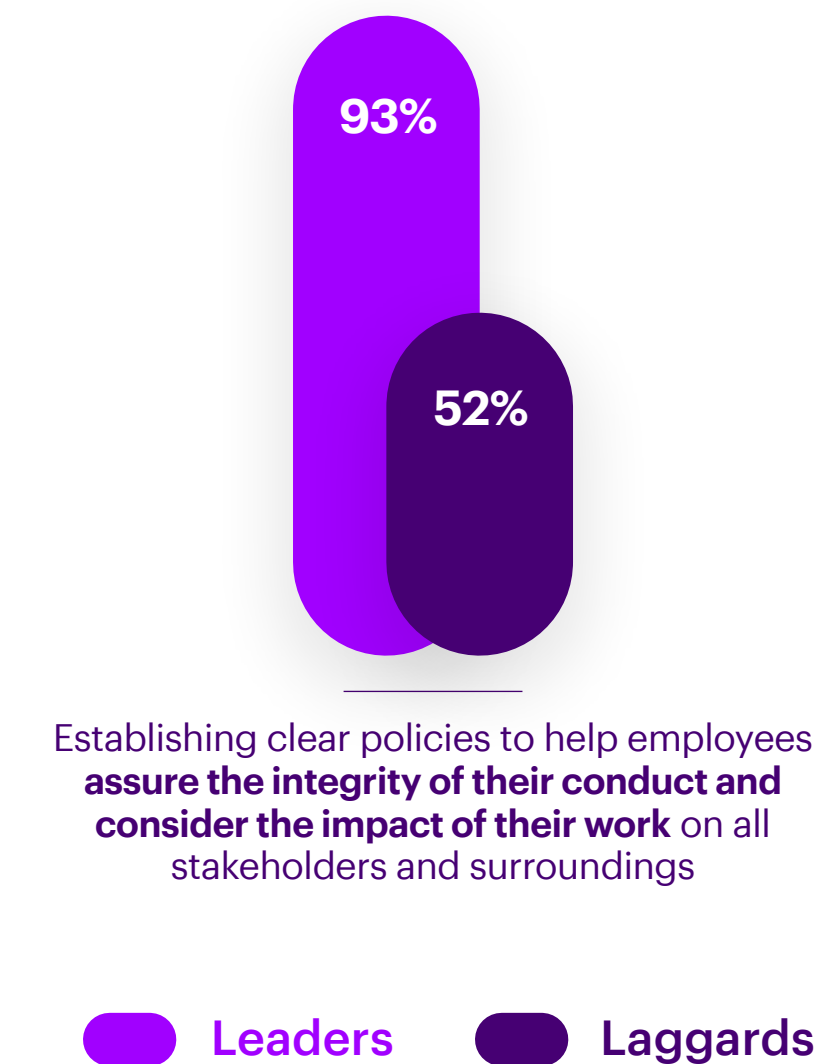
Turning the intent into the concrete



Foundation

Ecosystem Action is about how the organization cooperates and sets up new processes to become a Responsible Business leader, both internally and externally. It's about making Responsible Business engrained in the whole organization, not just a small, dedicated unit. And it's about leveraging the power of the entire ecosystem—suppliers, partners, customers—to drive Responsible Business initiatives in practice through concrete action.

More than 9 in 10 Leaders agree or strongly agree that their organizations have clear policies to help employees assure the integrity of their conduct and consider the impact of their work. This compares to only slightly more than half of Laggards.



Enablers

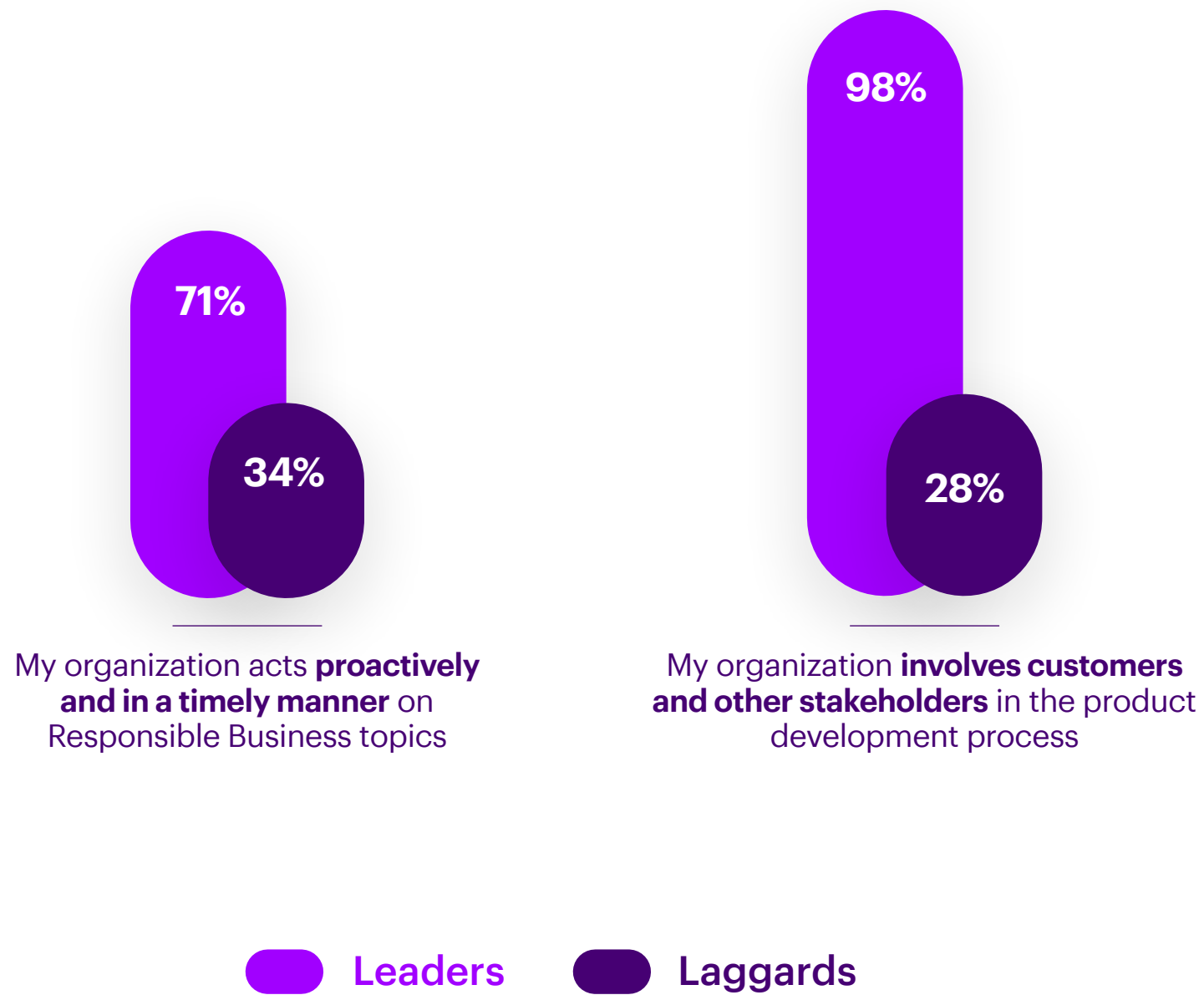
Stakeholder inclusivity: Responsible Business Leaders create a structure that enables accountability, innovation and impact. They do so through internal and external organizations e.g., through an independent board focused on Responsible Business and by requiring employees and ecosystem partners to go through training. Responsible Business Leaders typically have at least one independent board/committee with a special focus on Responsible Business that reports directly to the CEO or to an executive group.

Additionally, Responsible Business Leaders are more likely to engage customers and other external stakeholders in their innovation and product development processes—and use their input to advantage. They are also meticulous about their data use, for example ensuring that processed data from customers is not used by a third party unless the customer has explicitly approved that use.

Process innovation: Closely related to stakeholder inclusivity is the notion of process innovation. Responsible Business Leaders continuously refine their processes to be on the cutting edge of innovation and to ensure they do so in a responsible way. For example, not only do they conduct future forecasting exercises where they explore future business cases, but they also engage in threat-casting (i.e., identifying future scenarios of harmful impact), and impact monitoring after product and service launches. They also innovate on their supply chain processes to ensure responsible conduct. An example of this is requiring suppliers to go through certification to ensure they live up to their standards. Some even incentivize responsible supplier behavior with higher prices. One of the companies we spoke to for example recognizes suppliers that achieve a higher level of sustainability certificates with higher prices; thereby creating better incentives in their ecosystem.

More than 7 in 10 (71%) of Leaders agree that their organization acts proactively and in a timely manner on Responsible Business topics, vs. just one in three of laggards

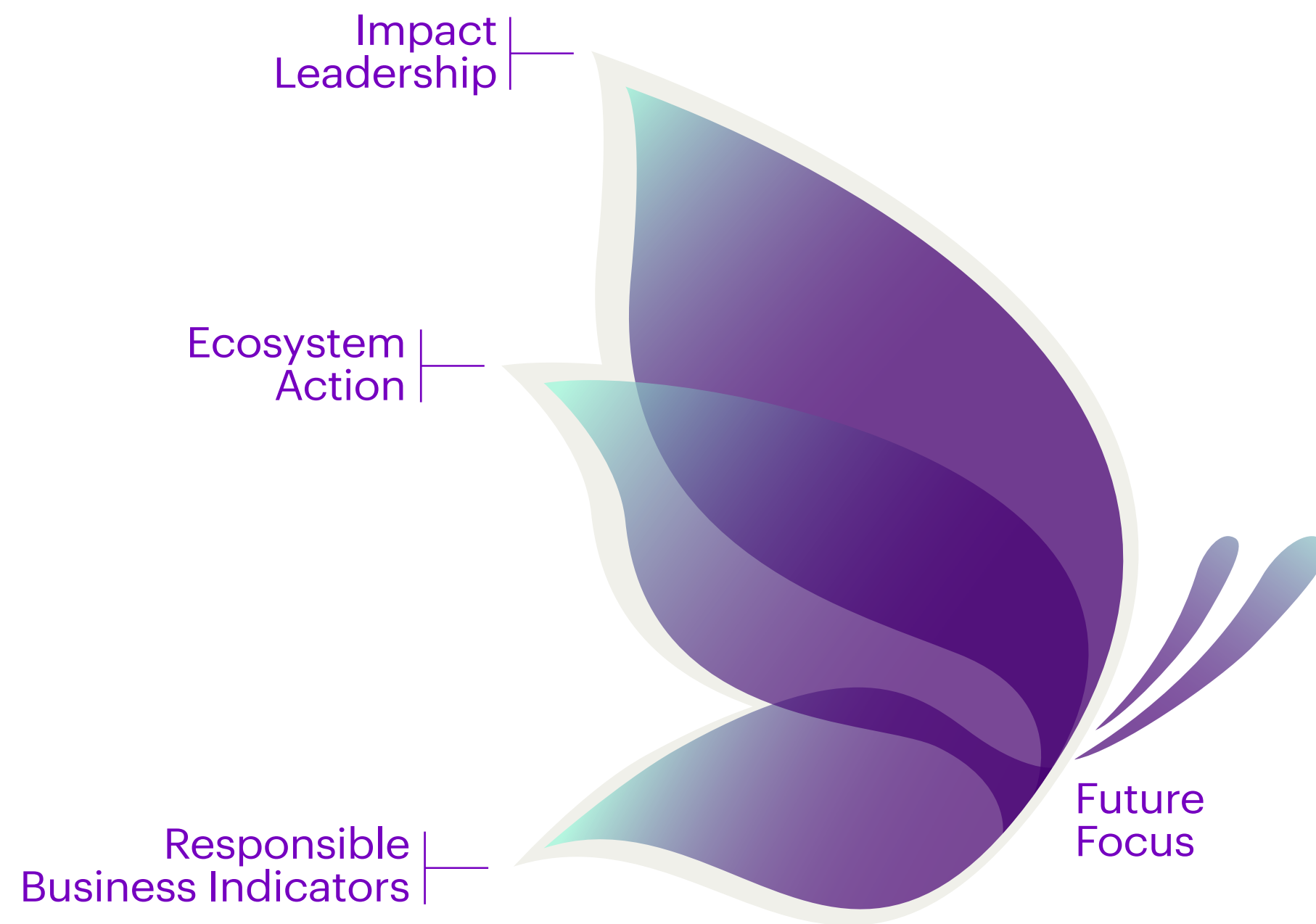
Survey Q34



Step 4

Responsible Business Indicators

Making actions impactful and measurable



Foundation

Responsible Business Indicators—i.e., KPIs that are specifically oriented towards setting targets and measuring progress within the Responsible Business agenda—play a huge part in becoming a truly Responsible Business. By establishing explicit Responsible Business Indicators, communicating them externally, and reporting on progress, the organization pushes itself to improve. At Accenture, for example, stakeholders can access metrics related to responsibility in one place on the company's website and further explore what frameworks and standards that the company is currently reporting against.

