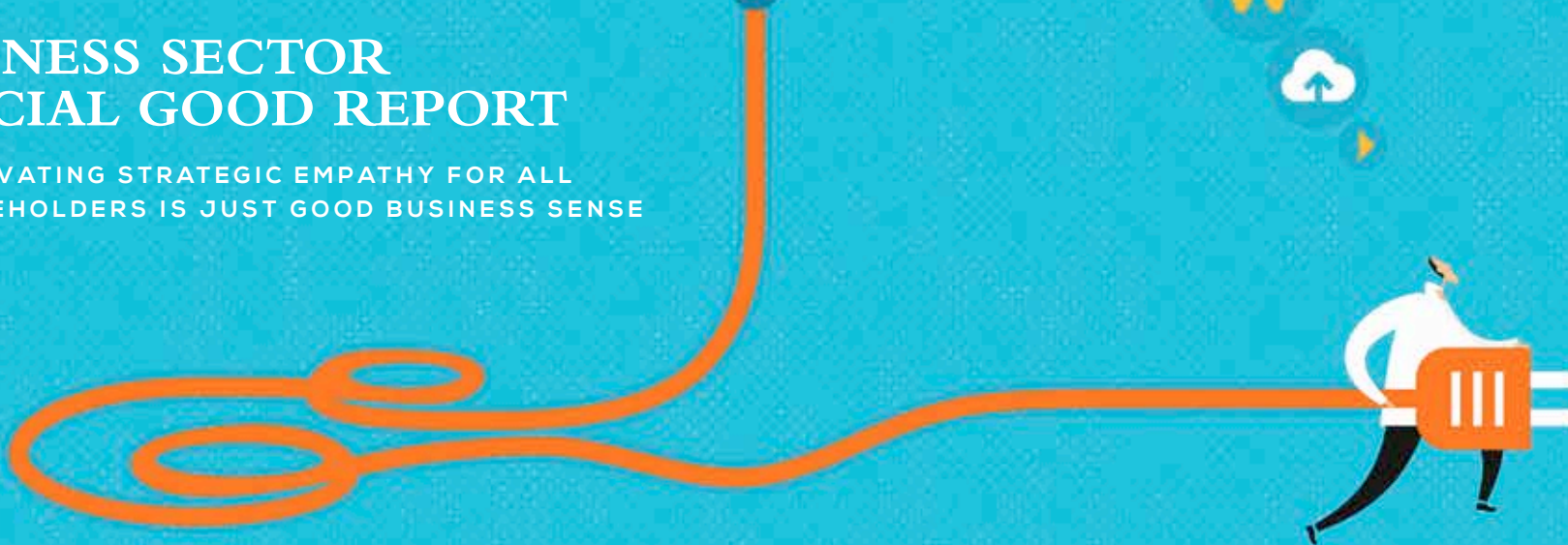


FITNESS SECTOR SOCIAL GOOD REPORT

CULTIVATING STRATEGIC EMPATHY FOR ALL
STAKEHOLDERS IS JUST GOOD BUSINESS SENSE





OXYGEN CONSULTING –
COMPELLING STRATEGIC
BUSINESS INSIGHT FOR
ORGANISATIONS CONNECTED
TO THE GLOBAL HEALTH
AND FITNESS INDUSTRY

AN OXYGEN CONSULTING PUBLICATION
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2014 FITNESS SECTOR SOCIAL
GOOD REPORT – CULTIVATING STRATEGIC
EMPATHY FOR ALL STAKEHOLDERS
IS JUST GOOD BUSINESS SENSE

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THIS REPORT IS A COLLABORATION WITH
THE FOLLOWING GENEROUS ORGANISATIONS:

MATRIX

Matrix Fitness, part of Johnson Health Tech, one of the world's fastest-growing fitness equipment manufacturers, provides high quality products to commercial operators. Driven by the desire to create the best customer experience possible, we listen to operators and our service technicians. We watch people work out and then, with attention to detail, combine the best functionality, technology and aesthetics to address real market issues. Products such as the Matrix ClimbMill and the new generation Matrix Ascent and Elliptical Cross-Trainers demonstrate why Matrix is at the forefront of innovation.

Guided by a vision to become the leading global provider of products that contribute to health and wellbeing, our core values are health, value and sharing. We are therefore committed to promoting the health of individuals worldwide, consistently providing high-value products and services, and achieving financial sustainability in order to give back to our customers, shareholders, employees and communities. We are an organisation with over 5,000 global employees that strives to continually learn and foster a culture that is sustainable, supportive, inspiring and fun.

Every day in clubs and centres around the world, our equipment is helping organisations to fulfil their core purpose. At its core, is the mission to encourage people to embed physical activity into their everyday lives. We share a common mission and are proud of the contribution our business is making.

 uk.matrixfitness.com



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John Treharne, a former England squash player, founded The Gym Group in 2008. The big idea was to offer affordable, high-quality 24-hour gyms across the United Kingdom. The company believes that everybody deserves the right to live a healthier lifestyle without paying a premium price or being tied into a long membership contract. This is why it also opens a proportion of its gyms in areas of high social deprivation.

In 2013, The Gym Group achieved 15th place in the prestigious Sunday Times 100 Best Small Companies to Work For list, the UK's most extensive research into employee engagement. Not only committed to improving the health of the great British public, the company wants to play its part in making the world greener. So it strives to operate The Gym Group as responsibly as possible, always seeking ways to reduce water, chemical and waste throughout its entire business.

[▶ thegymgroup.com](http://thegymgroup.com)



ukactive is the not-for-profit membership body for the UK health, fitness and physical activity sector, with over 3,500 members spanning every corner of the industry – public, private and third sector.¹ With its mission to get more people more active more often, ukactive serves any organisation with a role to play, or benefit to be gained in improving the health of the nation through physical activity. ukactive campaigns heavily to promote the role of the health and fitness sector in achieving this goal, whilst encouraging the sector to consider the risk to its future sustainability in failing to turn the tide of physical inactivity which is sweeping the developed world.

[▶ ukactive.com](http://ukactive.com)

¹.
The part of an economy
comprising non-profit-making
organisations such as trusts,
charities, voluntary and
community groups, cooperatives
and other social enterprises

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*This report is dedicated to:
Glenna Virginia Theresa Algar*



CHAPTER

01

FOREWORD BY: DAVID STALKER CEO, UKACTIVE

The evidence is clear: whether you are in the health and fitness sector or any other, having a socially responsible heart is essential to the health of any organisation, big or small, corporate or not-for-profit. I will go further: the future of our entire sector is dependent on the way in which we impact the communities around us, and the company we keep.



This report paints a clear picture that a business with a purpose beyond maximising its own self-interests can ensure its long-term relevance and maximise its value – either commercially or to its strategic partners.

Consuming our core product and service helps individuals improve their health and wellbeing, the greatest social purpose of all. Unfortunately, our sector is one that sometimes seems to fight hard to obscure the social purpose that runs to the core of our entire industry. Rarely is our sector credited

with the deep social impact that it delivers. Instead it is often characterised as having a self-serving bottom line-driven purpose, focused on the size of a membership direct debit run, with no more than a passing interest in the health and satisfaction of the lifeblood of our success – our customers and the communities in which we operate.

This perceived lack of authenticity harms us greatly as we are stuck grappling with the reality that levels of UK physical activity have declined by 20% since 1961, with projections of a further 15% decline by 2030, threatening the very sustainability of our sector.²

2.
See Designedtomove.org

**This report outlines a strategy for a sector to change
this perception with genuine actions that help us convey
our purpose to the wider world.**

- To show that our sector is indeed responsible – not just in minimising the harm that it could potentially cause, but also responsible for driving social change such as improving the health of the nation.
- To show that our mission is authentic and not half-hearted and undermined by self-serving actions that secure a short-term benefit at the expense of our long-term future.
- To show that we can be a generous sector, showing true compassion to our customers in their good times and bad.
- To show that we can play a driving role in major social challenges – be that in improving the health of the nation or others – and mobilise the collective impact that our members can make for good.

- To show that – yes – we can work in partnership with each other and organisations from beyond our sector, in pursuit of collective goals.
- And yes, to show that our sector has the potential to influence the lives of tens of millions of people, every day, in a way that few others can.

These are exciting times for our entire sector, with great drivers of change likely to impact on it over the next five to ten years. The pace of technological change, the increasing demands of consumers, the wider debate about health and wellbeing – all of these trends bring major risks as well as vast opportunity for us to thrive and lay the foundations for businesses and an entire sector, which will last for decades. The industry we love and serve is still very much a young industry. This report marks its opportunity to reach genuine maturity and play the true role that it can play in the world.

Let us be responsible for making that happen. ukactive is delighted to support this important piece of work for the future of our sector and will be committing to its members and partners to work to promote this agenda in the years ahead. Sustainable business requires building on lasting foundations. It is time we all had a little look to check that these foundations are in place.





CHAPTER

02

WELCOME TO THE FITNESS SECTOR SOCIAL GOOD REPORT

Welcome to the Fitness Sector Social Good Report. The fundamental purpose of this report is to explore the idea that a business³ with a purpose beyond maximising its own self-interests can ensure long-term relevance with their stakeholders, thereby creating a more valued and sustainable organisation.

**The core reader**

This report is written with the private fitness sector in mind because the pursuit of profit is very often a key measure of how they 'keep score' or measure themselves. The public and 'third sectors' by contrast measure themselves by the social impact they are creating in their communities, while conscious of ensuring financial sustainability. However, all organisations in the fitness sector, however they may be legally constituted, have a fundamental obligation to inspire people to live more active and healthier lives and to pursue this purpose in a responsible, authentic and compassionate way.

Why this report has been written now

The global health and fitness industry is relatively young, with the first UK private sector brands only emerging in the early 1980s. It was built by young entrepreneurs who combined their passion for fitness and business. They believed in the transformational effect of physical activity and wanted to spread this message to others.

Since this time, some of these sports entrepreneurs, and the world, have moved on. New business owners have entered the sector and bring with them different beliefs and motivations. For some this is now the pursuit of financial success, achieved through the 'vehicle' of a health and fitness business. Financial success is a good and necessary objective, but it cannot be the sole reason for the existence of the business.

Through this report I wish to explore the implications, rewards and impact of a business adopting a broader definition of its role in society rather than merely pursuing its own narrow self-interests.

Also, it seems timely to write this report now as the world recovers from the most significant financial crisis since the 1930s. This is leading to a re-examination of the purpose of business, especially around the definition of its responsibilities and stakeholders.

3. Throughout this report the terms 'business' and 'organisation' are used to refer to both for-profit and not-for-profit legal entities



Staying relevant

This report contains an important message that ultimately boils down to a single word: relevance. Whether public, private or third sector, organisations must serve a valued role in the lives of their customers or suffer rejection. Sometimes the rejection may be fast, sometimes slow, but it is certainly inevitable. Rejection may arise because the customer experience is mediocre, or due to the way a business operates. Today, the way a business ‘behaves’ and how it chooses to use its influence really can determine its future prosperity.

Report structure

This report is structured around eight themes:

- Purposeful
- Responsible
- Authentic
- Generous
- Compassionate
- Connected
- Collaborative
- Influential

The eight themes⁴ help to explain how we are living through a period of significant socio-economic and technological change which is reconfiguring the relationship between people and business.

Reading is good, thinking is better, acting is best

What can a single report achieve? Well, we know through the phenomenon which is the web that this document will spread and that some will find it thought-provoking. It will challenge people to reconsider why they are in business and the purpose of that business. We hope it helps to re-energise organisations who were ‘drifting’, allowing them to reset their organisational compass. Importantly, we aim to demonstrate that being purposeful, responsible, authentic, generous, compassionate, connected, collaborative and influential will intoxicate stakeholders and ensure an organisation’s long-term right to exist.



RAY ALGAR MBA

Managing Director, Oxygen Consulting

⁴. Taking inspiration from ‘Goodvertising’, the excellent book by Thomas Kolster. Thomas was interviewed for this report. See page 43

Purposeful

‘Let others play with strategy and tactics. Purpose is the game of champion organisations, enabling leaders to inspire and lead their organisations to greatness’

*Nikos Mourkogiannis,
Global expert in strategic leadership*

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CHAPTER

03

PURPOSEFUL

There were more than 83,600 business failures in England and Wales between 2008–2012.⁵

These are the terminal failures where the business ceases to exist. This number ignores businesses that are restructured and continue under new owners. So why do they fail? According to

The Insolvency Service, the three key reasons for corporate failure are:

- *loss of market;*
- *failure to deal with tax affairs;*
- *other management failures.*

Loss of market was cited in just over half of all UK compulsory liquidations. 'Loss of market' is a vague and unhelpful description that often conceals the reality that customers were mistreated, mis-sold, ignored and taken for granted. How should we feel about these corporate fatalities? Undoubtedly, many people's lives (normally committed staff) will be profoundly affected by their demise, but in the majority of cases, will their customers or the wider community miss these businesses? Probably not, and the reason is that most were probably pushing mediocre or poor-value goods and services to underwhelmed customers – think uninspiring restaurants, cafes selling bad coffee in three different sizes and unscrupulous financial services companies whose mantra was 'do not let customer's needs get in the way of maximising our commission'.

And yes, even fitness businesses whose owners and staff stopped caring. Why did these businesses exist in the first place? What was their compelling purpose? What did they stand for and believe in? Perhaps' not very much, which explains why most will not be missed.

Businesses bordering on the irrelevant

Wander down your local high street and be amazed at the 'oh-so-last-century' retailers such as: DVD rental stores; office stationers; estate agents; travel agents; camera and photo processing shops. The stores may look great, and the staff well trained, but in an era of online price comparison search engines, consumer-generated product reviews, one click to buy and next day delivery, do these retailers provide any meaningful value? Today, we are awash with choice, but bereft of businesses that leave a lasting positive impression. Mediocre and forgettable businesses, with neither a heart nor soul, peddling ordinary products and services, abound. 'The mediocre are always at their best' is how the saying goes.

5.
UK Insolvency Service



Is this business needed?

As I write, 2,000 people across the UK are losing their livelihood as Blockbuster, the games and DVD rental chain, closes all its UK stores. Even the slimmed-down business of 264 stores, down from 528 at the beginning of 2013, was not viable. According to Clayton Christensen, the brilliant Harvard Business School Professor, companies like Blockbuster suffer from ‘marginal thinking’. They are inclined to protect what they already have, making small incremental adjustments to the pre-existing business. The danger is that companies become myopic to the threat from highly disruptive competitors.

According to Clayton Christensen, the brilliant Harvard Business School Professor, companies like Blockbuster suffer from ‘marginal thinking’. They are inclined to protect what they already have, making small incremental adjustments to the pre-existing business.

Think of it as a form of ‘competitor blindness’ and in Blockbuster’s case they were blind to Netflix, Apple, Amazon and others. A 2002 Blockbuster press statement confidently proclaimed: ‘Obviously, we pay attention to any way people are getting home entertainment. We have not seen a business model that is financially viable in the long-term. Online rental services are serving a niche market’.⁶ Meanwhile, Netflix has just reached 40 million global subscribers, who watched around 5 billion hours of films and other content for the quarter ending September 2013.⁷

6. ‘How will you measure your life’, Clay Christensen, 2012

7. Netflix profits jump
<http://bit.ly/Netflix-40m>

‘ ***This is a business model that is no longer relevant. The fundamental truth is Blockbuster is not needed and it is as logical as trying to open a chain of blacksmiths.***
Neil Saunders, Managing Director of UK retail consultancy Conlumino

Discover the purpose and energy source of your business

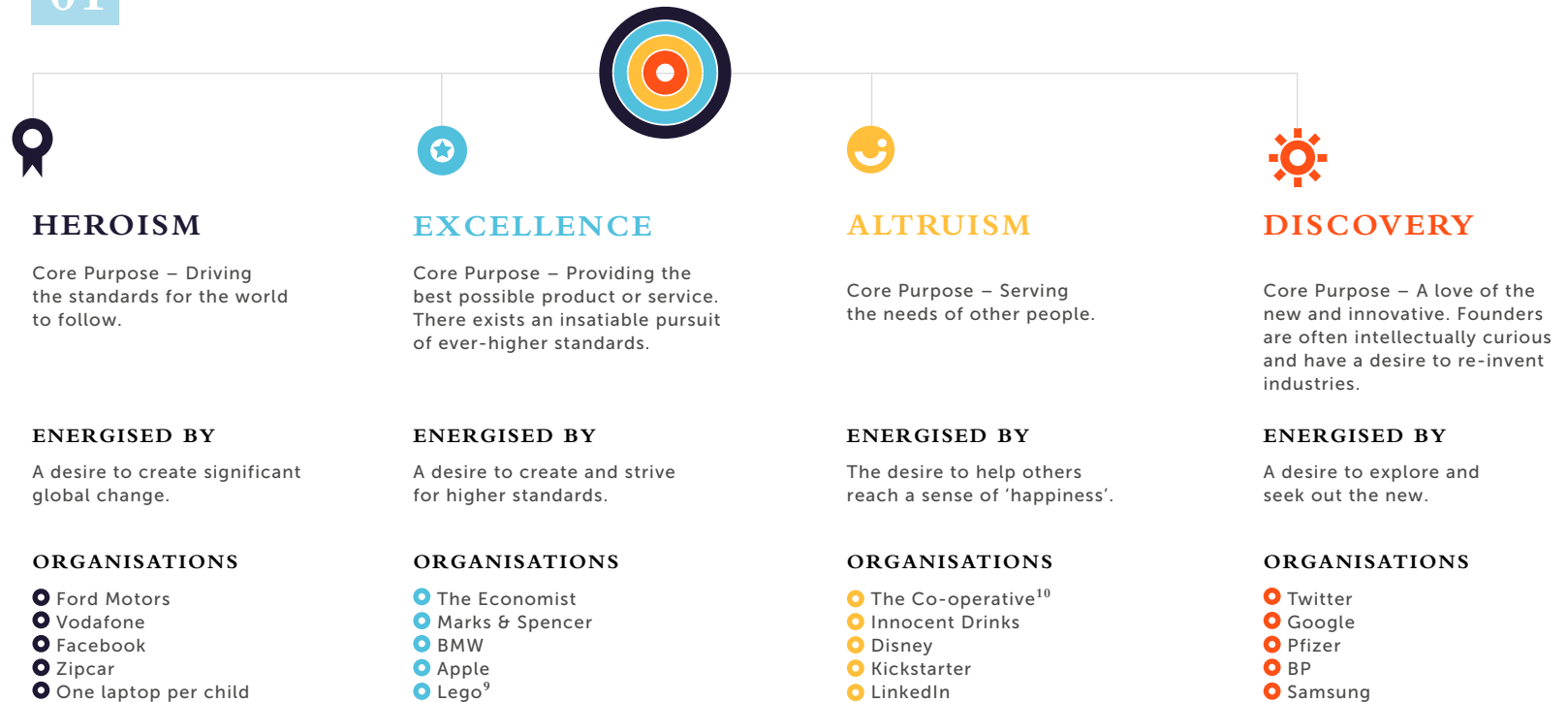
When I discover a new and interesting new business, there are normally two things I immediately want to understand. First, I want to understand what the business ‘makes’ or ‘serves’ to its customers. Excitedly, I then want to know the founder’s ‘back story’; why did they start the business and what is the big idea that is ‘fuelling’ it? Understanding its purpose – the shared understanding of the reason why the business exists – is the filter I use to help me decide if I am going to care about this business. Remember, if I care then I am inclined to share. I believe clarity of purpose matters because it unites people and drives actions. It also provides a constant reminder as to why a group of people inside a business are there, rather than investing their talents elsewhere.



The pursuit of purpose

So, what is the purpose of your business? Take a look below at how business can pursue four distinct types of purpose:⁸

FIGURE 01 DISTINCT TYPES OF BUSINESS PURPOSE
Visual insight, Ray Algar, Oxygen Consulting, 2014



8.
Read more about purpose: Purpose, the Starting Point of Great Companies, Nikos Mourkogiannis

9.
The Lego Group's motto in Danish is 'det bedste er ikke for godt' which translates to 'the best is not too good'

10.
See <http://www.co-operative.coop>



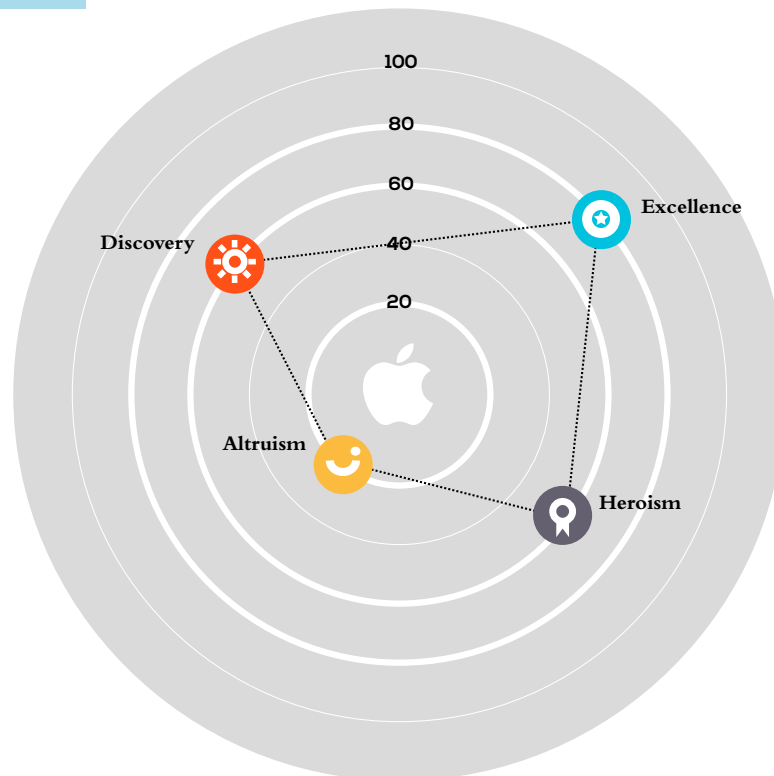
Defining an organisation's purpose can be difficult, really difficult. I struggled when deciding where to place the example organisations because often the organisation's purpose may be unclear. Often, I try to return to the founder's 'story', but that can sometimes mean going back many years or even decades.

Also, we are trying to discover the predominant and enduring purpose, as all organisations will display acts of heroism, excellence, discovery and altruism, from time to time. So, rather than thinking of placing an organisation into a distinct purpose 'bucket', perhaps it is better to visualise the following (see figure 2).

FIGURE
02

VISUALISING THE PREDOMINANT PURPOSE OF APPLE

Visual insight, Ray Algar, Oxygen Consulting, 2014



Redefining the core purpose of Fitness First

Over the past 20 years, Fitness First has grown from a single gym to one of the world's largest club chains. The world was very different back in 1993, with no private mid-market segment. Now the mid-market is filled with similar businesses and is threatened by low-cost gyms who have stolen their 'affordable fitness' brand story.

So during 2014 Fitness First is embarking on 're-purposing' the business, stating: 'We believe it is our responsibility to push a few boundaries and rewrite some rules.'¹¹

11.
Read more about the new strategic
Fitness First journey at
<http://bit.ly/TheNewFitnessFirst>

‘Purpose is a reason for doing something that appeals to a person’s sense of what is right and what is worthwhile. So it creates a sense of obligation. Business purpose is the most powerful but least leveraged weapon in leadership. — Nikos Mourkogiannis, author of ‘Purpose: The Starting Point of Great Companies’

The fitness sector is driven by an altruistic purpose

In the case of the health and fitness sector, the purpose of specific organisations or, in this case, an entire sector is immediately obvious. There is clarity, rather than the mental turmoil that arises when deciding whether the predominant purpose of Samsung, for example, is ‘discovery’ or ‘exploration’. Health clubs, leisure centres, gyms and other descriptive terms are in the ‘business’ of helping others to find and reach a more contented and ‘happier’ place in their lives. Browsing the websites of health and leisure organisations, their ‘altruistic’ purpose shines through:

‘To improve lives through physical activity and sport¹²

Borders Sport and Leisure, Scotland

Give every Canadian the opportunity to live a fit and healthy good life¹³

GoodLife Fitness, Canada

We help our members to live happily ever active¹⁴

Virgin Active, UK

To inspire active lifestyles¹⁵

Wave Leisure, England

To create a fitness experience that helps people get the most out of life¹⁶

Gainesville Health and Fitness Center, Florida

12.
A leisure trust in Scotland

13.
More than 300 clubs across Canada, with 1 in every 39 Canadians a club member

14.
Helping 1.2 million members in 264 clubs in seven different countries at January 2014 – source virginactive.com

15.
Wave Leisure Trust is a charitable not-for-profit trust operating in South East England

16.
Led by Joe Cirulli, this amazing business created the ambitious mission to make Gainesville, Florida, the healthiest community in the United States. Read Joe’s interview on [page 71](#)



Living this purpose

More than 20 years ago, I walked into my local health club to work out and noticed a young woman in the gym. She was in her early twenties and looked in good health, apart from when walking. Walking from one exercise machine to the next was slow, requiring the constant assistance of an instructor. The instructor's attention was fully on the woman, providing her with both physical support and constant encouragement.

Later I discovered that she had been on holiday with her family and suffered carbon monoxide poisoning from a faulty gas boiler, starving her vital organs of oxygen. Her brother had died in the accident and she was literally having to learn to walk again. Why does this event remain so clear to me all these years later? Because it perfectly embodies the reason the club existed. The mission here was clear; all the club's resources and energy were being deployed to help this woman to rebuild her life, one very slow step at a time.

Beyond the pursuit of profit

Ignore any misguided idea that a business can exist solely to maximise profits; generating a profit is a simple measure of viability; it 'fuels' a business, allowing it to pursue its higher purpose. Using breathing as analogy, we do not live to breathe, we breathe to live. John Mackey, Co-CEO of Whole Foods Market, explains this clearly:

'Just as happiness is best experienced by not aiming for it directly, profits are best achieved by not making them the primary goal of the business. They are the outcome when companies do business with a sense of higher purpose.'



Do not confuse your business purpose and mission

How many times have you attended a conference and been asked the question: 'What does your business do?' You reply quickly and with confidence because you have been asked the question many times before: 'We operate health clubs across the South East of England, providing a friendly service with very affordable monthly membership fees.' The mission is clear and most of their employees would probably mention something similar, if prompted. The next question, however, is more challenging: 'Why was your business started?' It is a tough question and some may struggle to articulate a cogent reply. As Simon Sinek¹⁷ says:

'Every organisation on the planet knows what they do. Some know how they do it, the things that you think make you different or special or stand out from the crowd, but very, very few people and very, very few organisations can clearly articulate why they do what they do, that purpose, cause, or belief that drives everything you do. And that's really essential. All the great organisations in the world, all have a sense of why that organisation does what it does.'



FIGURE
03

BUILDING A PURPOSE-DRIVEN ORGANISATION

Visual insight, Ray Algar, Oxygen Consulting, 2014

When quality and price are equal, the most important factor influencing brand choice is purpose. This outpaces design and innovation, and brand loyalty. Executed with honest intent and a long-term view, purpose provides distinct competitive advantage.

Edelman 2012 Trust Barometer (international study of 8,000 consumers)

17.
'Start with Why: How Great Leaders
Inspire Everyone to Take Action'

What does your business stand for?

It sounds like such an innocent question, but scratch deeper and it reveals some fundamental truths about a company's strategy and prosperity. 'Stand for something or fall for anything' was how Malcolm X, the civil rights activist, would rouse his followers. Business owners should ask themselves what their companies stand for at least twice a year, because a compelling corporate purpose drives financial sustainability.¹⁸

A purpose-driven supermarket has just opened close to my home. Branded as 'Hisbe', an acronym for 'How it should be', it wants to be a more 'responsible' food retailer and drive change across the UK food industry. This is what they stand for:

'We're about affordable food that is as local, healthy, natural, sustainable, GM and pesticide-free, fairly traded, high welfare, seasonal, minimally packaged, ethically produced and responsibly sourced as possible!'