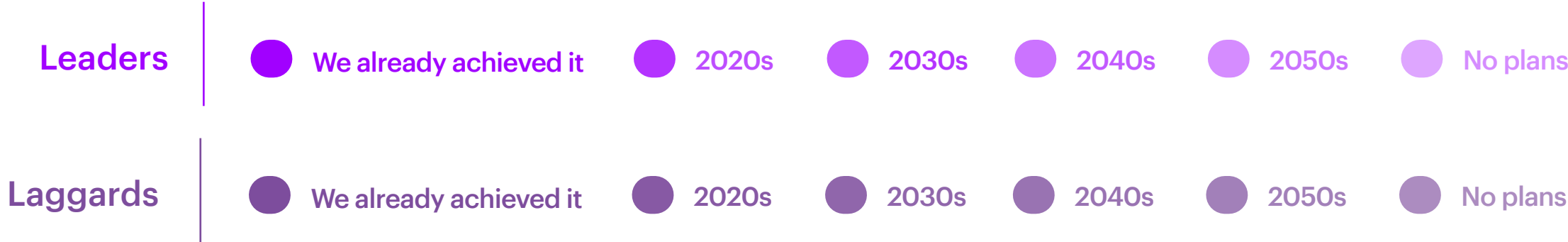
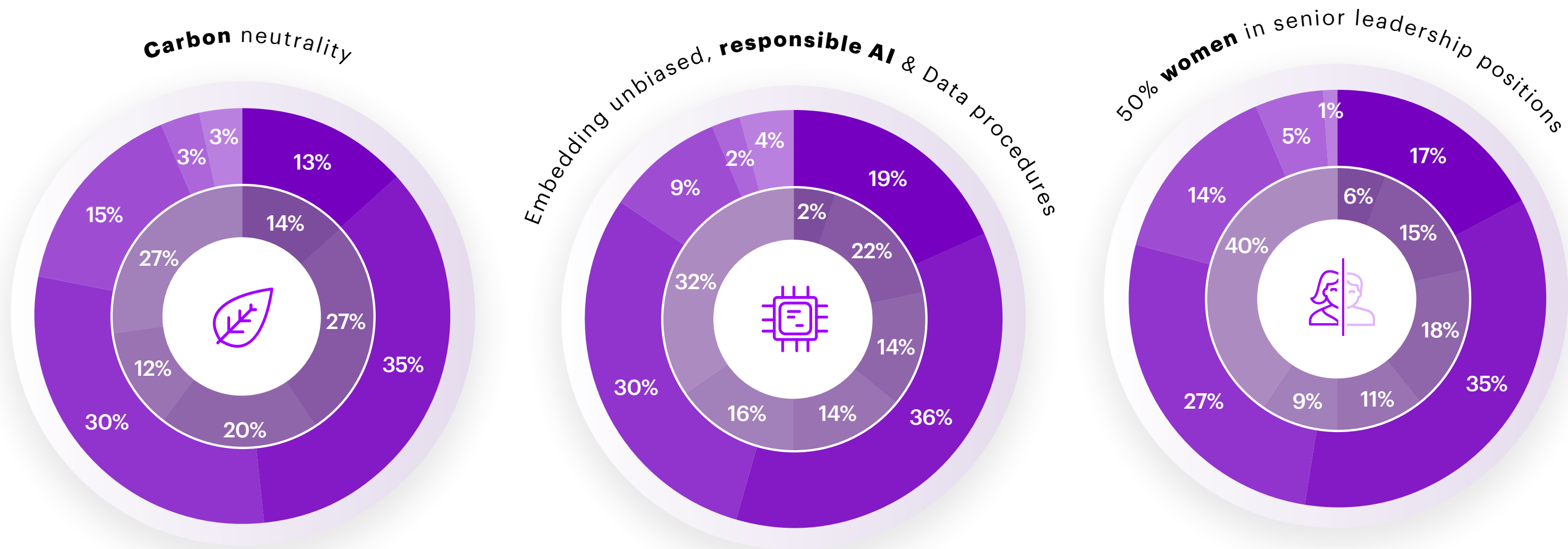
Enablers

Future-forward commitments: Responsible Business Leaders have committed to Responsible Business Indicators on topics such as carbon, plastics, and Board of Director composition to a far greater extent than Laggards. Practically all Leaders already have plans around new circular business models and achieving 50% women in senior leadership positions. Among Laggards by contrast more than 30% of organizations have no plans around these topics (32% and 40%). As such, Leaders are making further commitments to a responsible future across the ESG spectrum. To do so, they continually scout the potential business impact, value and viability of a range of possible future actions—mapping out the associated metrics along the way.

The most mature Responsible Businesses have ethics and sustainability targets deeply embedded throughout the value chain to ensure they act responsibly in product development as well as in their logistics. To support those efforts, they ensure that high quality data is flowing where it's needed, across company functions and throughout their ecosystems. This could for example involve working with open access platforms to help expand their data coverage. They also have more basic structural mechanisms in place, such as a budget dedicated to Responsible Business investments and incentive structures and targets to encourage executives to lead responsibly. Some companies are for example including climate considerations in senior executive remunerations as well as performance against climate targets as part of the bonus pool assessment for the wider workforce.

Despite the urge from COP26 to achieve carbon neutrality by 2050, 27% of Responsible Business Laggards don't yet have a plan for making progress towards that goal

By when is your organization planning to achieve...

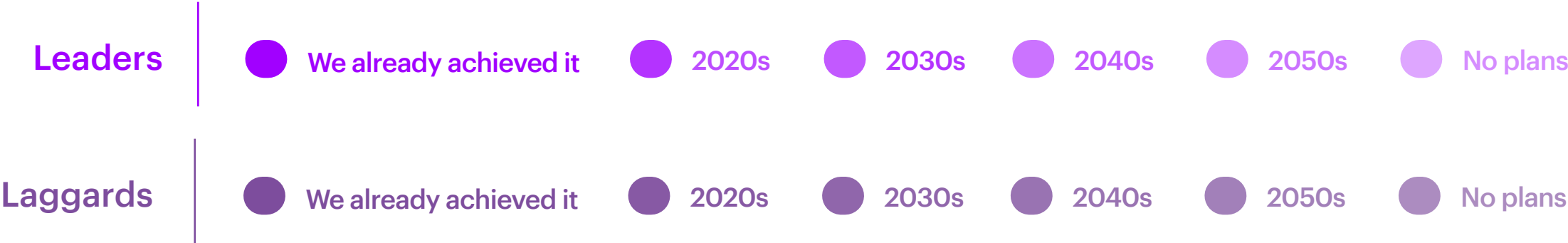
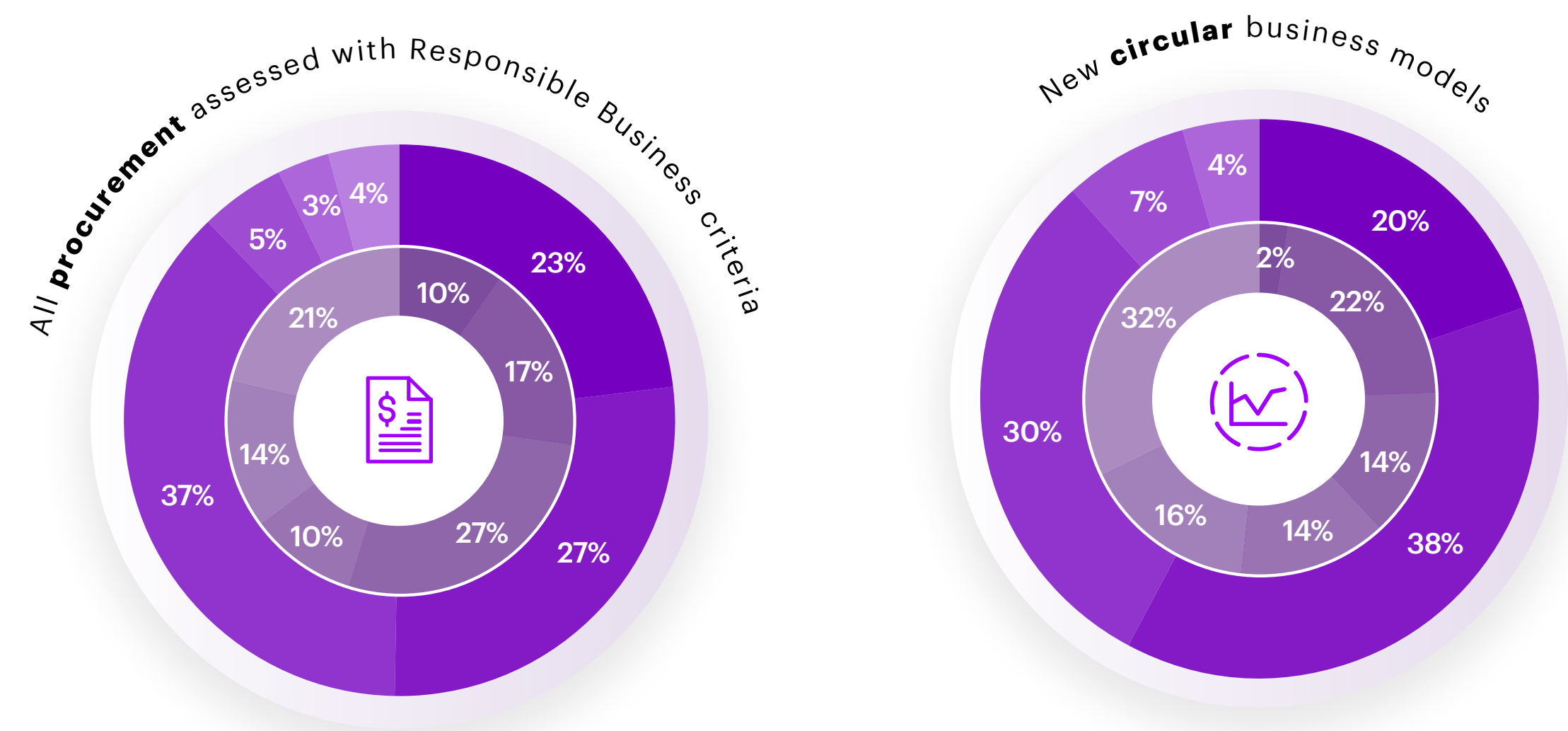


The power of transparency, analysis, and experimentation:

Responsible Business Leaders analyze inputs, impact, and risks across multiple time horizons before making decisions—and course correct based on new information. This allows them to make data-driven commitments and monitor them continuously. In this way, the organization can continuously move forward in a dynamic way, based on the latest data and the latest learnings. Why does this matter? Because even some of the most responsible organizations agree that it is still early days when it comes to identifying the right goals and setting up the right measurements and indicators to ensure a responsible behavior and positive impact.

By tracking against clear targets, managing the journey towards them, and measuring performance accurately, the organization can demonstrate impact in a transparent and trustworthy way. To achieve this, Responsible Business Leaders increasingly bolster credibility to their Responsible Business Indicators by allowing third parties to scrutinize their progress – e.g., by signing up for the Science Based Targets Initiative when it comes to net zero goals. This is especially critical in an environment where measurement is becoming increasingly complex. As one of the banks we spoke to explained, calculating risk weighted assets is one thing. Measuring ESG risk exposed assets is a completely different thing, where you have to look at the third or even fourth party level to understand the full supply chain risks. Companies can easily report their financial status for the month. Asking them to report their carbon footprint for the past month is something completely different.