The business operates as a social enterprise where all employees are paid above a 'living wage' rather than the National Minimum Wage.¹⁹ There is no food waste as any surplus food is always donated. Funds for their first store were 'crowdfunded' from members of the general public who believe in what they are trying to do. You get the picture; 'Hisbe' has strong beliefs that when synchronised with enough customers should create an exciting and viable enterprise. If people care about these issues, might they start caring about Hisbe by shopping there, or by talking or even writing about them?

Consistency matters, of course. What does Hisbe do if customers begin asking for products that are not locally sourced? Or for a wider range of fish which is not from a sustainable source?²⁰ Causes demand consistency otherwise they frustrate and confuse customers. If this cause is diluted, then ultimately the business returns to being just another bland grocery store, and does the world really need more of them?

18.
See online presentation: Ray Algar: 'If your business doesn't stand for something, get lost and stop wasting everybody's time!' – <http://bit.ly/StandforSomething>

19.
The Living Wage is calculated according to the basic cost of living in the UK. This is presently £7.65 per hour (£8.80 per hour in London) and is set annually by the Centre for Research in Social Policy at Loughborough University. This compares to the statutory UK National Minimum Wage of £6.31 per hour (at December 2013)

20.
Defined by Greenpeace as 'A particular seafood is sustainable if it comes from a fishery with practices that can be maintained indefinitely without reducing the target species' ability to maintain its population'

Companies that actually stand for something

Innocent, TOMS²¹ and Apple spring to mind when thinking of companies with a compelling cause. Innocent started in 1999 after some friends tested fruit smoothie recipes at a music festival. They are in business to serve up small bottles of ‘goodness’ in the most responsible way possible. This is how they sum it up:



As a business we want to make it easy for people to do themselves some good. And to leave the planet a little bit better than we found it. We call this sustainable nutrition.

Since 2004, the Innocent Foundation has been collaborating with non-governmental organisations to support farming projects in countries where it sources its fruit. It receives funding from the main Innocent company, totalling £2 million (\$3.2 million)²² in 2012, which is 10% of its after-tax profits. The company commits a minimum of £250,000 (\$409,000) to the Foundation, even in years when it makes no profit. This allows continuity of the Foundation’s work. They are authentic to the core and trusted by their customers. Does such a cause actually make money? Innocent is now Europe’s favourite smoothie company and has featured in the UK Fast Track 100 Sunday Times²³ list for six consecutive years.²⁴



What about Apple, which is seen as ‘anti-establishment’, immensely innovative, responsive, a company that produces beautifully designed products? Apple is now the world’s most valuable business²⁵ and a debt-free phenomenon. Millions of people organise their lives and earn their living using Apple products. Customers do not just use Apple products, they name them, nurture them and take them to bed. Some are also prepared to wait in line for two weeks in order to secure a new iPhone.²⁶

These companies have a compelling reason to exist. If they closed tomorrow, their customers would feel a genuine sense of real loss. However, would you mourn the loss of the majority of the businesses that you have experienced this year? Think airlines, restaurants, pubs, hotels and many high street retailers. Let us vaporise them now. Would we grieve their passing? Perhaps not, although there may be some mild frustration whilst we research alternatives.

21.
TOMS is discussed in the
‘Authentic’ chapter

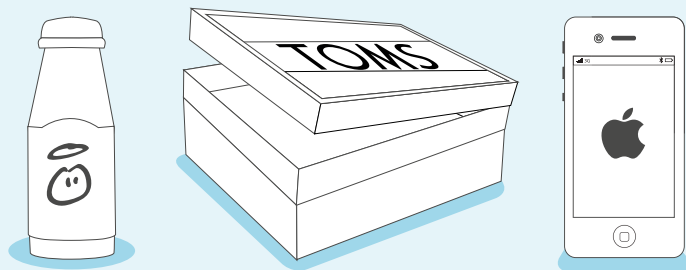
22.
The U.S. dollar (USD) is
used throughout this report

23.
A list of the UK’s top-performing
private companies, measured by
sales growth

24.
Coca-Cola acquired a controlling
interest in Innocent during 2013
and has stated it does not wish to
change the culture or values that
drive this much-loved business

25.
Measure by market value.
See Forbes list –
<http://bit.ly/Forbes-Apple>

26.
Why do some people sleep on
the street for two weeks to be first
in line? Watch the video at –
<http://bit.ly/iPhone-queue>



These companies have a compelling reason to exist. If they closed tomorrow, their customers would feel a genuine sense of real loss. However, can this be said for the majority of organisations that you have recently experienced?

CONSIDER THIS...

Test your organisation's purpose – Step out of your organisation for a few minutes and spontaneously answer these six questions. No conferring with your PR team – this is too important to outsource.

1

What does your organisation fundamentally stand for? I am sorry, but striving to maximise financial returns may be worthy, but it does not represent a cause to excite your followers.

2

Forget the one-minute elevator pitch; can you describe the essence of your organisation in three words? If you must, take five in order to make it compelling and distinctive.

3

If your organisation closed today, would it genuinely be missed?

4

Do you have customers and staff that genuinely love your organisation?

5

Is your organisation creating a legacy that will be long remembered?

6

Is there a real sense of external buzz and conversation about your organisation on social networks?





INTERVIEW WITH HENRY MASON, UK MANAGING DIRECTOR, TRENDWATCHING.COM



RA

It used to be simple; private companies were out to maximise profits while not-for-profit organisations were on a mission to solve the world's social problems. Why is this changing?

HM

Trust is a big factor here. Factory scandals, supply chain issues and the financial crisis are combining to create a distrust of big business and for-profit companies. In fact, in mature economies, trust in big business has never been lower: only 28% of consumers trust big businesses in the UK, rising to just 30% in Japan, 32% in Australia and 33% in the United States.²⁷

Most non-profits avoided the trust crisis and maintained consumer opinion. As many brands have the cash, resources and logistical expertise that non-profits need, a non-profit-private partnership is a logical (and profitable) partnership for both parties. For corporates, a non-profit collaboration helps consumers feel that their efforts are genuine (not just 'greenwashing'),²⁸ whilst non-profits can collaborate with businesses to expand their reach, borrowing their systems or using corporate marketing budgets. In some ways, it is the perfect union.

Many brands have not just partnered with non-profits; they have taken inspiration from them and have implemented long-term initiatives that look beyond the bottom line. In March 2013, Gucci launched 'Chime For Change',²⁹ a female empowerment initiative focusing on education, health and justice. The campaign links women across the globe, encouraging them to form a community and fulfil personal, national and global goals. Other conglomerates, including Unilever and Johnson & Johnson, have launched similar efforts.

Many brands have not just partnered with non-profits; they have taken inspiration from them and have implemented long-term initiatives that look beyond the bottom line.

Brands are also choosing to support non-profits through collaborations. March 2013 saw eBay team up with non-profit training agency Goodwill on 'Sell It Forward', a beta programme that splits auction profits with the charity.³⁰ Similarly, in August 2013, financial service provider ING Direct partnered with StartSomeGood, an Australian crowdfunding platform that supports social projects.

RA

Why do you believe organisations, of all sizes, are thinking more about acting in socially responsible ways?

HM

Fundamentally, organisations are seeking to be more socially responsible because consumers are looking for, and rewarding, brands that are. If you look at the businesses that have had the most success over the past few years, many of them have social

responsibility embedded deep into their DNA. Brands such as Method, TOMS; these all take a different, value-laden and more meaningful approach to business.

Today's consumers are increasingly keen to participate in something that is greater than themselves. In a throwaway culture, consumers want their purchases, actions and the brands they support to say something more – to have real integrity and meaning.

27.
Source: Havas Media,
January 2013

28
'Greenwashing' is derived
from 'whitewash', which
means to hide or conceal.
In a business context, an
example might be an
organisation making some
socially worthwhile claim such
as 'opt in to paperless billing
and help us save the environment'
when their true motivation is
cost reduction

29.
See Chimeforchange.org

30.
Beta programme has now
closed, with eBay considering
a future launch





INTERVIEW WITH HENRY MASON, UK MANAGING DIRECTOR, TRENDWATCHING.COM



Technological developments such as QR (Quick Response) codes, smartphone apps and eCommerce platforms mean that it is easier than ever before for consumers to track brands and their actions. If brands are not who they say they are, if they do not own up to mistakes and shortcomings, consumers will find out about it – and they will not be tolerant. It is better to admit and redeem through social responsibility than gloss over shortcomings; consumers will always have time for brands that make commitments that go beyond easy profits.

In a world where opting out of consumer society is difficult – if not impossible – consumers want to feel that their choices are having a positive impact or, at the very least, one that is not negative. A Nielsen study in 2012 found that 66% of global consumers said they preferred to buy products and services from companies that have implemented programmes to give back to society.³¹

A Nielsen study in 2012 found that 66% of global consumers said they preferred to buy products and services from companies that have implemented programmes to give back to society.

RA

In a recent trendwatching.com report, you propose the idea of ‘Demanding Brands’. How is this defined and why is it emerging?

HM

Ambitious and responsible ‘Demanding Brands’³² are challenging the ‘consumer is always right’ convention. They are demanding that consumers adhere or contribute to sustainable or socially responsible initiatives. This is even if that means some pain, financial or otherwise, for their customers. Although consumers are surprised by brands that make real demands on their time, energy or wallet, ultimately they have deep respect for one that pushes them into taking action. Truly ‘Demanding Brands’ need to remember that they should not back down at early signs of resistance, and that demands cannot be

one-offs; otherwise that is just a publicity stunt. Likewise rewards and prizes; there are no perks for consumers who take positive action – it is just a condition of engagement.

Ambitious and responsible ‘Demanding Brands’ are challenging the ‘consumer is always right’ convention...although consumers are surprised by brands that make real demands on their time, energy or wallet, ultimately they have deep respect for one that pushes them into taking action.

31.
28,000 respondents
across 56 countries.
Read the findings here –
<http://bit.ly/Nielsen-Survey>

32.
Read more about ‘Demanding
Brands’ here – <http://bit.ly/Demanding-Brands>





INTERVIEW WITH HENRY MASON, UK MANAGING DIRECTOR, TRENDWATCHING.COM



Society is heading towards a more sustainable, tolerant and progressive future. Just consider the sweeping social and environmental changes that have taken place over the past 20 or 30 years. Look at how and what governments are currently doing, and increasingly forcing corporations and consumers to do. But remember, not all consumers will be responsive to 'Demanding Brands'.

RA

You use the example of Vitoria, the Brazilian soccer club, as a Demanding Brand. What did they do and why do you like it?

HM

Brazilian soccer club Vitoria used demanding brand tactics to promote its charitable blood donation campaign. In July 2012, the team unveiled new player uniforms that were white and black instead of red and black, the team's usual colours. Fans were informed that, to restore the shirts back to their 'regular' colours, they would have to donate blood. Over 10 matches, the red stripes returned as donations increased. This is a good and successful example of a 'Demanding Brand' because the club was able to tap into something their supporters were really passionate about, encouraging them to take action in order to help others. The campaign was so successful that the Fundação de Hematologia da Bahia (Hematology Foundation of Bahia) created the 'Hemoba Solidarity Cup' in May 2013, inviting football fans from two rival soccer teams – Bahia and Vitoria – to donate blood, with the fans 'competing' via a Facebook app to see which fans could donate the most blood.

RA

I see many companies undertaking short-term campaigns that create some social good, which is then publicised. Is this good enough?

HM

Of course, interesting and surprising campaigns will always generate positive goodwill, but brands need to ensure that initiatives are not just short-term. Short-term is not an 'easy' route to customer affection as audiences are smarter than ever before – thanks to the relentless transparency, discussed earlier. Brands also need to remember that they are competing, and will be judged against other brands that are truly and deeply 'living' this trend. Believe me, consumers can and will spot the difference. So by all means launch an innovative, 'social good' campaign and earn some publicity. However, be prepared to be outflanked, outloved and outperformed by a competitor that creates a campaign with authentic and sustainable social value – with all the loyalty that it will engender.

About Henry Mason

Henry Mason is the UK Managing Director of trendwatching.com, one of the world's leading trend firms. Established in 2002, trendwatching.com scans the globe for the most promising consumer trends, insights and related hands-on business ideas. The world's leading media often call on Henry for his opinions on how the world is changing. Henry also cofounded '3Space' in 2010, an award-winning charity that makes vacant commercial property available for social good.

CHAPTER

4



Responsible

‘The price of greatness is responsibility’

Winston Churchill



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04

RESPONSIBLE

In 1970, Milton Friedman, the Nobel prize-winning economist, wrote a famous essay in the New York Times Magazine, titled ‘The Social Responsibility of Business is to Increase its Profits.’³³ He argued that ‘there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.’ The assumption running through the essay is that the people running the business day-to-day must operate it in accordance with the wishes of the owners, ‘which generally will be to make as much money as possible.’

More than 44 years has since passed and the world of business is now very different and the ‘responsibilities’ of business, arguably, far more complex to define. Now, an increasing number of businesses routinely ‘invest’ in social and environmental projects that may seem well outside the scope of their core business activity. As I write, Innocent Drinks is encouraging people across the UK to knit little woollen hats to adorn the tops of their smoothie bottles.³⁴ The company donates £0.25p (\$0.40) to the charity, Age UK, each time a bottle with a hat is sold. The motivation is to try to reduce the number of old and frail people dying from the cold weather in England and Wales.³⁵ So what is the connection between a business that liquidises fruit and an elderly person who has never purchased a ‘smoothie’?

Well, it seems as though many businesses are fundamentally redefining their role in society, which is reshaping their perspective of who is a primary ‘stakeholder’. No longer does it seem that the interests of the owners must be put first, as Friedman assumed they must always be. This is what Johnson & Johnson, the American healthcare company, believes:

The Johnson & Johnson ‘credo’ was written by the founder in 1943, long before the concept of ‘responsible business’ or public relations was mainstream. Seventy-one years later, the credo still shapes how this company both thinks and acts.

‘We believe our first responsibility is to the doctors, nurses and patients, to mothers and fathers who use our products. We are responsible to our employees...we are responsible to the communities in which we live and work...our final responsibility is to our stockholders.’³⁶

33.
Read the full essay here
<http://bit.ly/Maximiseprofits>

34.
The Innocent Big Knit, with
4 million hats knitted over
the past 10 years raising
£1.4 million (1.7 Euros).
See <http://thebigknit.co.uk>

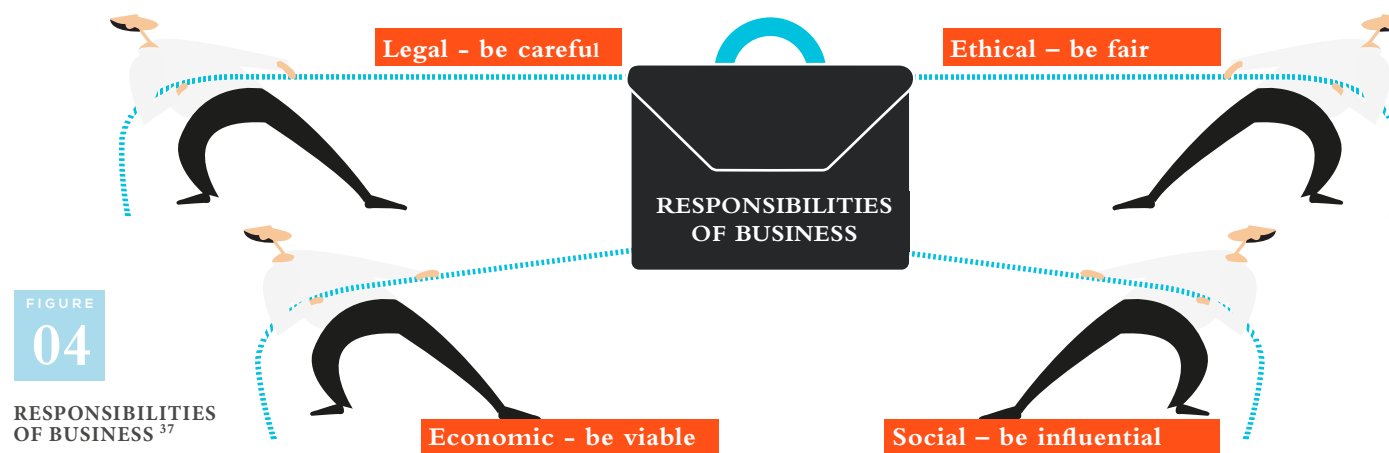
35.
As many as 25,000 older
people may die needlessly each
winter because of the cold in
England and Wales (Age UK)

36.
Johnson & Johnson –
our credo values
<http://bit.ly/JandJCredo>



The responsibilities of a business

We now seem to expect so much more of business, but what is the full scope of their 'responsibilities'? Figure 4 illustrates this:



Visual insight, Ray Algar, Oxygen Consulting, 2014

Similar, perhaps, to an ecosystem that has to be constantly nurtured, mindful that attention must be paid to its entirety in order to remain in a sense of balance, and carefully managing the competing demands to grow the whole, tensions are nonetheless inevitable.

‘The idea of social responsibility in Russia is very different from Europe. Social responsibility firstly means employee protection because in Russia 50% of businesses are not employing workers officially to avoid paying employment taxes. Our company commits to employing people officially and guaranteeing long-term employment. We also have a responsibility to encourage staff and members to be physically active so as not to be a burden on the public health system. Anastasia Yusina, President, Strata Holding, Russia

37.
Based on the corporate
social responsibility pyramid
– A Carroll

Take for example the ever-growing payment protection insurance scandal consuming the UK banking sector. These very profitable policies sold alongside mortgages, loans and credit cards were designed to support borrowers if their income fell due to ill health or loss of work. In reality, customers found their subsequent claims took far too long to be processed, were often completely rejected on some obscure technicality and the policies were very expensive to buy. Sometimes, customers were sold the insurance without their knowledge, because it would trigger a generous commission for the salesperson. The UK Financial Ombudsman Services estimates that up to £50 billion of payment protection insurance policies were sold over the last 10–15 years. £12 billion has now been refunded to consumers, with 2,000 new claims arriving every day.³⁸ A good example of a product, perfect for initially filling an organisation's 'economic bucket', but undermining all else.

Is this fair?

The fitness industry, even with its altruistic purpose has, on several occasions, succumbed to economic temptation, being accused of mis-selling membership contracts and making it very difficult for customers to cancel when their personal circumstances change.

For more than eight years the Office of Fair Trading has been investigating the way that the private club industry sells memberships, culminating in High Court action against Ashbourne Management Services Ltd, a membership fees collection company, in 2011.

Ashbourne's contracts were deemed to be unlawful.⁴¹ In January 2012, the Office of Fair Trading opened an investigation into private health and fitness club contracts and third party fee collection companies. The outcome of this investigation led to many of the larger UK private club chains making significant changes to their membership terms and conditions.

So why does it take the UK's consumer and competition authority's intervention to ensure that a health club membership contract is understandable, reasonable and lawful? Perhaps the executives of these companies had adopted a narrow view of their responsibilities – a fixation on the economic bucket at the expense of all others. 'Expense' is an appropriate term because such decisions come at a cost to the business, affecting relationships and reputation among their stakeholders.

Do British consumers want Google to pay more corporation tax?

Is it fair for companies to legally reduce the tax they pay? Google has been accused of using clever accounting to reduce its 2012 tax bill by as much as £150 million. The company saves money, but how does the general public feel about this? Google UK has dropped from fifth to out of the top 20 UK brands according to the 2013 Brand Desire Report, compiled by Clear, M&C Saatchi's branding agency, dropping 38% since 2012, especially on measures such as 'respect' and 'pride' in the company. Decide for yourself whether a period of highly visible but legal tax avoidance is connected to a reduction in respect for the company.^{39/40}

38.
As of August 2013.
See Financial Conduct Authority
(independent body that regulates
the UK financial services
industry) website
<http://bit.ly/17s6311>

39.
See <http://bit.ly/Google-tax>
Google is used here, but many
other companies are caught up
in the same debate

40.
Read the Brand Desire
Report 2013 here
<http://bit.ly/Brand-Desire>

41.
Office of Fair Trading
investigation into Ashbourne
Management Services
<http://bit.ly/OFT-Ashbourne>



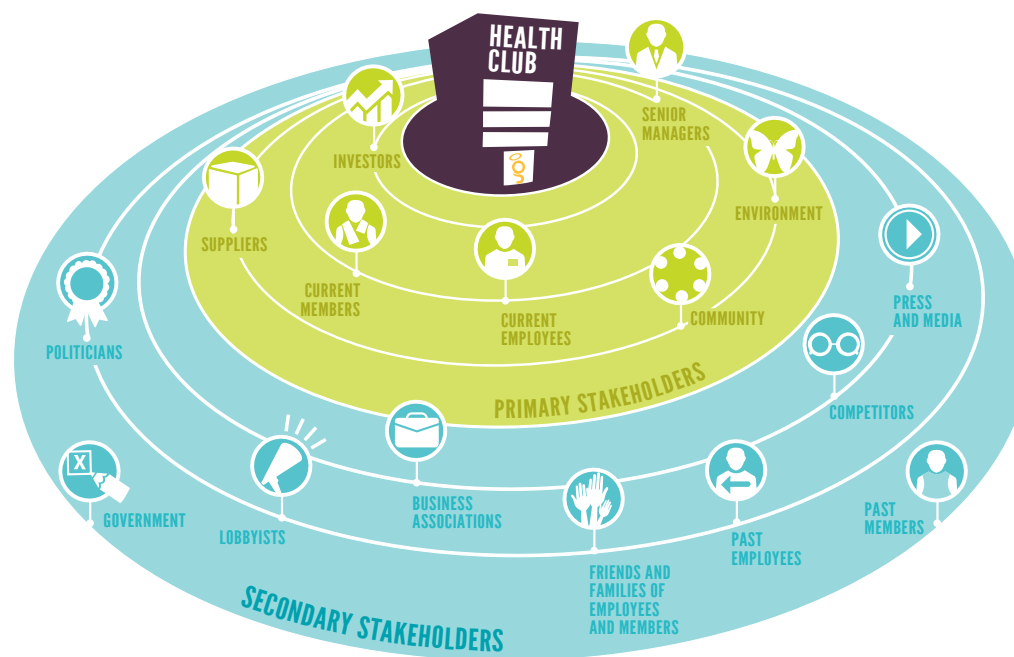
The stakeholders for a fitness business

Health clubs and leisure centres may operate from physical buildings, but their reach and impact extend far beyond the boundary walls. A typical health and fitness club, for example, has many 'stakeholders'. When thinking about who may have a 'stake' in a health club, members, employees and investors will come to mind, but what if we apply a broader definition and say that a 'stakeholder' is any person or organisation who impacts, or is impacted by, the club. Now we think of communities, the environment, suppliers, competitors, press and other media, government, previous members, former employees and others. Suddenly, the club's reach and influence has become much bigger. The most successful clubs and centres recognise and nurture this much broader 'community of stakeholders' and the myriad interconnections between them.

FIGURE
05

PRIMARY AND SECONDARY STAKEHOLDERS FOR A HEALTH CLUB

Visual insight, Ray Algar, Oxygen Consulting, 2014



Balancing stakeholder interests

It is easy to see how some organisations may become overly preoccupied supporting some stakeholders while being virtually 'blind' to others. For example, is it really necessary to squeeze that extra 7.5% discount out of your most loyal equipment supplier, leaving them little margin to provide long-term support? Why is a business rarely represented at important community events when the entire future of that organisation is predicated on the continued prosperity and support of the community? How about we forget some last-century notion that the 'customer is king' and instead think more about all stakeholders, not just a narrow few.

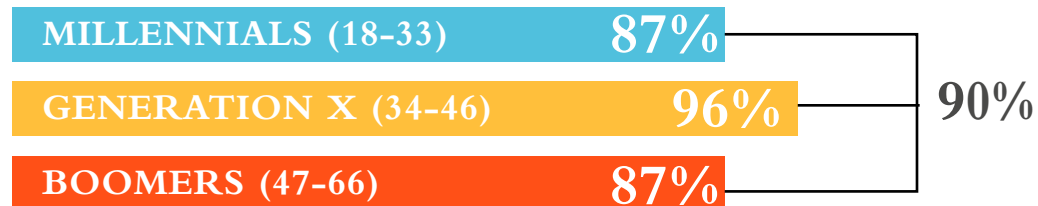
Conscious capitalism

There is a movement underway and it is heading your way. 'Conscious capitalism' comprises a growing number of global organisations that believe that business can be harnessed to solve large social issues, rather than as a vehicle to make money for shareholders. Recently, the concept of conscious capitalism has been described by John Mackey, Co-CEO of Whole Foods Market and Raj Sisodia, Professor of Marketing at Bentley University, one of America's leading business schools.⁴²

Conscious capitalism comprises a growing number of global organisations that believe that business can be harnessed to solve large social issues, rather than as a vehicle to make money for shareholders.

FIGURE 06 BUSINESS NEEDS TO TAKE RESPONSIBILITY⁴³
Visual insight, Ray Algar, Oxygen Consulting, 2014

Brands and big corporations should take responsibility for improving the world



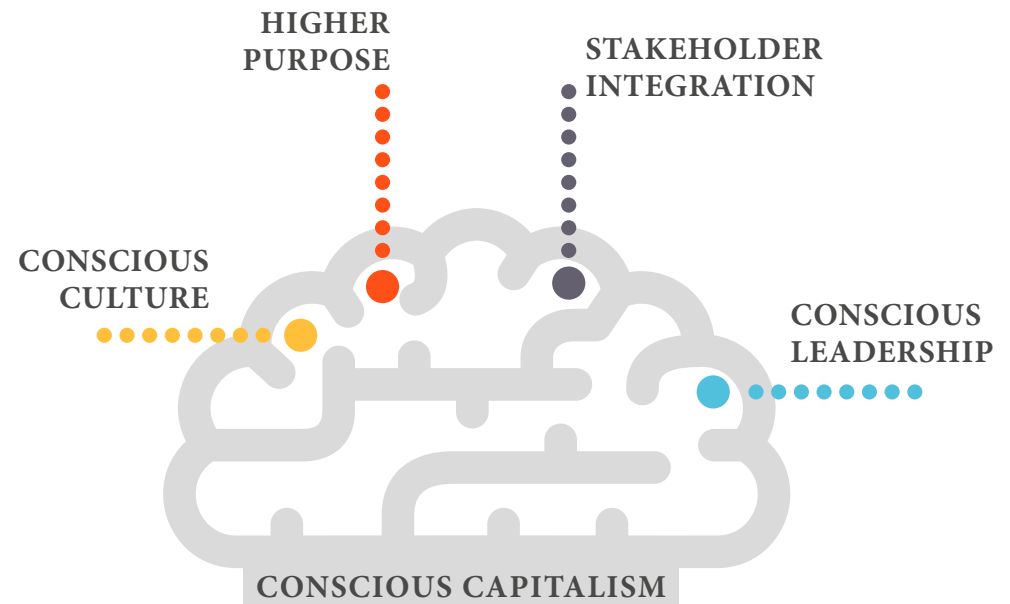
42. Read *Conscious Capitalism – Liberating the Heroic Spirit of Business*, John Mackey, Raj Sisodia, 2013

43. JWT Social Good Report 2011 using a poll of 908 adults

What follows is an excerpt from the conscious capitalism credo:

‘*Conscious businesses are galvanised by higher purposes that serve, align, and integrate the interests of all their major stakeholders. Their higher state of consciousness makes visible to them the interdependencies that exist across all stakeholders, allowing them to discover and harvest synergies from situations that otherwise seem replete with trade-offs.*’

Please do not think this is some kind of small ‘fringe’ movement. Mackey has grown NASDAQ-listed Whole Foods Market into America’s largest natural and organic foods retailer, with annual sales of \$12.9 billion (£7.9 billion) and 6.6% annual sales growth.⁴⁴ 200 CEOs of some of the world’s most influential companies come together each year for the Conscious Capitalism CEO Summit.