By when is your organization planning to achieve...



Key actions

If we are to collectively solve the challenges that the world is experiencing, we need to trigger a Butterfly Effect and accelerate the Responsible Business Transformation.

By following the design principles that this research study uncovers - having a Future Focus, ensuring Impact Leadership, creating Ecosystem Action and developing the right Responsible Business Indicators - Nordic companies have a real opportunity to recommit to their role as Responsible Business Leaders that will not only gain them a powerful competitive advantage but also put them in a position to increase their positive impact on the world.

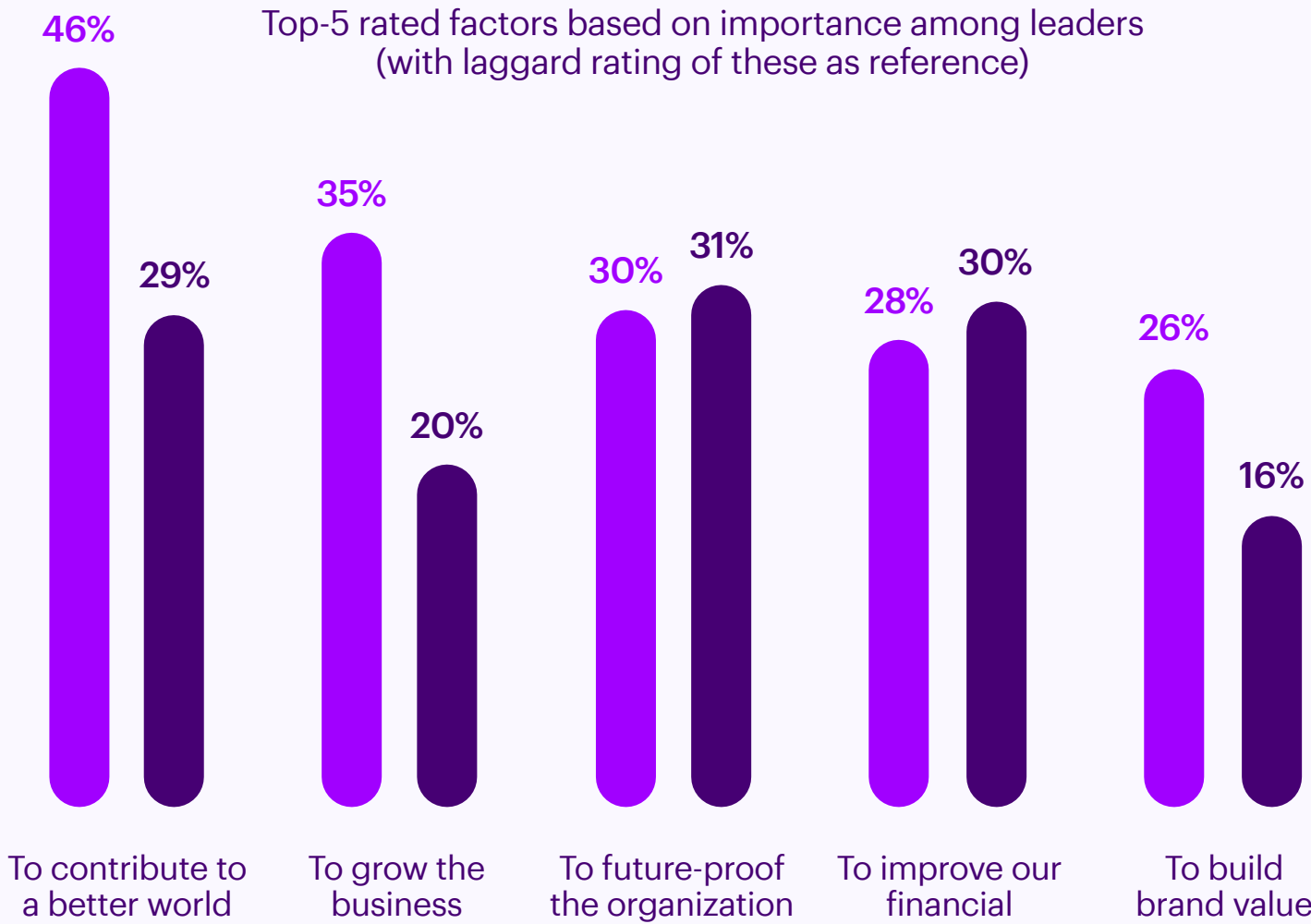
Appendix

Additional insights from the study

What do you consider the main benefits your organization gets or expects to get out of being a Responsible Business?

Top 5 Leaders vs Laggards

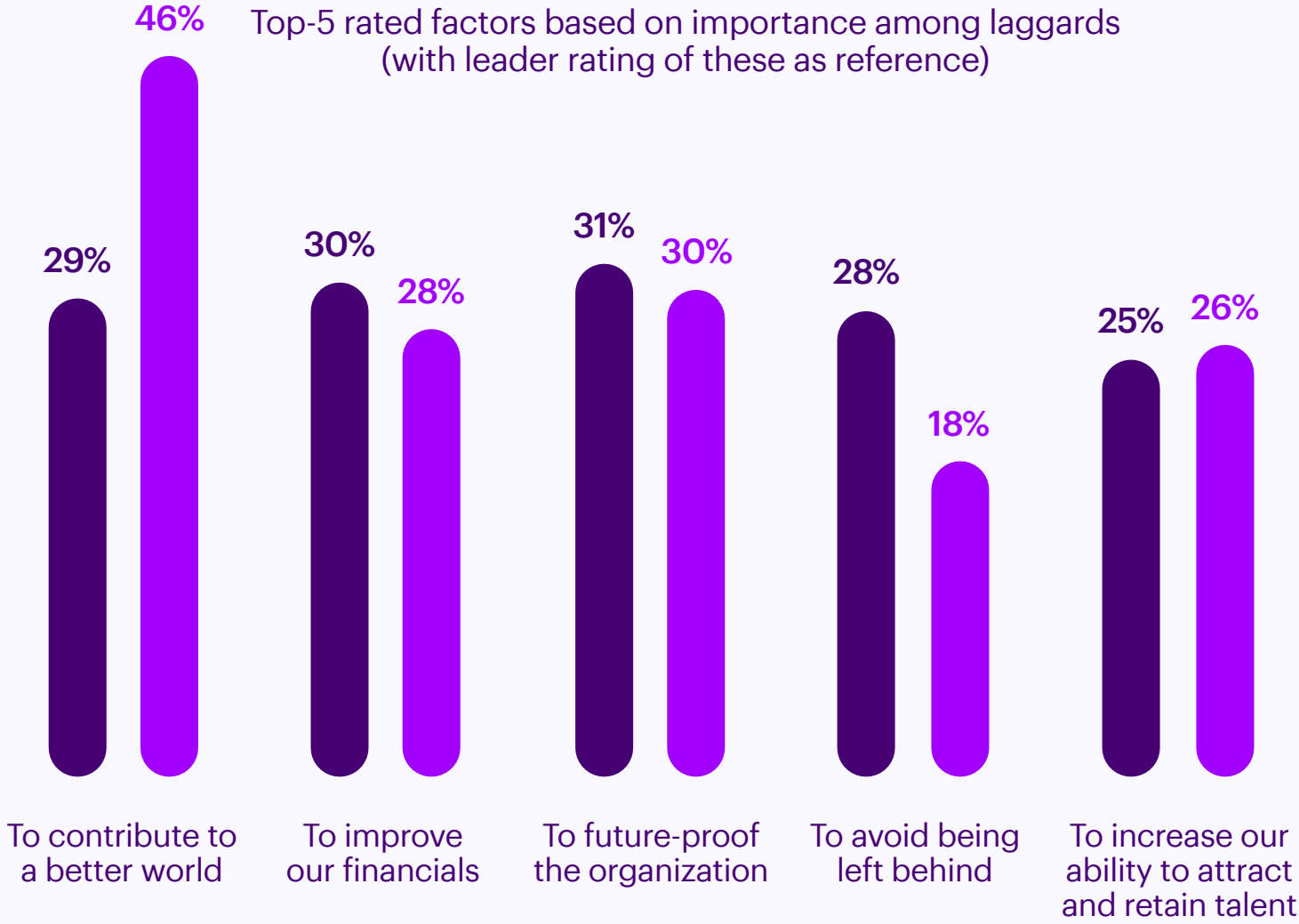
Top-5 rated factors based on importance among leaders
(with laggard rating of these as reference)



Leaders Laggards

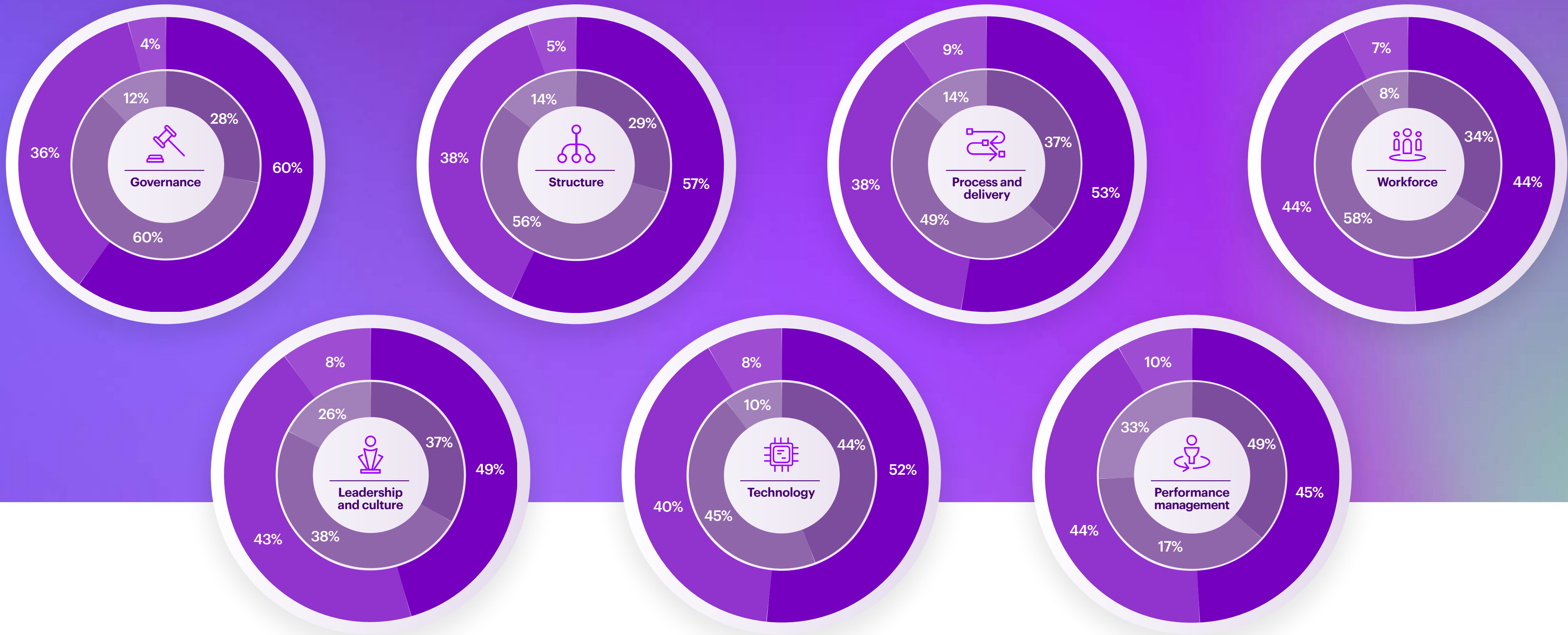
Top 5 Laggards vs Leaders

Top-5 rated factors based on importance among laggards
(with leader rating of these as reference)



Laggards Leaders

How future fit - as a Responsible Business - do you experience your organization is in regards to the following domains?