FIGURE

07

Visual insight, Ray Algar, Oxygen Consulting, 2014

44. Company press release November 2013: 52 weeks ending September 29, 2013. Identical annual store sales growth. Whole Foods Market has been ranked as one of the ‘100 Best Companies to Work For’ in America by FORTUNE magazine for 16 consecutive years



Stakeholder integration

Whole Foods Market created the not-for-profit Whole Foods Foundation⁴⁵ in 2005 with the mission to reduce poverty through microcredit in communities worldwide that supply Whole Foods Market stores with products. The Foundation has built an online microlending platform, which enables anyone to submit small donations, which the Foundation uses to distribute microloans to local entrepreneurs. A microloan is usually less than \$200 and allows an individual to start or grow their business. The Foundation has now made more than 305,000 loans and committed funds of \$38 million across 57 countries.⁴⁶

Whole Foods Foundation and Julienne – Rwanda

Julienne took a loan of 9,500 Rwandan Francs (about \$16) to farm about a third of an acre of land. The loan means the household can now produce five bags of beans and corn, up from just a single bag before the loan. They now feed themselves and sell the remainder.

The Foundation is not involved in random acts of charity, but in fact takes long-term strategic actions to strengthen and ultimately protect Whole Foods Market's global supply chain. Julienne may not be a direct supplier to the business, but Rwanda is and so the prosperity of the country matters.

45. See wholeplanetfoundation.org/about

46. At August 2013 – Whole Planet Foundation website

47. JWT Social Good Report 2011 – a poll of 908 adults

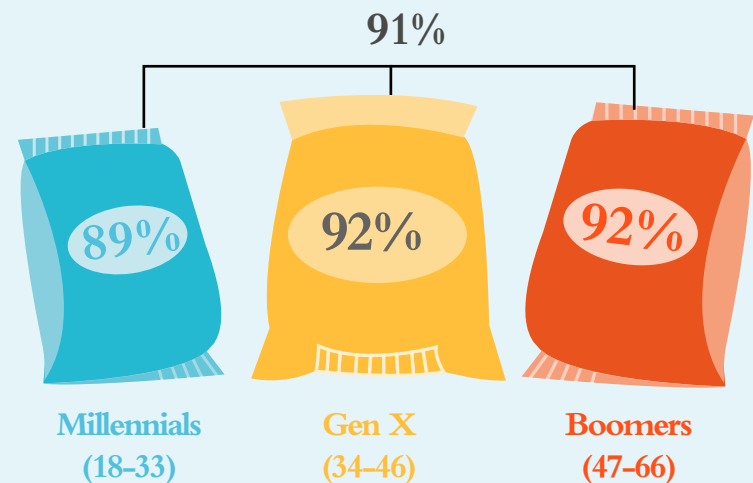
‘Our business is intimately tied to the neighbourhood and larger community that we serve and in which we live. The unique character of our stores is a direct reflection of the customers who shop with us. Without their support, both financial and philosophical, Whole Foods Market would not be in business. Our interdependence at times goes beyond our mutual interest in quality food and, where appropriate, we will respond. We donate 5% of our after-tax profits to not-for-profit organisations.’

John Mackey, Co-CEO Whole Foods Market

FIGURE
08

COMPANIES NEED TO DO MORE GOOD⁴⁷

Visual insight, Ray Algar, Oxygen Consulting, 2014



Companies need to do more good, not just less bad



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Nike introduce water-free fabric dying process

Did you know it normally takes around 30 litres of water to colour one T-shirt? That is sufficient water to hydrate a woman for nearly three weeks. At Nike's new Taiwanese factory they have introduced 'ColorDry', a process developed by a Dutch start-up company. Water is replaced by recycled carbon dioxide. Water now used to make a Nike T-shirt: zero. Look out for ColorDry products in early 2014.



CONSIDER THIS...

- 1 How much clarity is there in your organisation about its core responsibilities?
- 2 Would a neutral person conclude that your organisation's 'terms of business' are transparent, fair and reasonable?
- 3 How would you define your organisation's total stakeholder group?
- 4 How conscious is your organisation of how you impact stakeholders and how they impact you?





INTERVIEW WITH IOANNIS IOANNOU, ASSISTANT PROFESSOR OF STRATEGY AND ENTREPRENEURSHIP, LONDON BUSINESS SCHOOL



RA

Why do you believe businesses are beginning to think and act more responsibly? What seems to be driving this change?

II

Over the past few decades, most countries around the world have experienced unprecedented levels of economic growth. Concurrently, several global macro trends have shifted and are still shifting the nature of economic activity, whilst placing strong pressures on the environment and on civil society. In particular, accelerating and often greedy and wasteful consumption of natural resources and the extraordinary increase in carbon emissions severely threaten the capacity of the planet to sustain human development as we know it. In the social sphere, unemployment, especially among young people, severe social inequality and immobility threaten to erode the social fabric and stability of our societal systems. Repeated corporate governance failures and a series of crises in the financial system have also dramatically undermined trust in business on the part of civil society.

Collectively, these environmental, social and governance challenges are calling into question the legitimacy of managerial capitalism in the eyes of stakeholders, and essentially lead to the questioning and redefinition of the role of the corporation in society while generating demands for greater transparency and accountability.

Repeated corporate governance failures and a series of crises in the financial system have also dramatically undermined trust in business on the part of civil society.

Accordingly, a growing number of businesses are beginning to think and act responsibly, understanding that from a business strategy point of view, critical new elements and novel challenges are being introduced in the continuing quest to establish and maintain a competitive advantage and superior long-term performance. First, the definition of what constitutes 'corporate performance' is being stretched beyond the traditional financial metrics to include assessments of

the corporation on a wider range of issues, critically including social and environmental performance (i.e. non-financial metrics). Second, persistence of corporate performance is no longer based on the one-dimensional focus on managing the economic context, within which the corporation operates, but also requires a more holistic and longer-term

approach, as well as a more meaningful engagement with other stakeholders. That is, it requires the effective management of the social and environmental context, in addition to the economic, with the ultimate goal of co-generating economic, environmental and social value synergistically.





INTERVIEW WITH IOANNIS IOANNOU, ASSISTANT PROFESSOR OF STRATEGY AND ENTREPRENEURSHIP, LONDON BUSINESS SCHOOL



RA

Your research embraces the idea of corporate social innovation. How do you define it and why do organisations of all sizes need to understand it?

II

Social innovation is defined as consisting of those product, process or, importantly, business model innovations that are specifically and strategically designed to integrate environmental and/or social issues into a company's strategy. Therefore social innovation is important for organisations of all sizes because it is a radically new way of thinking about both innovation as well as business models. For example, what once were considered big problems or negative externalities,⁴⁸ like pollution, are now being reconceptualised as potentially profitable business opportunities; as a new landscape in which businesses can expand profitably. In this respect, when companies learn to exploit such opportunities in this novel space, they concurrently contribute towards the resolution of the world's most acute problems, such as climate change and income inequality. In short, corporate social innovation is the

process through which organisations of the future will build and sustain their competitive advantage by managing, not only within their economic, but also within their environmental and social context (inputs); and they do so in a way that is both profitable as well as beneficial for society and the environment (outputs).

RA

If a business is a social innovator, are its owners saying they agree to trade off financial returns in order to create social and environmental benefits?

II

No, a business that is a social innovator first identifies such material trade-offs within its context (e.g. its industry), and then comes up with novel solutions that profitably and efficiently resolve them. For example, a company that introduces a product that is 100% green, but significantly more expensive than a brown product, has not resolved the underlying trade-off between cost and environmental credentials; therefore, it cannot be regarded

as a social innovator. Social innovation is about establishing a deliberate strategic process within the organisation, through which companies make strategic choices that enable them to effectively resolve these underlying trade-offs and achieve win-win outcomes across stakeholders, such as the environment, the local communities and their own employees. That is precisely why at the core of social innovation there lies an astute stakeholder management strategy that entails honest and transparent engagement, communication, building of trust and long-term relationships as well as the smart management of a diverse and potentially conflicting set of expectations across stakeholders. In other words, social innovation requires hard work, and indeed a fundamentally new way of doing business.

48.

An externality is defined as a cost or benefit which affects a party who did not choose to incur that cost or benefit (Wikipedia)





INTERVIEW WITH IOANNIS IOANNOU, ASSISTANT PROFESSOR OF STRATEGY AND ENTREPRENEURSHIP, LONDON BUSINESS SCHOOL



RA

Is there evidence supporting the idea that organisations which embrace the needs of a wider set of stakeholders are more successful over the long term?

In the long run, organisations who embrace the needs of a wider set of stakeholders are indeed significantly more successful than organisations who do not.

II

There have been numerous academic studies to date that addressed the question of whether social and environmental responsibility 'pays off' in the long run, with mixed results. However, high-quality data that measure environmental and social responsibility in a more nuanced way are only recently becoming available. Using this type of data, recent research work that I undertook, together with colleagues Professors G. Serafeim and R. Eccles of Harvard Business School, has found that in the long run, organisations who embrace the needs of a wider set of stakeholders are indeed significantly more successful than organisations who do not.

We studied a matched sample, two virtually identical sets of firms in terms of size, financial performance and growth prospects, of 180 US companies over the period from the beginning of 1993 to the end of 2010. We classified 90 of these companies as 'High Sustainability' firms because long ago they adopted corporate policies regarding commitments to enhance environmental and social performance, while the other 90 we classified as 'Low Sustainability' firms because they had not. The Low Sustainability firms correspond to the traditional model of profit maximisation, in which social and environmental issues are predominantly regarded as 'externalities' created by the firm's actions. The High Sustainability firms, in contrast, take into account these externalities in their decisions and operations; this is manifested in their relationships with stakeholders such as employees, customers and non-governmental organisations, representing civil society. In other words, the notion of 'sustainability' appears to be embedded in a holistic and multidimensional manner within and throughout the organisation.





INTERVIEW WITH IOANNIS IOANNOU, ASSISTANT PROFESSOR OF STRATEGY AND ENTREPRENEURSHIP, LONDON BUSINESS SCHOOL



Our analysis shows that High Sustainability firms are characterised by distinct governance mechanisms that directly involve the board in sustainability issues and link executive compensation to sustainability objectives; a much higher level of and deeper stakeholder engagement, coupled with mechanisms for making it as effective as possible, including reporting; a longer-term time horizon in their external communications that is matched by a larger proportion of long-term investors attracted to these firms; greater attention to non-financial measures regarding employees; a greater emphasis on external environmental and social standards for selecting, monitoring and measuring the performance of their suppliers; and a higher level of transparency in their disclosure of non-financial information.

We also found that firms in the High Sustainability group significantly outperformed firms in the Low Sustainability group in terms of both stock market performance and accounting measures.⁴⁹ Investing \$1 (USD) at the beginning of 1993 in a value-weighted (versus equal-weighted)⁵⁰ portfolio of sustainable firms would have yielded \$22.6 (\$14.3) by the end of

2010, based on market prices. In contrast, investing \$1 at the beginning of 1993 in a value-weighted (versus equal-weighted) portfolio of traditional firms would have yielded only \$15.4 (\$11.7) by the end of 2010. We found similar results for the measures of return on assets and return on equity.

RA

What role do small and medium-sized organisations have in creating meaningful social impacts when the challenges are so large?

II

We know from years of academic work on innovation and the ability of organisations to adjust to changing competitive environments that, on average, large and mature organisations face greater inertia and difficulty in adjusting and changing their strategies and business models. In fact, most of the organisational change that we observe around us and across time comes from established organisations being replaced by new ones that are better equipped to survive in the new environment,

whereas only a smaller percentage comes from established firms being able to adapt and remain competitive within their new context.

In the sustainability domain, the increased social and environmental pressures represent fundamental shifts in the external environment and therefore generate an immediate need for change and adaptation. Accordingly, small and medium-sized organisations may be thought of (a) as the next, perhaps more resilient generation of organisations that will replace established ones that will fail to adapt to these pressures or (b) as fertile grounds for the in-parallel innovation and experimentation with novel ideas – whether technological, business model or otherwise – in domains where established firms, for various reasons, do not engage. A very interesting example of this latter

49. Although both groups did better than the market as a whole

50. Equally weighted implies that each stock in the portfolio carries the same weight. In other words, it is a simple average measure. Value-weighted is a 'weighted average' portfolio whereby each stock is weighted by the market capitalisation of the company





INTERVIEW WITH IOANNIS IOANNOU, ASSISTANT PROFESSOR OF STRATEGY AND ENTREPRENEURSHIP, LONDON BUSINESS SCHOOL



case is Sustainia,⁵¹ an innovation platform that aims to bring together ready-to-use technological solutions to sustainability, predominantly developed by small and medium-sized organisations, and various stakeholders that can adopt and scale them up.

In sum, the role of small and medium-sized organisations is important yet it is also worth highlighting that achieving scale or collaborating with large established organisations is a critical requirement given the size and extent of the challenges ahead. Small and medium-sized organisations that are interested in creating meaningful social impact should therefore focus on ideas and business models that are innovative, effective as well as scalable!

Small and medium-sized organisations that are interested in creating meaningful social impact should therefore focus on ideas and business models that are innovative, effective as well as scalable!

About Ioannis Ioannou

Professor Ioannis Ioannou is a strategy scholar at the London Business School. His academic work focuses on sustainability and Corporate Social Responsibility (CSR). In addition to research, he also consults internationally with companies on how environmental, social and corporate governance strategies are strategically adopted, effectively embedded and successfully implemented. In 2013, Ioannis was nominated for the 'Future Thinker Award' of Thinkers50; the first ever global ranking of management thinkers, with a mission to recognise ideas that have the power to change the world.



⁵¹
See www.Sustainia.me



CHAPTER

5



‘Honesty and transparency make you vulnerable. Be honest and transparent anyway’

Mother Teresa



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CHAPTER

05

AUTHENTIC

I wish I could remember the exact day that I first discovered TOMS. It matters, because it would be good to know what I was doing and why the TOMS story captured my attention that day.

In 2006, Blake Mycoskie, a 29-year-old American entrepreneur, was holidaying in Argentina, taking time out from his fourth business start-up. While travelling through Argentina, he noticed the popularity of the alpargata, the 'national shoe', made of a soft canvas upper with a rubber sole and lovingly embraced by all Argentinians from polo players to students. However, what Mycoskie also saw were large numbers of children in villages not wearing shoes at all, leading to high levels of injury and disease. This prevented children from attending school and reaching their potential.

He wanted to help, and began thinking of setting up a shoe charity and harnessing his large personal and business network. Soon Mycoskie abandoned this idea because he did not want to be permanently dependent on the generosity of others. Instead he decided to create a self-sustaining 'for-profit' business shoe company, with a twist – adapt the alpargata shoe and sell them to an American audience, and for every pair sold, one new pair would be

I was so overwhelmed by the spirit of the South American people, especially those who had so little, and I was instantly struck with the desire, the responsibility, to do more. Blake Mycoskie

donated to a child in need. A business powered by such an altruistic purpose can overcome many challenges, including the fundamental observation that Mycoskie knew nothing of the shoe industry and possessed no retailing experience. Seven years later and TOMS has now given away more than 10 million pairs of shoes in 60 countries and inspired a global new business model known as 'One for One' – sell one, give one.⁵² In 2011, TOMS applied the 'One for One' model to eyewear and now provides free prescription glasses, medical treatment or sight-saving surgery with each purchase of TOMS eyewear. The sight of 150,000 people has now been restored.⁵³

To be authentic

'Authentic' means to be real or genuine. In a business context, it translates to: 'This is who we are and this is what we stand for. Please come join us if this matters to you as well.' When an individual and a business do genuinely 'connect' there is a meeting of both heart and mind. Customers become enthusiastic advocates who just love talking about your organisational 'story'.

This is who we are and this is what we stand for. Please come join us if this matters to you as well.

52. 'One for One' purpose-driven organisations are now distributing free soap, books, and clothing. Read more here <http://bit.ly/one-for-one>

53. See the TOMS Giving Report <http://bit.ly/TOMS-report>

Characteristics of an authentic business

There are many facets to an authentic business

FIGURE
09

CHARACTERISTICS OF AN AUTHENTIC BUSINESS

Visual insight, Ray Algar, Oxygen Consulting, 2014



Volvo believes no one should die in one of their cars by 2020 1.2 million die each year in road traffic accidents and Volvo wants to take responsibility for reducing this number. So the Volvo vision is that no one will be killed or injured in a Volvo by the year 2020. Since being founded in 1927 Volvo has been passionate about building safe cars. So does this seem like an 'authentic' business to you?

What is your organisation's story?

Blake Mycoskie tells a great story about an event that occurred four months into the launch of TOMS. He was on a sales trip to New York trying to encourage large retailers to stock TOMS. The trip had not gone well, with little enthusiasm from retailers for what he was doing – they were neither buying TOMS shoes nor the wider story. As Mycoskie was checking in at the airport to return home, he noticed a woman wearing a pair of red TOMS shoes. This was the first time he had seen someone wearing TOMS shoes in public, other than friends, family and volunteers. Approaching the woman, he casually asked: *'I really like those shoes, what are they?'*



The women then proceeded to tell Mycoskie, with great enthusiasm, the entire story of how TOMS had been started with a mission by a young American to put shoes on the feet of Argentinian children to allow them to attend school and realise their full potential. You buy a pair and they give away a pair to a child in need.

He retells this event in many online videos because it was a key moment in the evolution of the business. 'If she had that much passion to tell the TOMS story to a stranger, how many other people had she told?' recalls Mycoskie. He described her as being 'invested' in the business. Invested because she had spent time to search out the early YouTube videos posted by TOMS in order to fully understand what the business was trying to achieve.

This is one of those key moments in the evolution of a new business and the life of an entrepreneur because it provides energy and validation of the big idea. I am sure MyCoskie was a very happy guy sitting on that plane because he now had proof that it was consumers that were going to 'power' the growth of TOMS, not department store retailers who did not initially 'get it', or even expensive advertising campaigns.

Consumers would soon be going into stores and asking for TOMS shoes and stores would be seriously behind the curve if they were not stocking them.

Your story

So what is your organisation's story? Do you have one and is it one that would captivate a room full of strangers? This matters because a 'remarkable' story has the potential to rapidly spread through a person's network – and networks are larger and more efficient than at any other time in the history of humanity. Organisations with a remarkable story translate into more 'mentions' on social networks, powered by an individual's passion and excitement to inform others. This means they spend less on paid advertising trying to convince others to 'like them'.⁵⁴

A 'remarkable' story has the potential to rapidly spread through a person's network – and networks are larger and more efficient than at any other time in the history of humanity.

Proving it

Before 1990 it was extremely difficult for individuals to know if what a business 'claimed' in its advertising was accurate and true. 'Friendliest club in London' shouts the billboard, but how to know if this is true if our small network of family, friends or work colleagues have no experience of the business? Then, in 1989, the 'web' was invented and everything changed. Now claims can be 'proof-checked' in a click and so you better be sure that Google agrees that your club really is friendly and the café food is freshly made and healthy.

'Businesses and brands can say what they like about themselves, but there is no hiding place if the experience is out of step with the promise.'

Richard Kanareck, Managing Director, FleishmanHillard London

Some talk of the idea of an 'authenticity gap', which is where the claims of a business and those of customers' actual experiences differ.⁵⁵ You really do have to 'mind the gap' when internet-enabled devices are everywhere. So if you want to build credibility with all your stakeholders, start 'proving' what you do.

^{54.} Ty Montague discusses this in an interesting Harvard Business Review blog post (Good Companies Are Storytellers. Great Companies Are Storydoers <http://bit.ly/storydoers>)

^{55.} See "Businesses Face 'Authenticity Gap' as UK Consumer Expectations Go Unmet" <http://bit.ly/authenticity-gap>

Some talk of the idea of an ‘authenticity gap’, which is where the claims of a business and those of customers actual experiences, differ. You really do have to ‘mind the gap’ when internet-enabled devices are everywhere. So if you want to build credibility with all your stakeholders, start ‘proving’ what you do.

Icebreaker clothing and a ‘baa code’

Icebreaker, the New Zealand outdoor sports clothing brand, is made entirely from the wool of Merino sheep. The Merino sheep is an ancient breed and one of the toughest, living in the extremes of New Zealand’s Southern Alps. Want to know the name of the Merino sheep that incredibly warm jacket is made from? Go to the ‘baacode’ website⁵⁶ and enter the nine-digit code sown into the inside of the jacket. You can then meet the farmer and find out more about how the sheep are cared for.

Edinburgh Leisure proves the social impact of its activities

Edinburgh Leisure is a Registered Scottish Charity operating 32 leisure centres across the city of Edinburgh, Scotland. In 2012 it wanted to know the answer to the question: ‘as an organisation, what wider social impact are we making?’ Using the ‘Social Return on Investment’ (SROI) methodology⁵⁷ Baker Tilly Corporate Finance calculated that Edinburgh Leisure was generating a return of at least £32.5 million (\$53.3 million) from an annual investment of around £9.2 million (\$15.1 million) provided by the City of Edinburgh Council. In other words, for every £1 invested (\$1.6), a social return of £3.5 (\$5.7) is generated. To understand how this builds, take just one activity such as their Healthy Active Minds programme, which offers people with moderate mental health issues the opportunity to be physically active, improving their health and mental wellbeing. This results in less visits and demand on National Health Service resources.

‘The reputation economy is a new marketplace reality in which people buy products, take jobs, and make investments based primarily on their trust, admiration and appreciation for the companies and institutions that stand behind them.

Reputation Institute

CONSIDER THIS...

- 1 Does your organisation have a compelling story that spreads far beyond your geographic boundaries?
- 2 Would this story honestly captivate a room full of strangers?
- 3 How would your stakeholders measure your organisation in an authenticity test (see figure 9)?
- 4 How good is your organisation at ‘proving’ the difference it makes to the lives of customers?

56.
You can enter a dummy
or test baacode here
– <http://bit.ly/baa-code>

57.
SROI is a framework for
capturing the financial, social
and environmental value that
an organisation generates.
Read more at
<http://bit.ly/SROI-Network>



INTERVIEW WITH THOMAS KOLSTER, AUTHOR OF GOODVERTISING

**RA**

In Goodvertising, your new book, you discuss the fact that consumers do not care if many brands survive. Why do you believe this sense of emotional disconnection exists?

TK

One of the surveys I refer to is the Meaningful Brands Survey from Havas Media.⁵⁸ They found 73% of consumers would not care if the majority of brands did not exist – if they just disappeared. For anyone in business, that is a scary statistic. I think the way that business has developed and being all about profit no longer resonates well with consumers. Transparency is also very relevant here, people are a lot more informed now. The regulatory aspects of products now also mean there is more disclosure, which creates a more informed consumer.

73% of consumers would not care if the majority of brands did not exist – if they just disappeared. For anyone in business, that is a pretty scary statistic.

Also, we live in a hyperadvertised society today and many aspects of popular culture are owned by advertisers. So, in a way, sometimes I think it is an allergic reaction, there is just too much of it. Instead of it becoming easier for consumers to navigate, it becomes more difficult. Also, many products are so similar, you have so many brands shouting for attention, that it becomes very difficult for consumers to navigate and to discover things that really make a difference in their lives. So the way I like to look at this, is not to be fearful and talk about corporate social responsibility, but to look at it another way, and search for the opportunities. They are abundant because consumers are asking for products that are simpler and that create a meaningful product difference, rather than being just another new razor blade.

RA

Why should we expect companies to play their part in solving complex social and environment issues? Operating a business is already tough enough.

Many products are so similar, you have so many brands shouting for attention that it becomes very difficult for consumers to navigate and to discover things that really make a difference in their lives.

TK:

I think businesses are realising that they have to be more responsible if they are still going to be around in 20 years. The real issue of sustainability for me is that it helps business to ensure they are earning money not just today but over the long term as well. Business innovation now is much more focused on reducing resources and being less wasteful. Look at the new Nike flyknit process of producing shoes, which reduces waste by 66%.⁵⁹ A business innovation focused on reducing waste for example just makes good business sense. If you are in a business category with six other players and you do not participate in this responsible journey, you will simply get left behind.

Of course, it is hard, but it is also about seeing the possibilities. As we discussed before, the competitive landscape has changed and

58. Global survey of 134,000 consumers. Read the key findings here – <http://bit.ly/Havas-survey>

59. See the flyknit shoe video at <http://bit.ly/Nike-Flyknitshoes>





INTERVIEW WITH THOMAS KOLSTER, AUTHOR OF GOODVERTISING



where you are in a market with very similar products, suddenly you can create a unique selling proposition about being a more caring brand. It may be tough but these are the new competitive requirements.

RA

For a business to remain relevant to its stakeholders you suggest it should, among other things, be compassionate. Why does compassion matter?

TK

The world is presently in a mess; we have the global financial crisis and a lot of things going wrong. I think what people need is someone to say: 'this is going to be all right'. Business can make a difference and so I think it is about showing compassion, which is probably the best brand position you can really have. It is showing that you care about your customers; it is not new, but I think consumers demand it a lot more than they did before and this really comes back to a decline in the trust consumers now have in many businesses. Presently, there is a growing 'trust gap'. Brands need to show consumers they are in this for

good, be more transparent and admit when things go wrong. So I think we live in very different times and we need compassion.

RA

You discuss the idea of needless philanthropy and 'empty giving'. What does this mean and is not giving of some kind better than nothing?

TK

This is one of my core messages. Having lived in Africa for two years, I do not think it really helps to foster a 'donation relationship'. Instead you need to look at unlocking people's potential and helping them see what they are really good at. It means thinking about how business resources could be better used, such as our marketing and research and development budgets for example. If doing good is at the core of the business, then considerable social change is possible. But the idea of 'buy this product and we donate one cent' is not really going to achieve very much in the long term.

RA

What role can small business play in improving the lives of others if they believe they lack resources and influence?

TK

Small business has a big role to play. Significant innovation still comes from small and medium-sized businesses. If tomorrow I decide to create a 100% sustainable fashion company then I can just do it. I see a lot of experimentation in small business so I would actually say big business should look out for the small guys.

About Thomas Kolster

Thomas Kolster is the author of *Goodvertising*, a book that discusses whether advertising can be a force for positive social or environmental change, drawing on 120 global campaigns. Thomas is a Director of the Goodvertising Agency and recently launched *WhereGoodGrows*, a digital platform for viewing, showcasing and talking about the best communications initiatives making a real difference for people, the planet and business. He is also an experienced keynote speaker and columnist.

GoodvertisingAgency.com
WhereGoodGrows.com



GENEROUS

‘What counts in life is not the mere fact that we have lived. It is what difference we have made to the lives of others that will determine the significance of the life we lead’

Nelson Mandela



CHAPTER

06

GENEROUS

It has been a challenging time for most people in the UK since the 2008 economic crisis. Across the UK 2.32 million people remain unemployed,⁶⁰ which is 7.1% of the economically active population. Many people that do have work are working part-time because it is all they can find. The UK 'Misery Index', which combines the unemployment and inflation rates, is higher than before the crisis.

There are daily stories of food and energy price increases, while wages and salaries lag behind inflation. In summary, the average British household has probably experienced more prosperous times. Not the best backdrop, you may think, for making charitable appeals. On Friday 15 November 2013, the BBC Children⁶¹ in Need programme appeared on British televisions appealing for donations to support projects that help disadvantaged children across the United Kingdom. Over the course of this one evening, the British public donated £31.1 million (\$51 million), the most raised in the event's history. Meanwhile the Disaster Emergencies Committee (DEC) Philippines Typhoon Appeal raised £63 million (\$103 million) in the first 14 days of the appeal.⁶² This means the UK public has donated more than £3.50 (\$5.74)

for every one of the 26.4 million households, all at a time when the so-called 'Misery Index' was rising.