Leaders

Fit for the next 3 years Fit for today / now Not fit

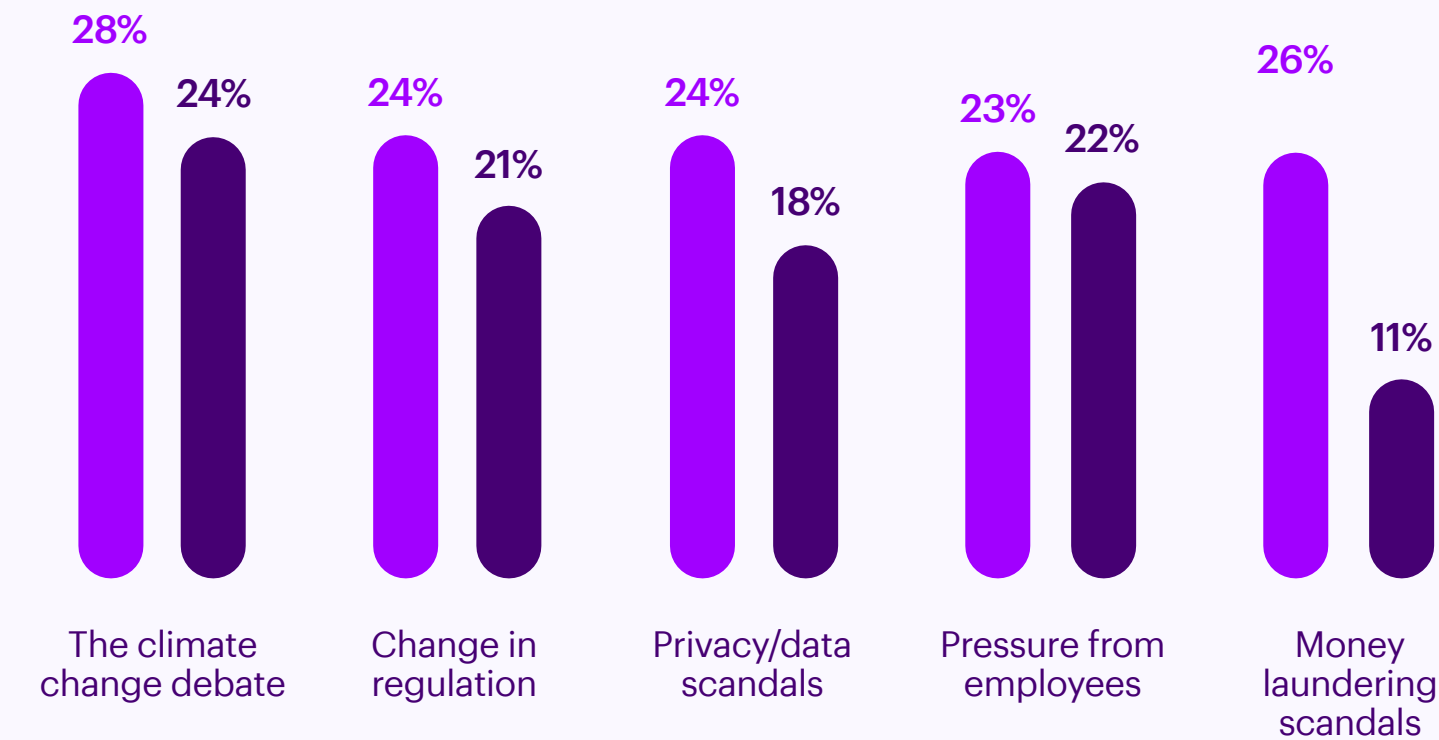
Laggards

Fit for the next 3 years Fit for today / now Not fit

What, if anything, has been the trigger for your organization's increased level of attention to becoming a Responsible Business?

Top 5 Leaders vs Laggards

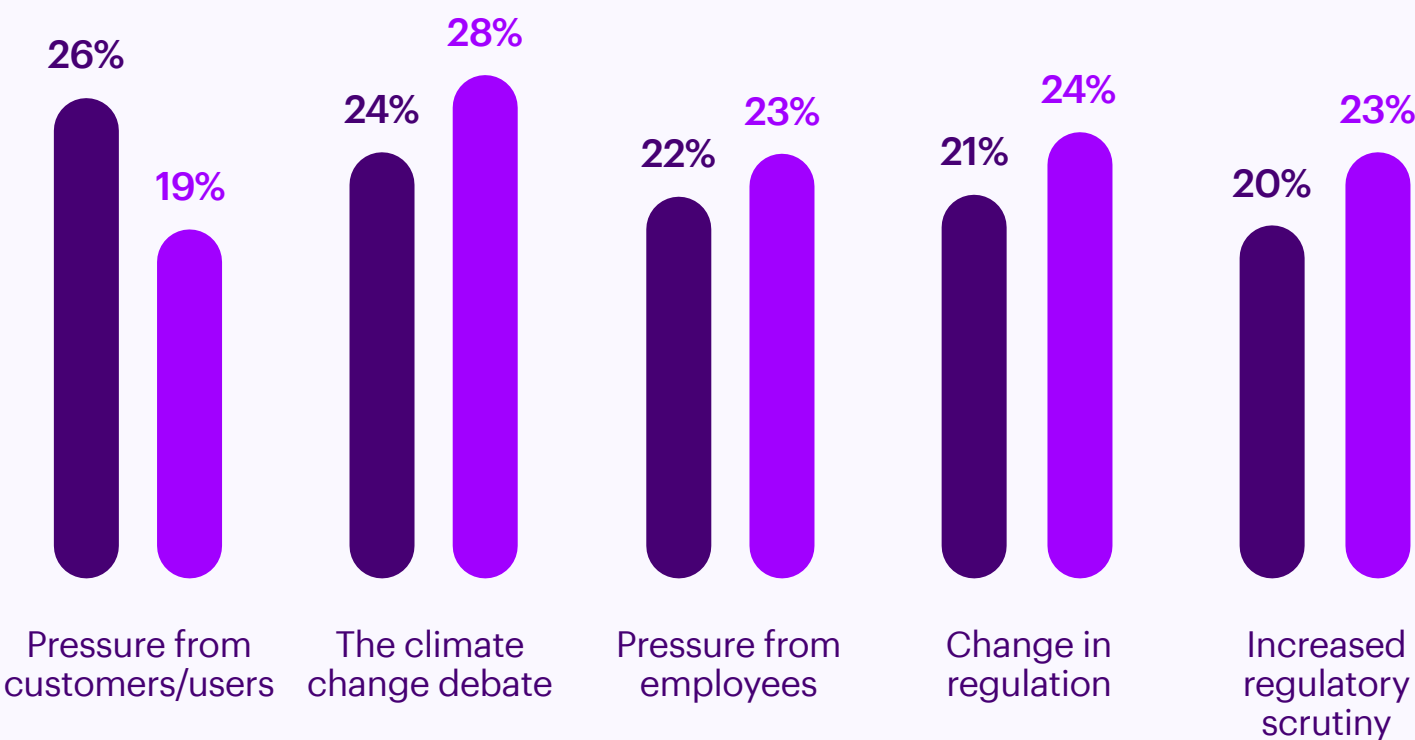
Top-5 rated factors based on importance among leaders
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Leaders Laggards

Top 5 Laggards vs Leaders

Top-5 rated factors based on importance among laggards
(with leader rating of these as reference)

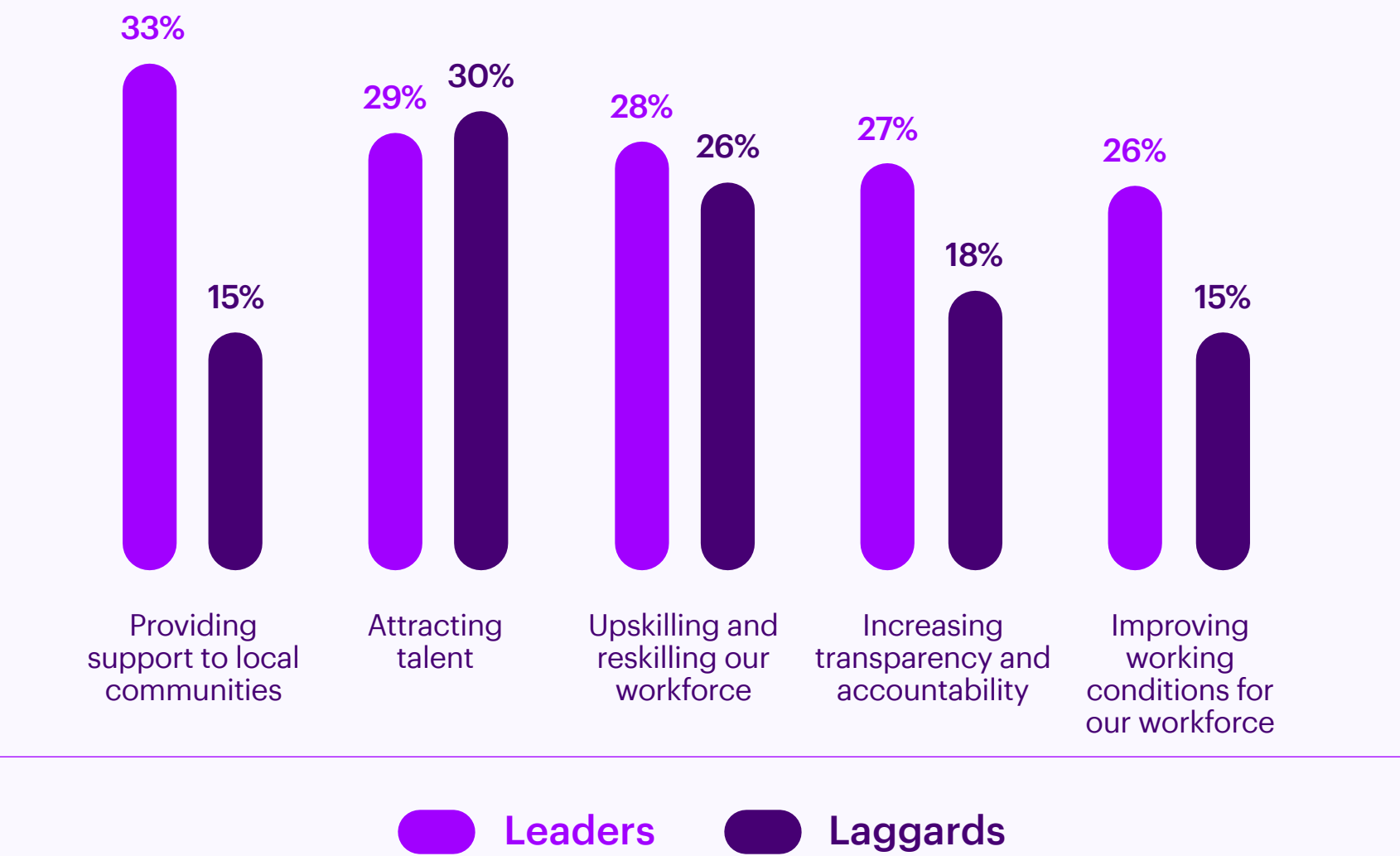


Laggards Leaders

Which of the following business initiatives, if any, are priorities for investment within your organization currently?