Generosity means different things to people. Some may associate it with any form of 'giving'. So is a cash millionaire donating £100 to a disaster appeal being 'generous' when they potentially have the capacity to do so much more? Or what about The North Face clothing business which donates factory-waste jacket fabric to Oxfam that it would otherwise have sent to landfill? Giving something to others that you have in abundance seems very different to the 80-year-old pensioner who donates £5 from her state pension following a television appeal. She needs the money, but at that moment simply believes that someone needs it more.

Being generous and meaning it

Organisations of all sizes need to have a reputation for authentic generosity if they are to remain relevant to their stakeholders. Throwing out a few 'scraps of charity' once a quarter is neither credible nor sufficient. It smells of putting the interests of the business first, especially when the press release is rushed out, talking more about the 'act', while lacking proof of results and the difference made. These acts smell of 'charitising', where advertising the business is the real motivation, dressed up as some superficial charitable act.

60.
People aged 16 and over and available to work at November 2013. Source: Office for National Statistics

61.
This is the BBC's UK corporate charity. See <http://bit.ly/Children-in-need>

62.
At 27 November. The appeal will remain open for six months and is likely to be one of the most successful natural disaster appeals DEC has run in its 50-year history



The Gym Group encourage online giving

In 2009 The Gym Group, which operates 41 low-cost gyms across the United Kingdom,⁶³ wanted to encourage its members to make donations to small local charities. To keep joining fees as low as possible, all members have to join using the company's website. So the simple idea was to add one additional question to the sign-up process:

Would you like to make a one-off donation to our charity of the month?

Members then choose how much to donate, which is added to their first month's gym payment.

This simple request to members has created a big impact. The company now collects between £5,000–£7,000 (\$8,000–11,000) every month, with employees recommending which charities to support. That is £60,000–£84,000 (\$71,000–137,000) over the course of a year, which makes a significant difference to small UK charities.

What is meaningful about this project is that The Gym Group has fundamentally redesigned its online membership joining process. This is now a permanent feature of how everyone joins the gym, rather than a one-week 'charitising' gesture. Also, because the giving process is made so easy, eight out of every ten members donate⁶⁴ when joining. It is a great example of sustained generosity from both the business and its members.

Other gym brands such as Pure Gym in the UK also accept online donations, but these companies are presently in the minority. There is an opportunity for online donations to become a standard part of the gym membership joining process over the next few years as more brands introduce joining via their website.

‘Generosity can be a clear differentiator in a crowded market. Generosity is a powerful story to tell about a brand and can attract new customers, new suppliers and partnerships. Thomas Kolster, Goodvertising

⁶³.
At February 2013

⁶⁴.
Over a 12-month period.
Source: The Gym Group

Is your business a ‘net giver’ or ‘net taker’?

If a health and fitness club is to remain relevant to its stakeholders, I believe it needs to leave an ‘impression’. The concept of a ‘carbon footprint’ is familiar, but what about the notion of a ‘social footprint.’ a sum of all the ‘good’ a club delivers, both inside and away from the club? Communities will care if a club is perceived as a ‘net giver’ rather than a ‘net taker’. What is a ‘net giver’? Simply, a club that, over the course of time, gives more to its community than it takes out. A business never wants to have a reputation for being a ‘net taker’, as it is a label that is very hard to shrug off. For example, no matter what energy companies such as BP, Chevron and Shell do by way of socially responsible activities, for many it will never be seen as good enough. Imagine how challenging it must be when every action a business takes, every message it attempts to spread, is met with scepticism.

So does your community see your club as a ‘net giver’ or ‘net taker’? Further, how does a health club communicate its ‘giving’ credentials? One way is by looking at the social impact of all its activities.

Making a difference in communities

Remarkable clubs are those that create ‘magic’ both inside and away from the club or centre. Yes, clubs must focus on creating a remarkable member experience but they are also rooted to communities. So if a health club or leisure centre genuinely cares about its community, then the community will care about it. The result is that the club’s ‘social footprint’ is extended, reputation rises and members feel a greater sense of connection between themselves and the club. Bring generosity into the centre of your business and any discussion about your club becoming ‘irrelevant’, like some parts of the high street, will become entirely redundant.



José Mujica, President of Uruguay, has the reputation for being the world’s ‘poorest’ President. Why? He gives away 90% of his \$12,000 monthly salary to charity and swapped the state palace for a simple one-bedroom farmhouse. He flies economy class and drives an old Volkswagen Beetle. His motivation? He is a former guerrilla fighter, proud of his simple upbringing.



The gym is free, just be kind to a stranger

Beast Fit Nation is a remarkable fitness business in Portland, Oregon, USA. Founded by Sergio Jones, the business charges no membership fees, on one condition – members complete their workout and then have to undertake three random acts of kindness in the community.

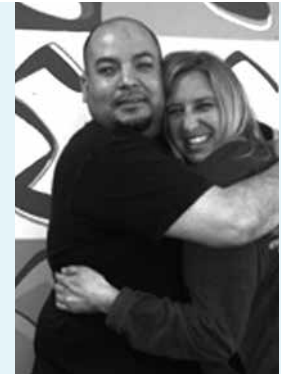
Jones started Beast Fit Nation because he was inspired by a desire to strengthen the bonds among people in the community. Members ‘pay it forward’ by buying groceries for the person behind them at the grocery store, donating food or clothing, volunteering for a local charity and numerous other community activities.

Starting in one city, Beast Fit Nation groups now operates across several US cities and is beginning to spread to other countries. Funding comes via sponsorship from local companies wanting to associate themselves with an organisation developing a global reputation for doing good.

Watch the Beast Fit Nation video – <http://bit.ly/Beastfit>

American club owner donates kidney to save the life of a member

On 16 May 2012 Radley West, owner of the Anytime Fitness Club in Irmo, South Carolina in the United States, did a remarkable thing. She donated a kidney to Ryan Brooke, one of her club members, whose life was threatened by imminent kidney failure.

**10% kidney function**

Ryan Brooke's life was hanging in the balance. Ryan's kidneys were failing and for two years, he had been kept alive by regular dialysis. Fifteen family members and friends were deemed unsuitable donors, through ill health or lifestyle reasons, such as a history of smoking.

I was always going to donate

When Radley discovered that Ryan's life was at risk due to kidney failure, she immediately came forward as a potential donor. As Radley said at the time:

‘When I passed all of the tests it just kind of happened. There was no decision if I was going to do it; I always was, as long as I was compatible.’

Read about Radley's extraordinary act of generosity on Gymtopia <http://bit.ly/Gymtopia-Radley>





‘Tipping’ the planet

Just over 10 years ago, Yvon Chouinard, Founder of Patagonia, the sports and fitness clothing company, and Craig Mathews, owner of Blue Ribbon Flies, angling specialists, had a simple idea: commit to donating 1% of their annual sales to environmental initiatives. The project is called ‘1% for the Planet’⁶⁵ and it now has more than 1,200 business members, from 48 countries, who to date have given more than \$100 million to global environmental projects, delivered via approved non-profit partners. During 2008 when the world was facing financial meltdown, 1% for the Planet had a record year for new businesses joining. Remember, this is 1% of total sales revenue, not some arbitrary pre-tax figure open to manipulation. Member businesses are drawn from many industries,

including health and fitness. The Longfellow Clubs, a small independent health club chain from Massachusetts in the United States, joined during 2013. The Longfellow Club’s purpose is to ‘build a world where everyone’s basic needs are met’, so clearly this is a business looking to extend its influence far beyond the club members’ car park.

Imagine the difference the global health and fitness industry could make with an equivalent ‘1% club.’ However, if the notion of giving away just 1% of business income seems too generous, then let us at least harness the world’s clubs, centres, suppliers and partners and make it easy for the world’s 132 million⁶⁶ industry members to express their generosity.

65.
See onepercentfortheplanet.org

66.
Estimate taken from IHRSA
2013 Global Report

CONSIDER THIS...

- 1 Are present acts of generosity by your organisation driven by a desire to be perceived positively by the press and media or are they selfless acts to help others?
- 2 How generous is your organisation when the press and media are not looking?
- 3 How could a sustained sense of generosity be embedded into your organisation?
- 4 Would stakeholders perceive your organisation as a ‘net giver’ or a ‘net taker’?





INTERVIEW WITH JOHN TREHARNE, CEO, THE GYM GROUP



RA

Your business was initially incubated via Bridges Sustainable Growth Fund. This is an impact-driven fund that invests in businesses that can deliver both commercial returns and positive social impact. Please describe your social impacts so far?

JT

The Gym's main offering of 'value for money' pricing of approximately £ 15.99 per month (\$26), 24-hour opening and a no-contract environment helps us deliver this. Consequently we offer membership to a much broader audience, who historically could not afford expensive health club memberships. Around a third of members are shift workers such as taxi drivers, food and beverage workers, hotel staff and bus drivers, which means we are attracting members from a much wider social spectrum – our 24-hour operation suits them as many are working outside the hours of traditional gyms. So we believe we have helped to make fitness more 'democratic', more accessible. We actually have a 'social

impact scorecard', which means that every six months the business measures its social impact on communities, employees and our members.

RA

Your business develops gyms around the United Kingdom in areas of high social deprivation. Why do you do this when gyms have traditionally targeted affluent communities?

JT

We have been funded since 2008 by Bridges Ventures. Bridges only invests in businesses that deliver a positive social impact; think of it as socially conscious investing. Consequently, half of all the gyms we open must be in areas of high social deprivation.⁶⁷ Historically these would have been areas that most private gym operators would not have invested in.

RA

You have made supporting charities an integral part of your member joining process. Please explain why you do this.

JT

It started back in 2009, triggered by the fact we were receiving requests from members to organise charitable events in our gyms. We thought we needed to put some structure behind that and set up some evaluation process to help us decide whether we should support a specific charity. So the process now starts at a local gym level, supporting local charities.

We created the ability for our members to donate via our website because it is a very effective way of collecting money for charities. Donations can also be boosted via Gift Aid, which adds 25% to the value of donations, at no cost to the donor. So, given that all our members join online, it seemed a very simple and obvious way for us to support a number of great causes.

⁶⁷. This captures someone's overall living environment encompassing income, education, employment opportunities, crime levels etc





INTERVIEW WITH JOHN TREHARNE, CEO, THE GYM GROUP

**RA**

You have a policy of working with smaller charities. Please explain why.

JT

We prefer to support small charities that are unlikely to receive government support or significant public support. We choose a different charity each month to support and the money our members raise can make a big difference to a local community. Our local General Managers make recommendations about specific charities we should support.

RA

I understand that the majority of all new members are making a donation; does this level of generosity surprise you?

JT

It certainly does; it has been wonderfully successful. It is totally voluntary, members choose to donate or not, and can donate any amount they like. We are collecting up to £7,000 per month (\$11,000), which, because we are choosing smaller, more local charities, can make a really significant difference.

About John Treharne

John Treharne is the CEO of The Gym Group. A former England squash player, he has a long and successful history in the gym business, opening his first health club chain, Dragons Health Clubs, in 1991. Recently, The Gym Group was selected as a National Champion representing the United Kingdom in the 2013/14 European Business Awards.

 thegymgroup.com

Compassionate

‘If you want others to be happy, practice compassion. If you want to be happy, practice compassion’

Dalai Lama 14th



CHAPTER

7



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CHAPTER

07

COMPASSIONATE

During October 2012 the East Coast of the United States was devastated by Hurricane Sandy. At least 286 people were killed as ‘Superstorm Sandy’ ripped through seven countries, causing more than \$68 billion (\$41.4 billion) of damage.

In readiness for the arrival of Sandy, New York closed schools, airports and suspended trading on the Stock Exchange. Sandy crippled infrastructure, meaning that in New York, streets, tunnels, subway lines, homes and businesses were flooded. Power lines were brought down, leaving homes and businesses without electricity. This meant any sense of normality disappeared as New Yorkers were left without heat or hot running water. In the face of enormous suffering and loss, how would business respond? Would businesses support people and a city in need, or use the opportunity to exploit the vulnerable to make ‘super-normal’ profits?

Reports began to emerge of some businesses increasing prices as helpless people sought basic goods and services. Petrol stations raised prices, hotels increased their room rates as residents sought temporary accommodation and to exploit increasing demand from people travelling into the city to help friends and families. Need to charge a mobile phone? A UPS store was charging \$5. Need to hire a car for the day? \$15 while airports remained open, rising to \$230 when flights were suspended. \$269 for a Manhattan hotel before Hurricane Sandy, rising to \$679 a few days later. Americans describe this short-term manipulation of pricing as ‘gouging’. You can think of ‘price gouging’ as ‘extorting’ to extract a short-term win. Price gouging is the hallmark of opportunists who spot a weakness and exploit it.

Unfortunately, some health clubs were accused by some of opportunism by charging New Yorkers \$35 (£21) to take a shower. The Equinox Health Club stopped the service at the same time that Bloomberg ran an article: ‘The \$35 Shower and other Tales of the Hurricane Economy’.⁶⁸ Perhaps the Club Manager was simply trying to manage overwhelming demand from New Yorkers, but the action of charging was seen as cold and calculated – it lacked compassion.⁶⁹

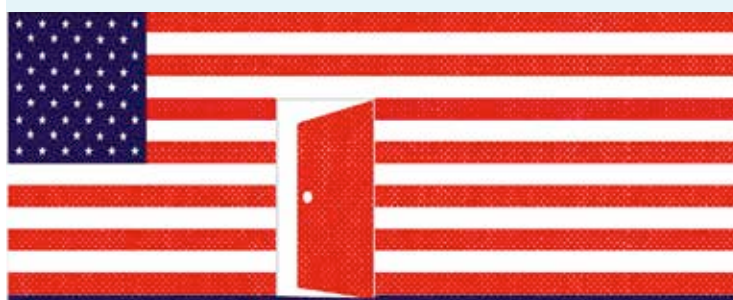
68.
See <http://bit.ly/Sandy-response>

69.
Equinox subsequently organised a Hurricane Sandy fundraiser with the American Red Cross called ‘Show Your Strength Saturday’. This comprised special group fitness classes where participants were asked to donate at least \$100 (£61)



Helping people back on their feet.