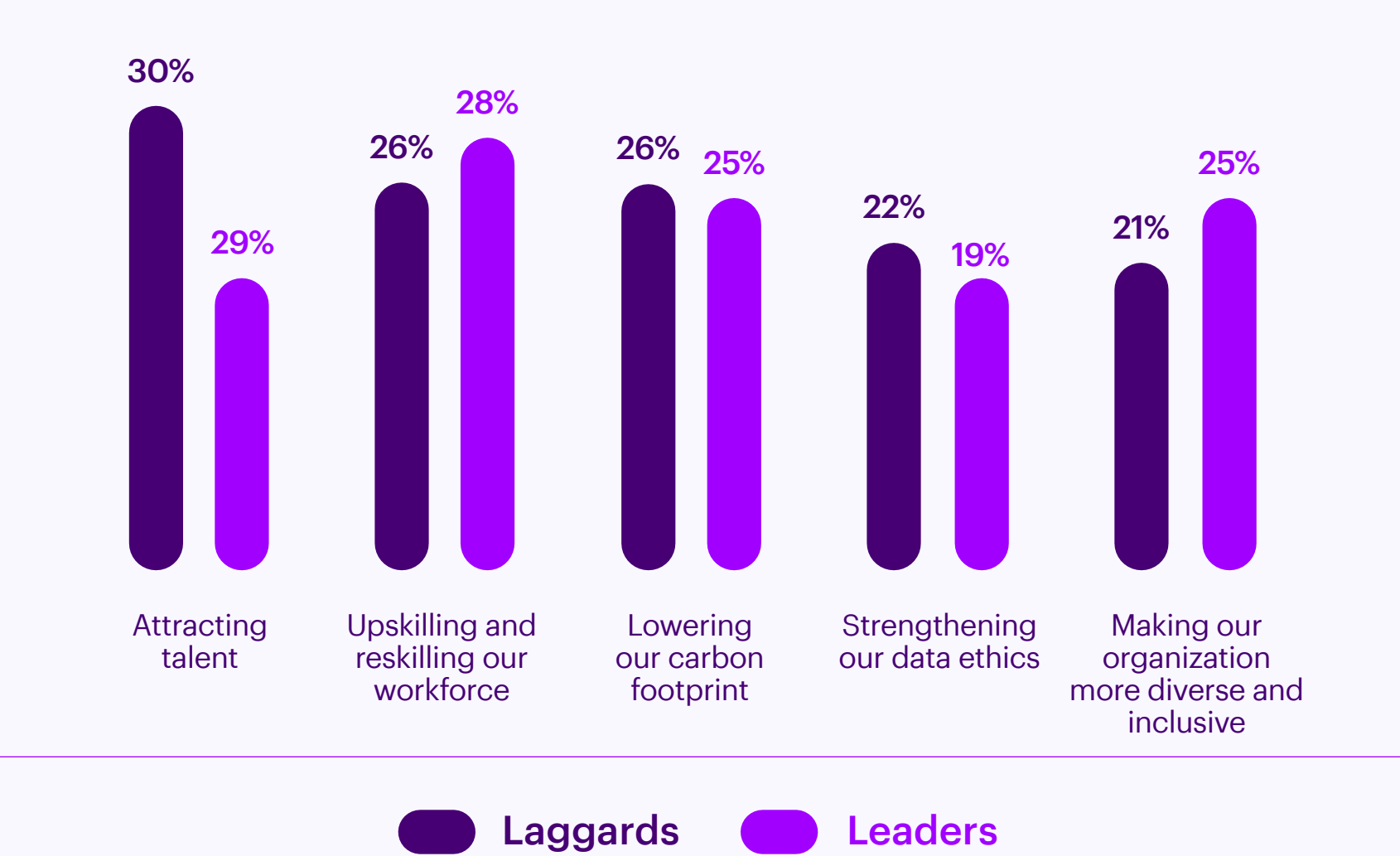
Top 5 Leaders vs Laggards

Top-5 rated factors based on importance among leaders
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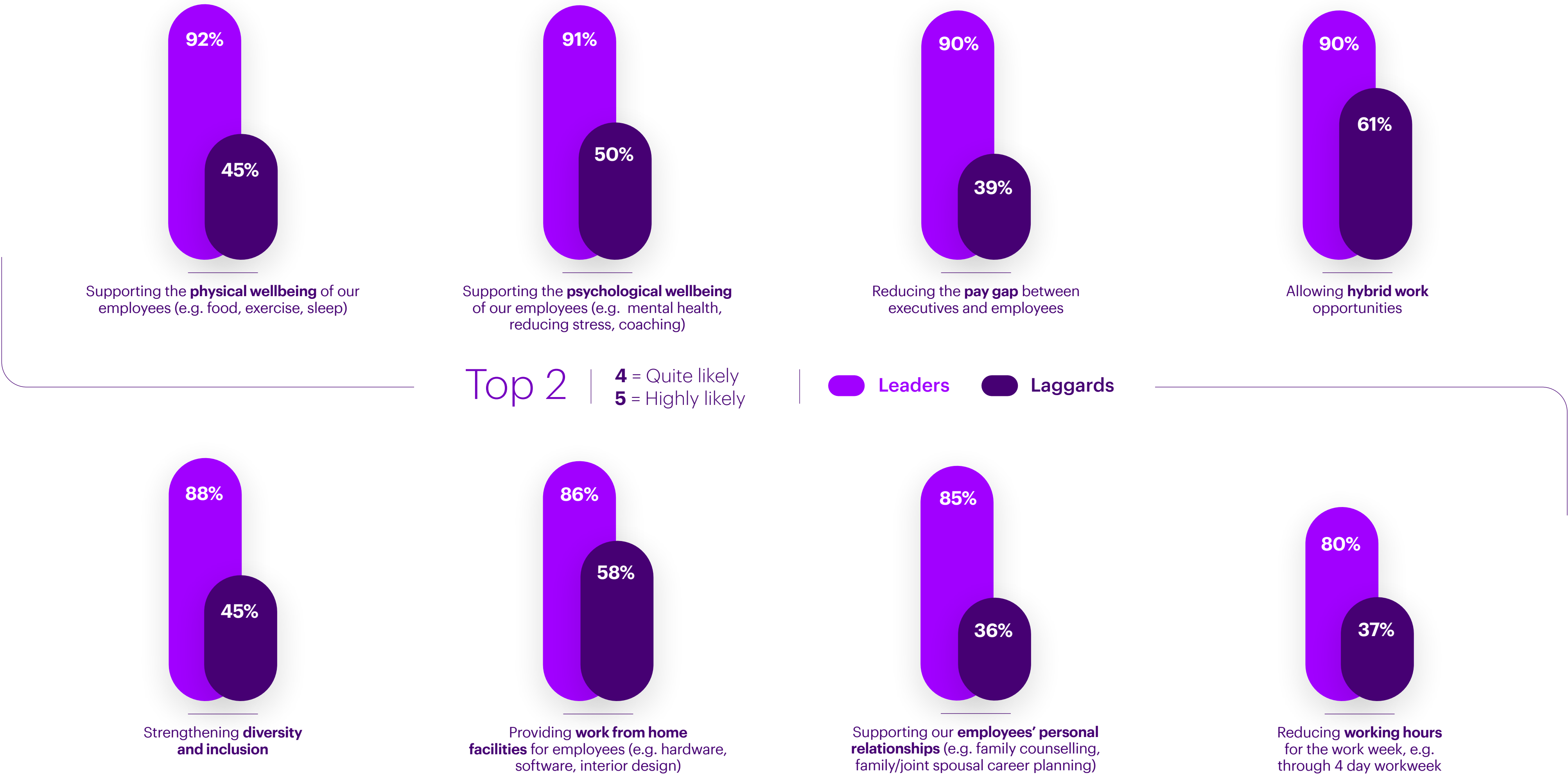


Top 5 Laggards vs Leaders

Top-5 rated factors based on importance among laggards
(with leader rating of these as reference)



How likely or unlikely is it that your organization will have a stronger focus on each of the following initiatives in the next 3 years?

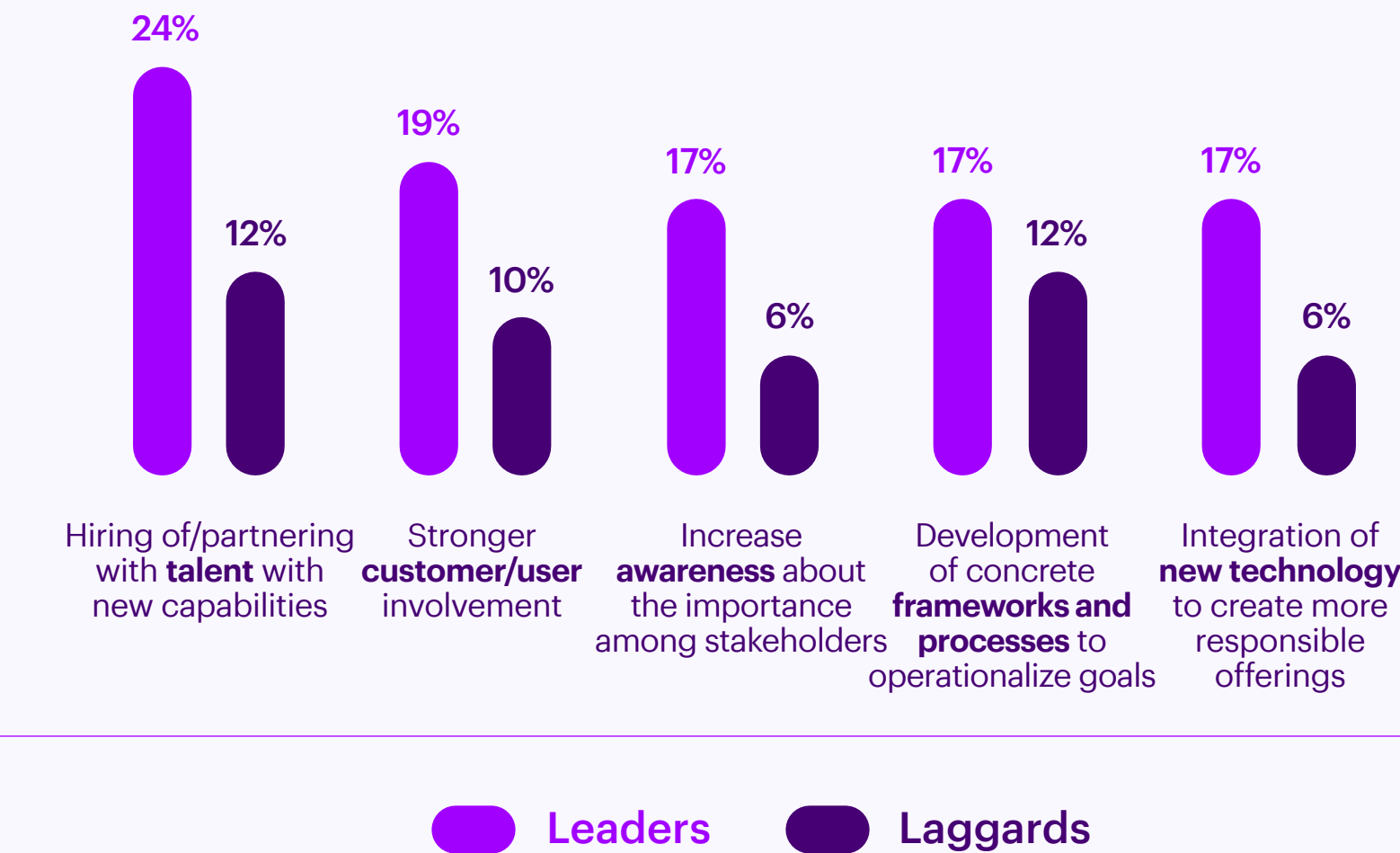


Which of the following, if any, best describe your organization's focus on being a Responsible Business currently?



Looking 3 years into the future, which of the following are the most important areas for your organization to focus on if it were to become a Responsible Business leader?

Top 5
Leaders vs Laggards



Top 5
Laggards vs Leaders

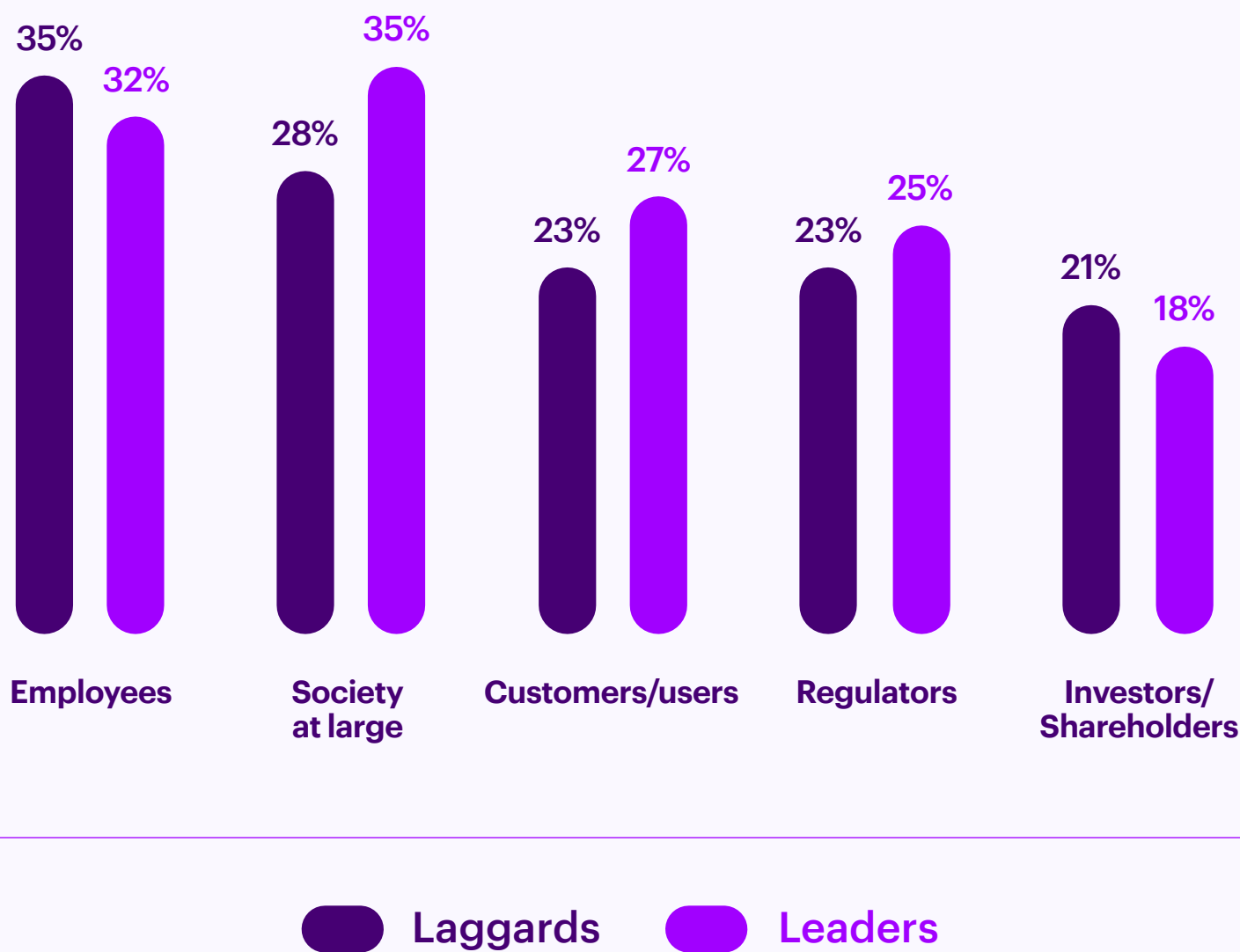


Where, if anywhere, is pressure to become a more responsible business coming from for your organization?

Top 5
Leaders vs Laggards

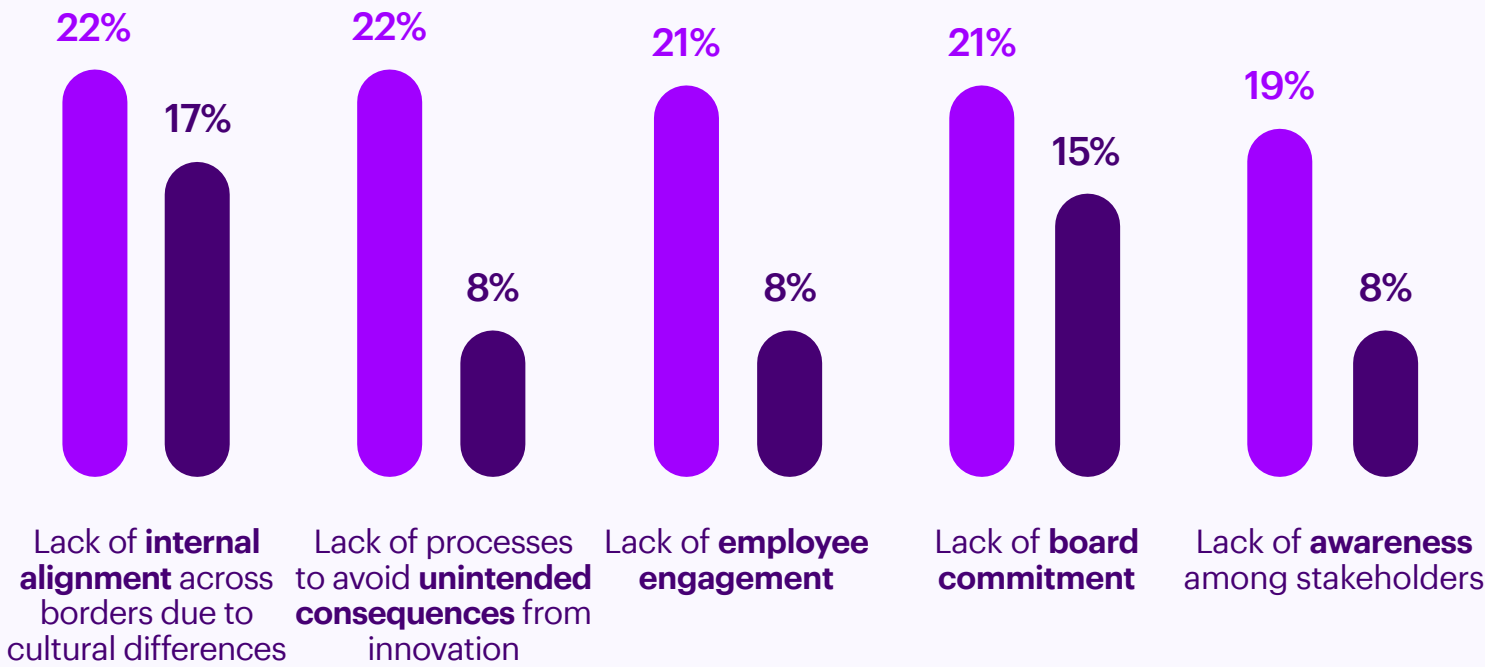


Top 5
Laggards vs Leaders



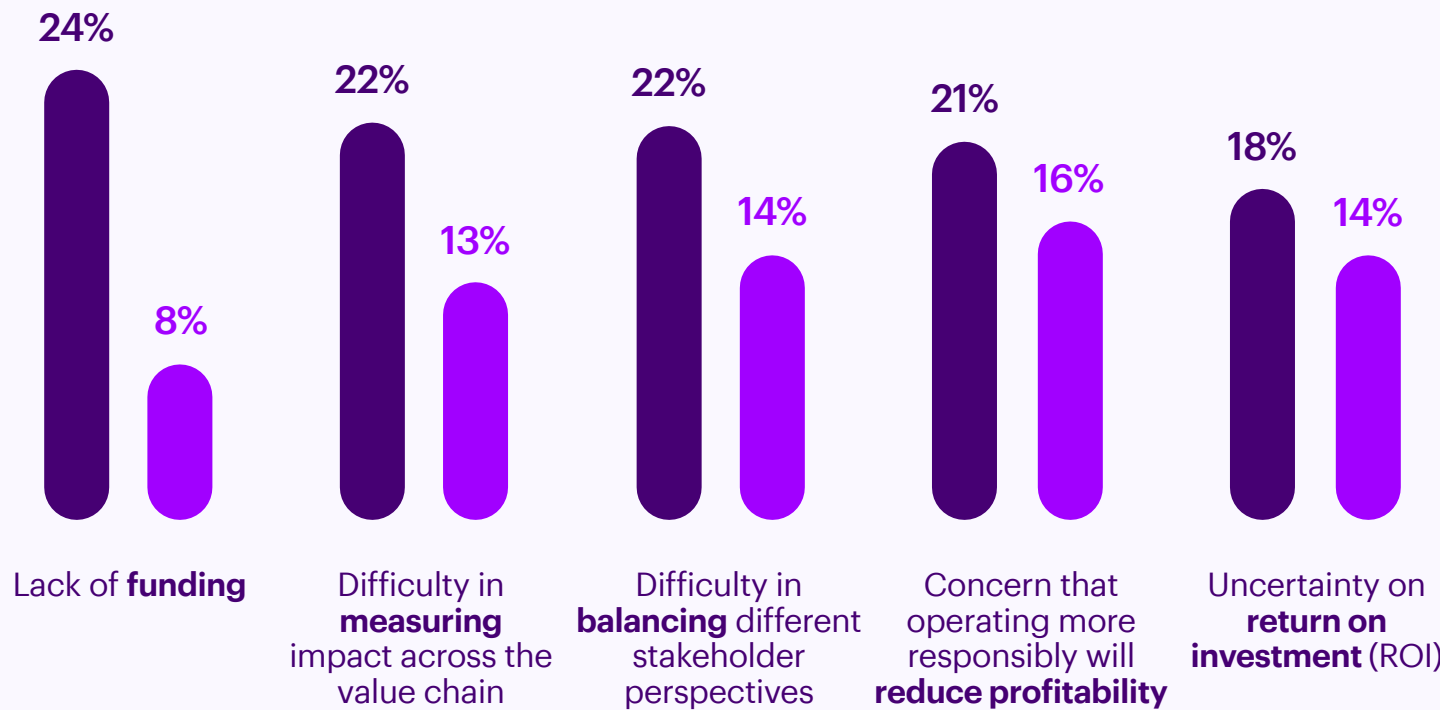
Which, if any, of the following challenges has your organization had to manage when designing, developing and rolling out Responsible Business goals or initiatives?

Top 5
Leaders vs Laggards



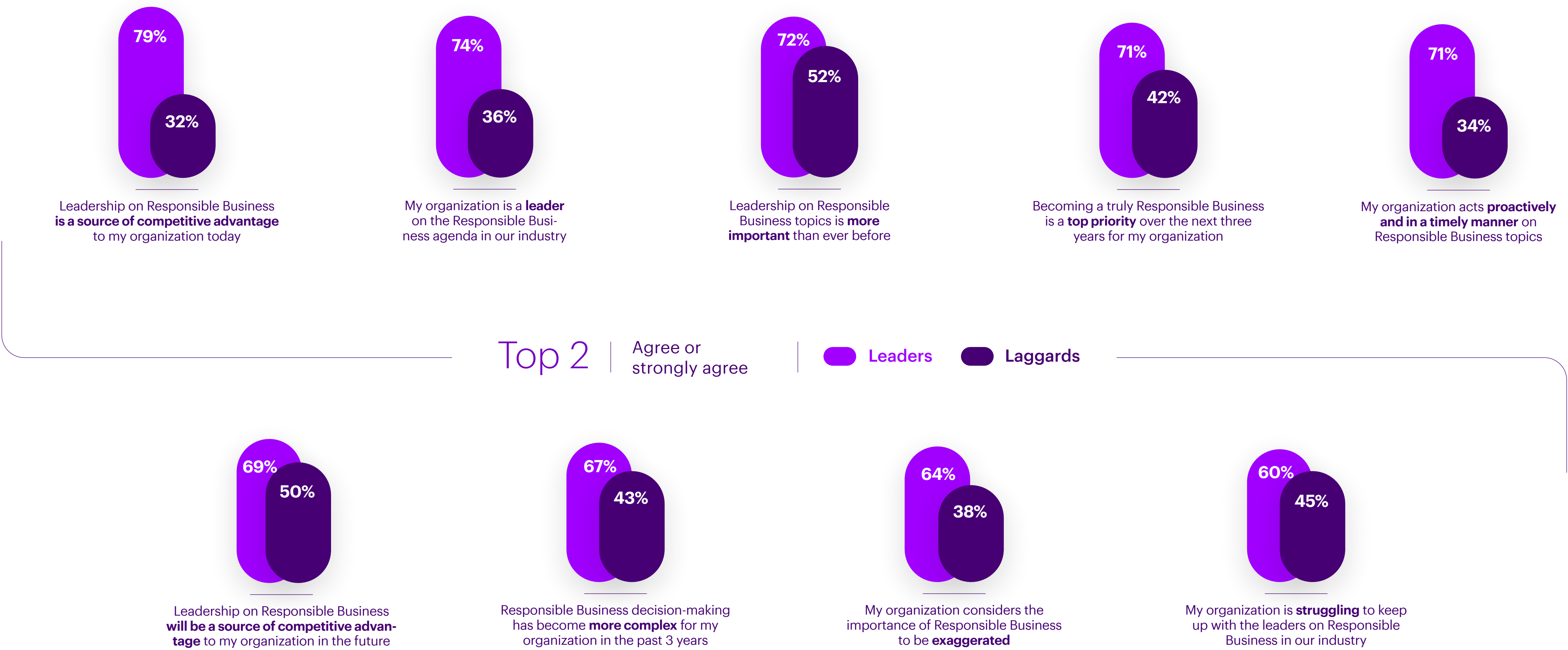
Leaders Laggards

Top 5
Laggards vs Leaders

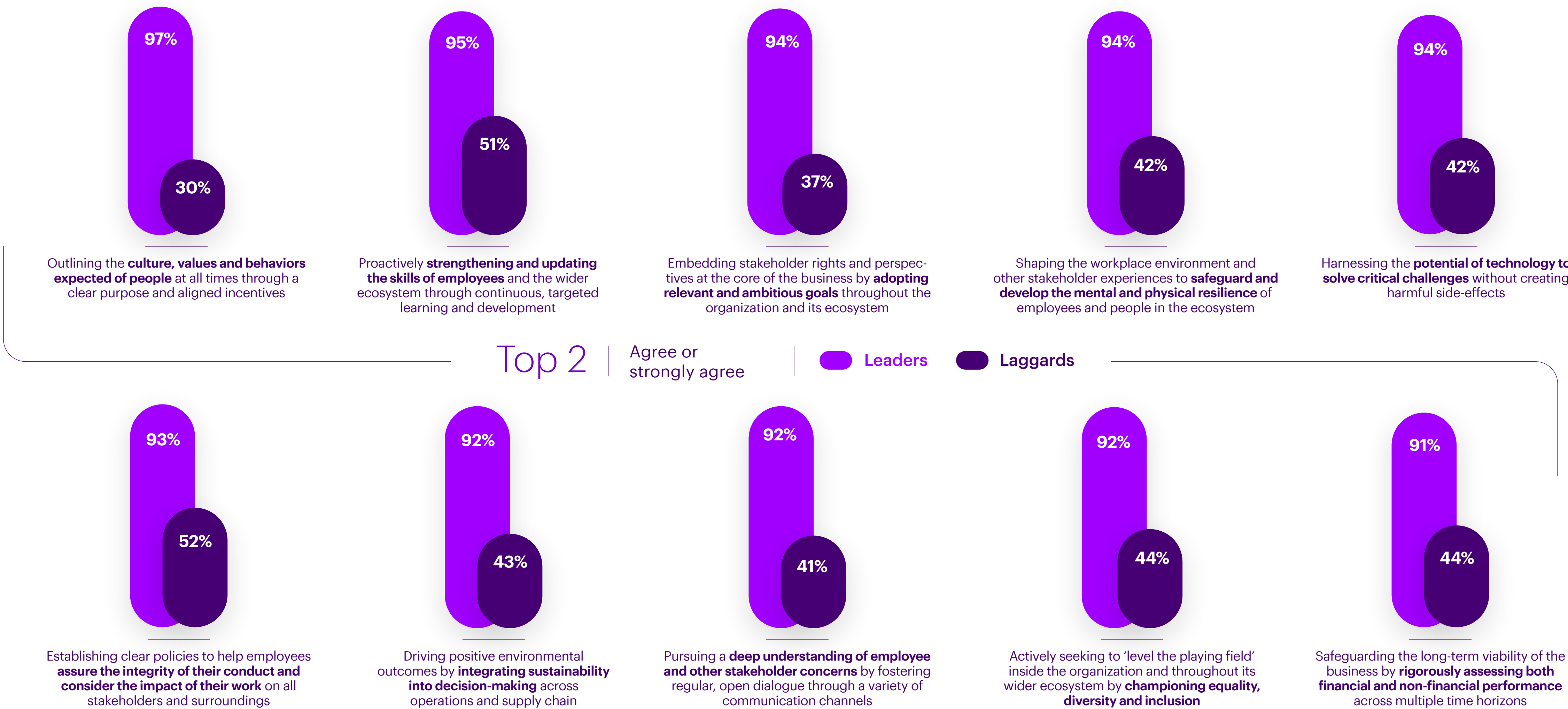


Laggards Leaders

To what extent do you agree or disagree with the following statements?



To what extent is your organization engaged in each of the following practices?



Please indicate how successful your organization is in implementing the below specified business practices?



By when is your organization planning to achieve...

Leaders

We already achieved it

2020s

2030s

2040s

2050s

No plans

Laggards

We already achieved it

2020s

2030s

2040s

2050s

No plans

All **procurement** assessed with Responsible Business criteria

| Category | Percentage |
|------------------------|------------|
| We already achieved it | 23% |
| 2020s | 17% |
| 2030s | 27% |
| 2040s | 27% |
| 2050s | 10% |
| No plans | 14% |
| We already achieved it | 10% |
| 2020s | 5% |
| 2030s | 3% |
| 2040s | 4% |

Embedding unbiased, **responsible AI** & Data procedures

| Category | Percentage |
|------------------------|------------|
| We already achieved it | 19% |
| 2020s | 22% |
| 2030s | 14% |
| 2040s | 36% |
| 2050s | 16% |
| No plans | 30% |
| We already achieved it | 32% |
| 2020s | 9% |
| 2030s | 2% |
| 2040s | 4% |

New **circular** business models

| Category | Percentage |
|------------------------|------------|
| We already achieved it | 20% |
| 2020s | 22% |
| 2030s | 14% |
| 2040s | 38% |
| 2050s | 14% |
| No plans | 30% |
| We already achieved it | 32% |
| 2020s | 7% |
| 2030s | 4% |
| 2040s | 2% |

Board of Director **gender** balance

| Category | Percentage |
|------------------------|------------|
| We already achieved it | 18% |
| 2020s | 12% |
| 2030s | 17% |
| 2040s | 44% |
| 2050s | 13% |
| No plans | 27% |
| We already achieved it | 36% |
| 2020s | 5% |
| 2030s | 2% |
| 2040s | 3% |

50% **women** in senior leadership positions

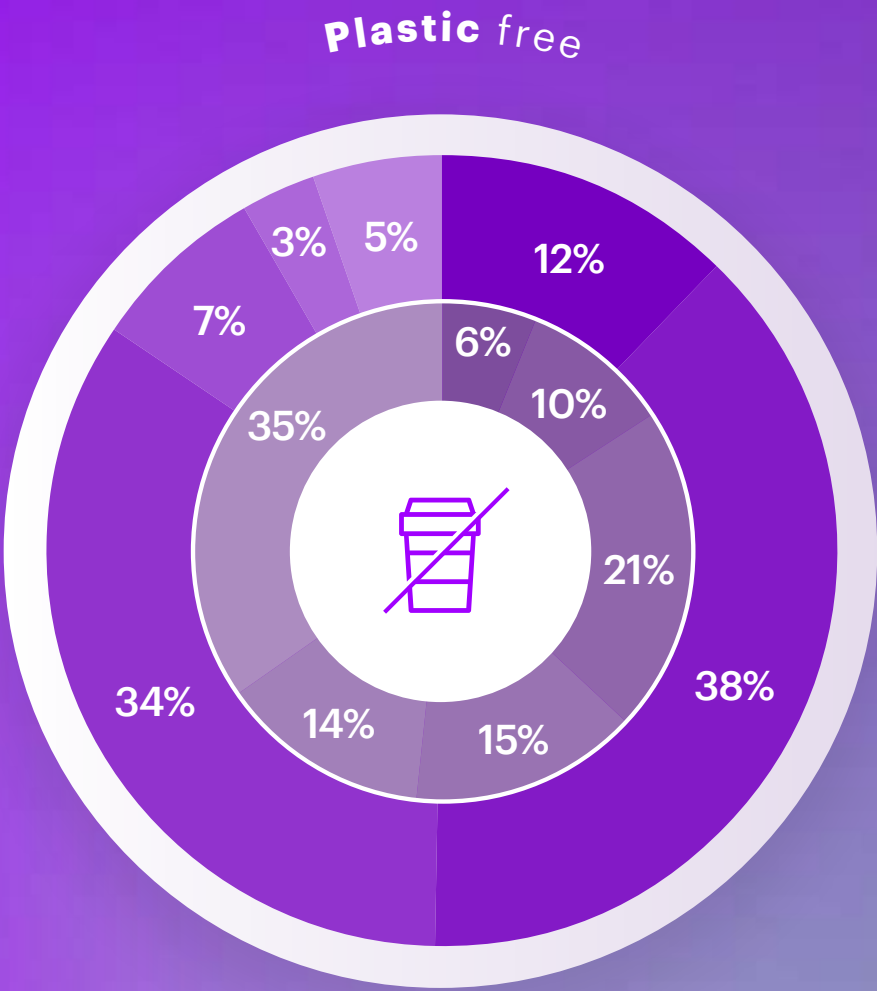
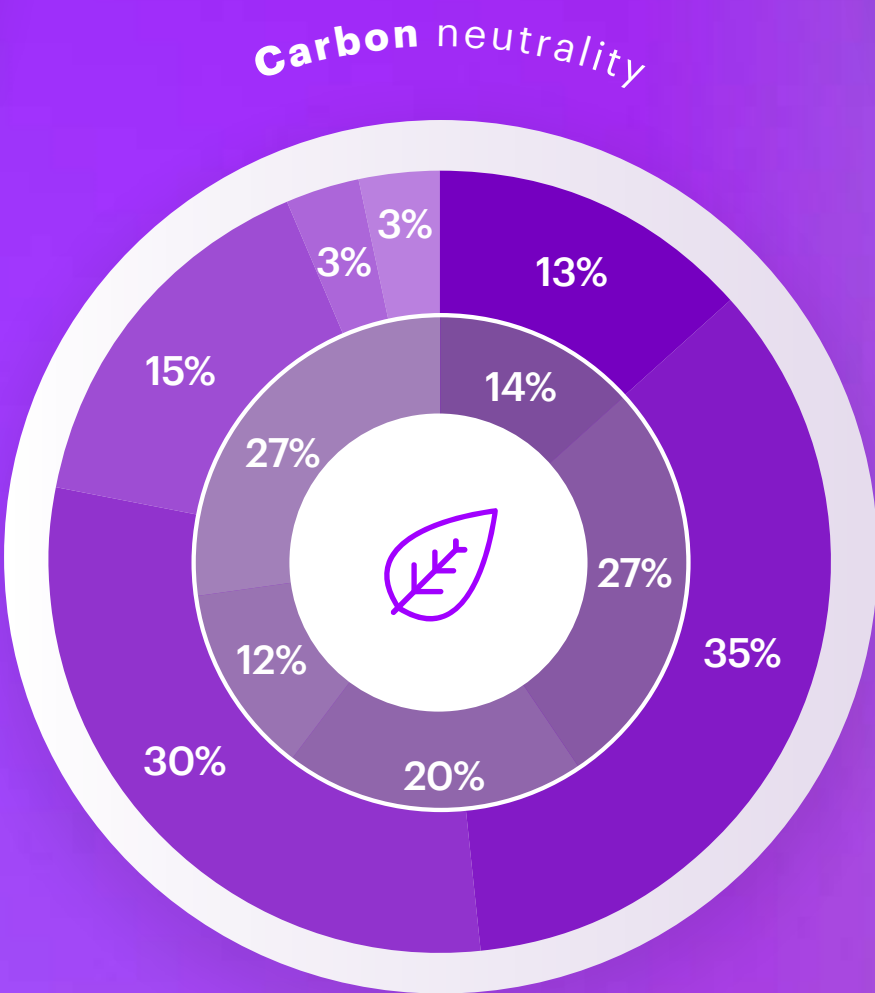
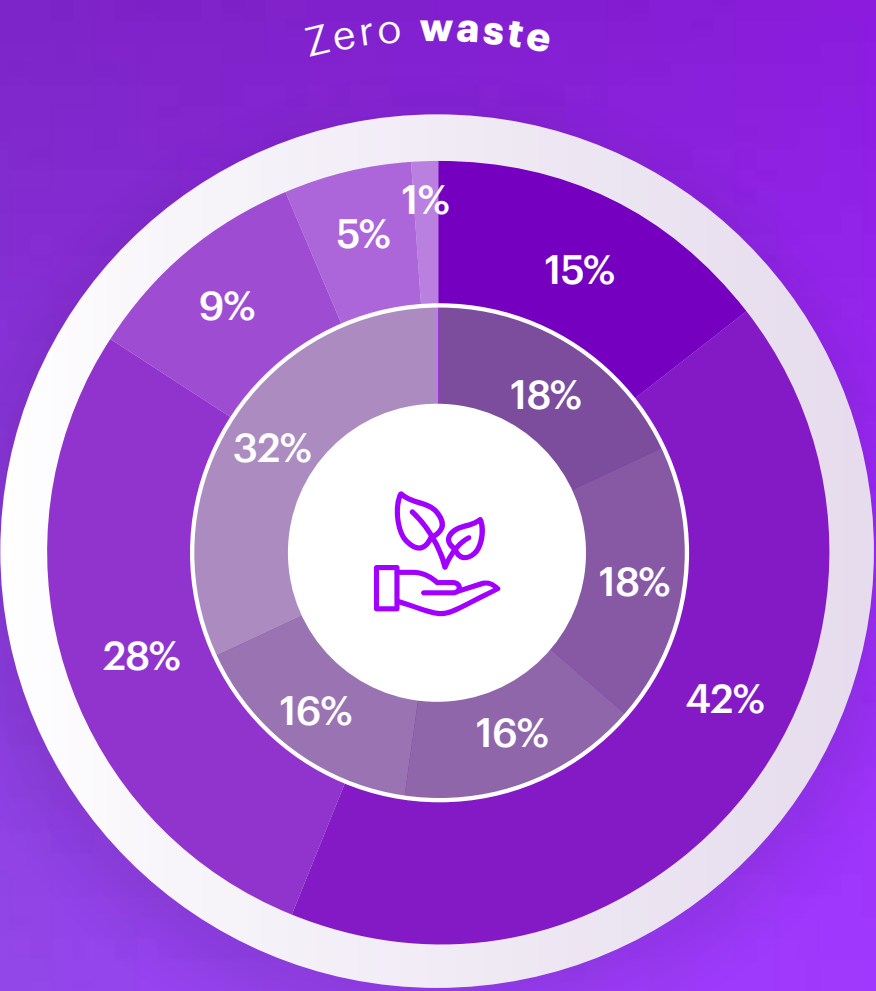
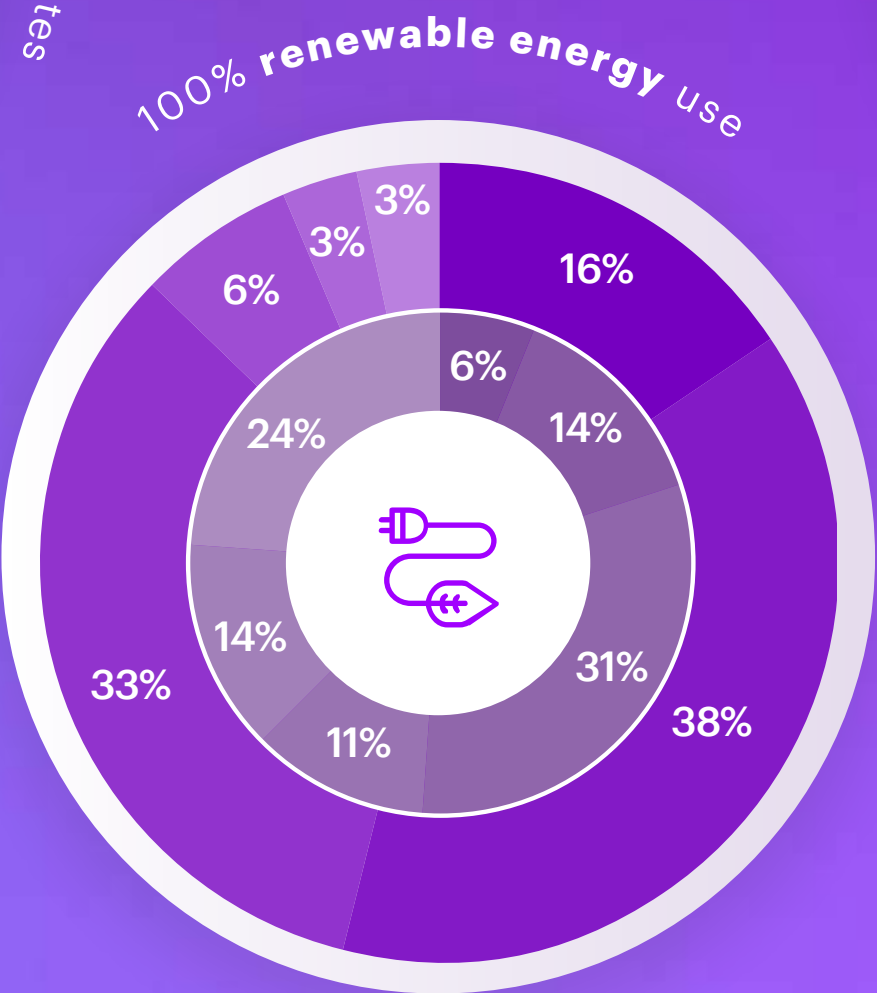
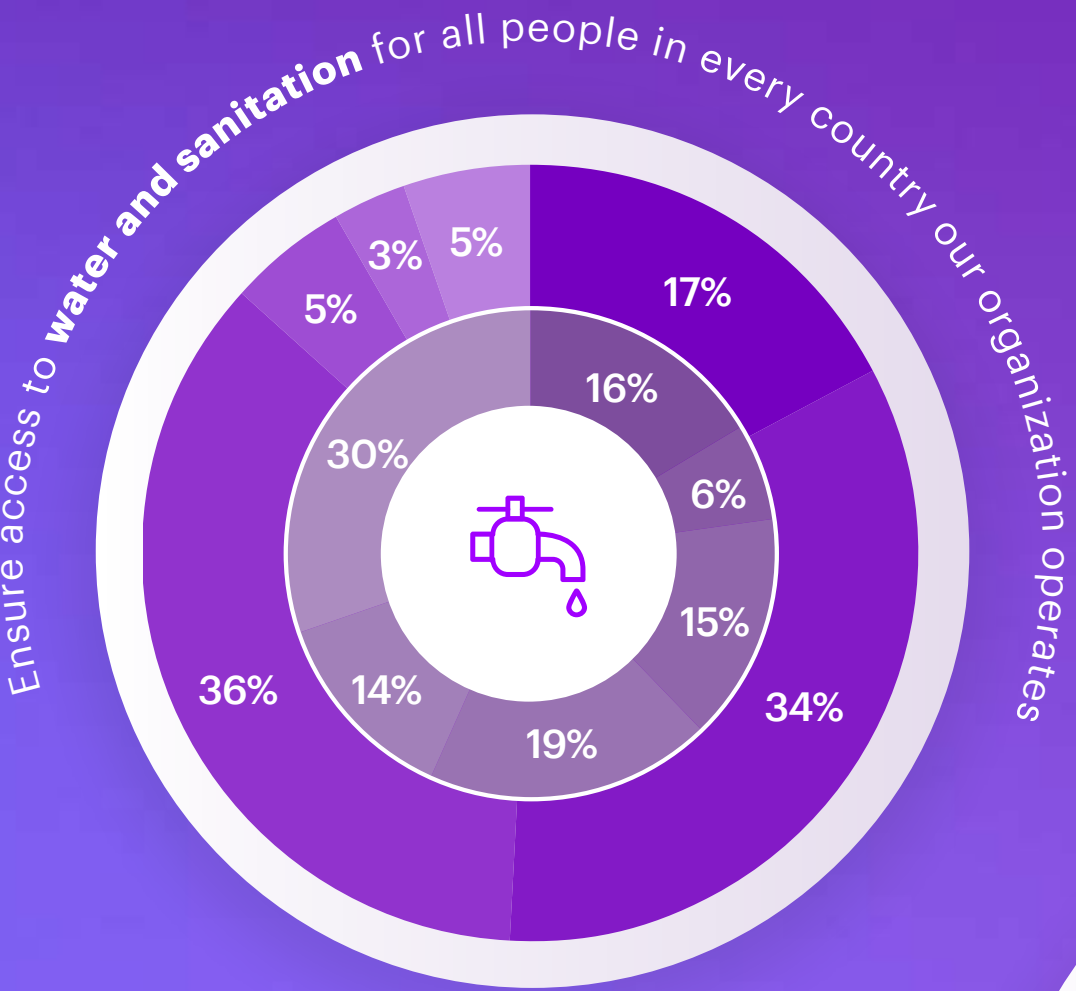
| Category | Percentage |
|------------------------|------------|
| We already achieved it | 17% |
| 2020s | 15% |
| 2030s | 18% |
| 2040s | 35% |
| 2050s | 11% |
| No plans | 27% |
| We already achieved it | 40% |
| 2020s | 14% |
| 2030s | 5% |
| 2040s | 1% |

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By when is your organization planning to achieve...

Leaders | ● We already achieved it ● 2020s ● 2030s ● 2040s ● 2050s ● No plans — Laggards | ● We already achieved it ● 2020s ● 2030s ● 2040s ● 2050s ● No plans



Key Authors

Kris Østergaard
Head of Rehumanize
Research and Publishing

Laila Pawlak
CEO and Founder
of Rehumanize Institute

Daniel Hjelte
Managing Director, Intelligent
Enterprise Nordic Lead,
Accenture

Julia Wilhelmsson
Strategy Consultant Accenture

Josefine Olsson
Europe Lead Future Tech,
Accenture

Key Contributors

Gabriel Spetz
Strategy Consultant, Accenture

Sandy Sandhu
Management Consulting Manager,
Accenture

Konrad Suchecki
Research Manager, Accenture

Agneta Björnsjö
Global Research Lead,
Accenture Song

Nanna Svahn
Research Manager, Accenture

About the research

Between December 13 and 23, 2021, Accenture and Rehumanize Institute conducted an online survey of 380 business leaders in Denmark, Finland, Norway, Sweden, UK, and the US working at companies with more than 250 employees and knowledgeable of the companies’ Responsible Business initiatives.

We also conducted a cluster analysis to identify Responsible Business “Leaders”, “Middlers”, and “Laggards” among the organizations we surveyed, based on how they self-reported their maturity on Responsible Business. For this, we divided the survey questions into three pillars:

- Impact Leadership
- Ecosystem Action
- Responsible Business Indicators

The weight of the pillars was estimated with Linear Regression Modelling to best reflect the relationship between our three independent

variable pillars and the company’s financial performance (average revenue growth & average operating profit growth) as dependent variables.

All the pillars have a statistical impact on the company’s financial performance, with the greatest contribution coming from Impact Leadership.

Organizations could report a score between 0 and 100 on each pillar, yielding a maximum total score of 100 for the most responsible organization (companies final score is weighted average of 3 pillar scores). Leaders were assigned as those with the top 25% of scores, Laggards the 25% with the lowest scores, and Middlers the 50% in between.

To qualify the quantitative survey, we conducted 20+ in-depth interviews with business executives in mid-size and large organizations across the selected countries.