Meanwhile, New York Sports Clubs posted the following on their website:



**ALL OF OUR CLUBS ARE
OPENING THEIR DOORS TO
HURRICANE SANDY VICTIMS,
ALLOWING FULL USE OF FACILITIES**

**IF YOU NEED TO TAKE A HOT SHOWER, CHARGE
YOUR CELL PHONE, RECHARGE YOUR BODY WITH
A STRESS-REDUCING WORKOUT, OUR CLUB IS
YOUR CLUB.**

70.
For example, during October 2013, Attorney General Eric Schneiderman announced that 25 gas stations had reached monetary settlements totalling nearly \$170,000 (£104,000), while a Holiday Inn Express has been ordered to pay \$40,000 (£23,000) in refunds and fines

So how did this story of the ‘compassionate club’ spread and connect to other stakeholders? Club employees, members and community members used social networks to quickly spread news of this compassionate gesture. The press and other media outlets picked up on the story, which spread across New York, the United States and then globally. Other clubs heard of the gesture and also decided to open their doors to Hurricane victims.

Though not deliberate, the reputation of these clubs increased because they put people before profit. These may seem like small, even trivial actions, but search engines such as Google, Bing and Yahoo have long and near-perfect memories. This small act of compassion may have just tipped the balance in helping someone decide which future club to join, and so create a virtuous rippling effect.

As for the price-gougers

It is in fact unlawful in New York State to make excessive price rises during a hurricane because lawmakers see it as an ‘abnormal disruption of the market’. So the gougers now have to agree monetary settlements running into hundreds of thousands of dollars.⁷⁰ They are also having to rebuild their reputation and trust within the communities they let down. It would seem that compassionate businesses are both morally and financially ‘richer’.

***Compassionate businesses are both morally
and financially ‘richer’.***



Does business need to be seen as ‘compassionate’?

Having ‘compassion’ means feeling concern for the suffering or misfortune of others. Together with the ‘feeling’, there is often a strong desire to relieve it. Compassion comes naturally to organisations whose purpose, the reason the business exists, focuses on serving others. For example, Tata Group, the Indian conglomerate employing 450,000 people in 85 countries,⁷¹ exists to ‘improve the quality of life of the communities we serve’. Jamsetji Tata, the founder of the company, once said: ‘The community is not just another stakeholder in the business, but in fact the very purpose for its existence.’

Mumbai terrorist attack

On 26 November 2008, up to 10 gunmen attacked the luxury Taj Mahal Palace & Tower Hotel in Mumbai, India, owned by the Tata Group. 450 guests and staff were caught up in the attack, leading to many casualties. The hotel was destroyed by fire and required many months of reconstruction. Following the attack, Ratan Tata, former Chairman of Tata Group personally visited 80 families of employees who were injured or killed during the attacks. Dependents of the employees were flown to Mumbai at the company’s expense and accommodated for three weeks at a local hotel, free of charge. Employee outreach centres were opened where all help, food,

water, sanitation, first aid and counselling were freely provided. All employee loans and salary advances were written off. Tata agreed to finance the entire future education of 46 children whose families were caught up in the attack. There is insufficient space to list all the support Tata provided,⁷² but you will now understand why the company responded in the way it did.

No surprise to discover the Tata Group, is consistently ranked one of India’s most trusted brands, beaten only by global consumer brands such as BMW, Sony, Samsung and Nokia.⁷³ Impressive for a ‘conglomerate’ business, operating across seven industries.

‘If your company does not care, it will not be in business long. Companies need to care, not only about customers and investors, but also team members and their families, suppliers, communities and the environment.’ John Mackay, Co-CEO Whole Foods Market

71.
Tata group profile
<http://bit.ly/Tata-response>

72.
Read the entire list here
<http://bit.ly/Tata-generosity>

73.
Brand Trust Report
<http://bit.ly/Brand-trust>



Why does a small compassionate gesture make the web light up?

Brandon Cook was visiting his grandmother in hospital who was terminally ill with cancer. She was complaining about the food and longing for a bowl of beautifully prepared clam, potato and vegetable soup from 'Panera Bread', the bakery-café chain. There was a problem; today was Tuesday and Panera only make this speciality soup on Fridays, which is a long-standing tradition.⁷⁴ Brandon made a hopeful call and spoke with Sue Fortier, the Panera Manager, explaining his grandmother's request. Sue had a decision to make; politely decline Brandon's request or make the soup. Without hesitation, she said: 'absolutely, we can do that'. When Brandon collected the soup, Sue had also included a box of cookies and would accept no money.

This was the last hot meal Brandon's grandmother ate before passing away.

On 8 August 2012, Brandon posted a note on his Facebook page re-telling the story and saying thank you on behalf of his grandmother. 'I did it because you just do not see that anymore. People are so cold. I just wanted to thank Sue' Brandon said at the time.

Gail Cook, Brandon's mother, saw the post and shared it on Panera's Facebook page, where it began to be 'liked'. Within six days, the post had more than 500,000 likes and then began spreading across the web. Adweek⁷⁵ published the story on 14 August, which was then picked up by other publishers and television networks. People began leaving comments on the Panera Facebook, first in their hundreds and then in their thousands. There are 34,810 comments as I write.⁷⁶

74.
Panera is a bakery-café business with more than 1,730 stores across the United States and Canada at September 2013

75.
Read the story here
<http://bit.ly/Panera-soup-story>

76.
At 11 December 2013

Some said the response was typical from Panera:

They are a really great company. The management and associates really do go out of their way to help their customers. I worked for Panera for three years.

Leeann Almanza

I worked for Panera! They are awesome at doing things like you have described! Did you know that every night, all the bakery items, bread and bagels are donated to local food banks and churches to feed those less fortunate! That happens at every single Panera, including the one in Canada.

Kim Bixler

Others were touched by the empathy:

Compassion over profit. Rare and much appreciated!

Claudia Leon

Many businesses today would say they just could not do it. I like Panera a lot more now.

Barry Braker



Others would soon begin rushing to the doors of this ‘remarkable’ business to sample their food and culture:

‘ I have never been to Panera, but I will start going because of the kindness shown from the store manager.

Richard Crowley

However, what is clear is that if you are unconvinced by embedding compassion into your business, try cold and detached instead and see how the world responds.

Of course, what truly touched many people was Brandon’s grandmother’s fight with cancer, a battle she was soon to lose. People began posting stories on the Panera Facebook page of their own struggles with cancer or the recent passing of relatives. The event led to an outpouring of very personal stories, triggered simply by the making of a bowl of soup.

So why does the web light up when a business serves up a small act of kindness? Surely, acts of corporate kindness are not so rare that they must be globally celebrated when one eventually comes along? There must be ‘good’ businesses everywhere, run by caring and compassionate people. Perhaps business leaders see compassion as a ‘fuzzy thing’ to be left to charities and other not-for-profit enterprises. However, what is clear is that if you are unconvinced by embedding compassion into your business, try cold and detached instead and see how the world responds.

Showing compassion at the right moment

Giles Gibbons, CEO of Good Business, discusses the idea of organisations showing compassion at the right moment.⁷⁷ Unfortunately, the fitness sector has an inconsistent track record in this respect. There are too many cases of members feeling let down when diagnosed with life-threatening conditions only to discover their gym insists on them fulfilling the full terms of their contract or requesting termination fees. The Office of Fair Trading⁷⁸ has been working with the UK sector for some time to improve and simplify cancellation rights, but should it really require the intervention of a regulator to arrive at the right, the compassionate thing to do?

77.
Read an interview with
Giles on page 59

78.
Read more here
<http://bit.ly/OFT-Gyms>

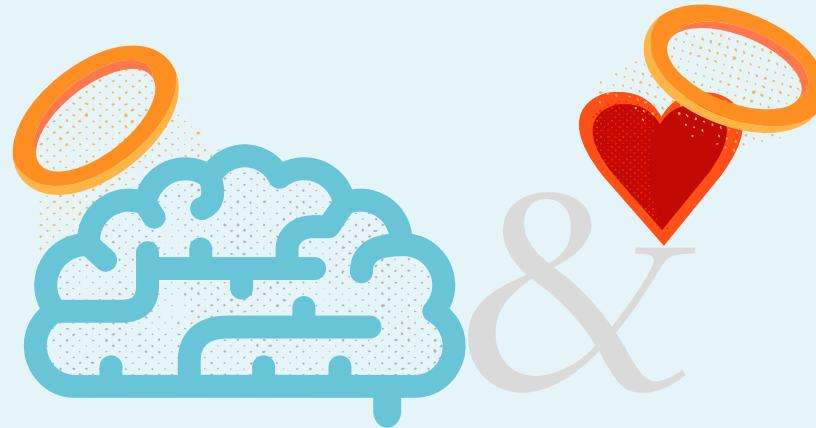


Head and heart

Nelson Mandela once said:

‘*A good head and a good heart are always a formidable combination.*’

So, let us agree on this: the next time a member approaches your organisation to say their life has just been turned upside down and they need to discuss putting their membership on hold, stop and ask yourself: ‘What would Nelson Mandela do?’



Compassionate ideas

Looking for ways to embed compassion into your organisation?
Visit the Random Acts of Kindness Foundation website for ideas:

<http://bit.ly/RAK-ideas>

CONSIDER THIS...

- 1 How would stakeholders rate your organisation on a compassion scale from 0 to 10?
- 2 What is the typical response from your organisation when a community in which you operate is in need?
- 3 Do staff within your organisation have the authority to exercise acts of compassion which may require a financial trade-off?





INTERVIEW WITH GILES GIBBONS, CEO, GOOD BUSINESS



RA

You believe a socially responsible business is good to the core, not just at the edges. Can you tell me more?

GG

All the evidence suggests that exercise, other than the extremes, can only have a positive impact on society. And therefore, when we talk about responsibility as a 'core' of a business, what we actually mean is not that they are ticking a whole bunch of social responsibility boxes, but that the company's core purpose is creating a social benefit, a positive impact on society. What is interesting about the fitness industry is that it has an incredibly strong social purpose – to help others. One that is well understood by the general public. It is a fantastic place to start and actually quite rare. I think the challenge for the fitness industry is that they seem to forget about this and see people as 'numbers', thinking of it as a cost-driven business. As a result, I do not think it is achieving the aspiration, the loyalty and the warmth that it should have, from such an important societal function.

However, this is not always the case. Recently, I was in South Africa and visited some of the Virgin Active clubs. What I saw was a high-end product being used regularly by a cross-section of the population. It is paid for in the main by the health insurance sector that care about the individual and their health outcomes. This creates an incredibly loyal member base. They have created a model that cares passionately about the purpose of the organisation, and then builds a financial model. This is what I mean about responsibility. Yes, you can provide a simple membership contract or provide help in the local community, but a truly purpose-driven business focuses on the individual, and delivers a real benefit to society. This is what creates a truly 'responsible' and successful business.

What is interesting about the fitness industry is that it has an incredibly strong social purpose – to help others. One that is well understood by the general public. It is a fantastic place to start and actually quite rare.

RA

If the altruistic purpose of health clubs seems so clear, why is consumer sentiment and opinion so mixed about the industry?

GG

Because it often feels like they just do not care and there is no sense that you are important to them. It seems as though health clubs are only interested in getting you to sign the contract. When you have signed that contract, you then just become another 'widget'. Clubs are also reducing staffing levels and outsourcing the relationship to self-employed personal trainers, which I find totally bizarre. I have had the same personal trainer for five years. If he moved to another gym, I would leave and follow him to the new club.





INTERVIEW WITH GILES GIBBONS, CEO, GOOD BUSINESS



Also, I do not think the private equity companies that have moved into the sector have helped over the last 10 years. They have sharpened some practices, but injected a reductionist mindset. They have not really focused on helping organisations know who they are and what they stand for.

RA

What do you think is driving businesses to think and act in more socially responsible ways?

GG

I think it depends what sector you are in. If you operate business-to-business such as the mining sector, it is being driven by governments and legal compliance.

In business-to-consumer markets there is a fascinating 'ballet' of pulls and pushes. The broad direction is towards ensuring fairness. I do not believe that people are any nicer now than they were 100 years ago, I just think that there is a sense of fairness that is critical to

employees, to customers, to shareholders and other stakeholders. Business is held to account by powerful forces of the Internet, special interest groups and the media. At the heart of all of these checks and balances is a desire that one person should not benefit to the detriment of another in society.

RA

How important is the idea of compassion in business and a genuine concern for others?

GG

The relationship that an individual has with a company is a very human one, and should be two-way. It needs to be give and take. I am not convinced that companies should be compassionate, full stop. But I think that a company should be able to show compassion at the right moment. And I think the issue with corporate social responsibility is that it can be compassion at the wrong moment. Compassion can be a member losing their wallet on their

way to the club and so the receptionist waives the £5 class fee. Compassion can be a club contributing to a community affected by a natural disaster. This is compassion at the right moment.

RA

So what does a socially responsible fitness business look like to you?

GG

I am not expecting clubs to fix all the world's social and environmental problems. If they just did what they are meant to do, really well, they would be creating a better world. I am not trying to make these companies into 'do-goodie' compassionate, loving organisations. If they realise the dynamite they already have, that could just be so powerful, if they took it one stage further, and showed how passionate they are about creating healthier members, and if this enthusiasm was translated into everything they did and then taken to as many people as possible.





INTERVIEW WITH GILES GIBBONS, CEO, GOOD BUSINESS



This is so different from a member of staff looking at their watch and thinking, 'Am I going to make it through to the end of the day?'

Of course, I would like businesses to be more environmentally responsible, but what I prefer is health clubs genuinely helping the UK to become healthier. That is the fundamentally important thing, not how long they keep their lights on for. If you focus on the thing that is going to fundamentally make a difference, it is the core gym experience. Helping more people to become physically active would fundamentally change the UK.

About Giles Gibbons

Giles Gibbons co-founded Good Business in 1997 based on the conviction that social and environmental performance could be used to powerful commercial effect. Giles and his team advise some of the world's leading organisations to be more successful by being more responsible. Giles is also the Co-Chairman of 'We Are What We Do', a not-for-profit behaviour change company that creates ways for millions of people to do more small, good things.

 GoodBusiness.co.uk | WeAreWhatWeDo.org



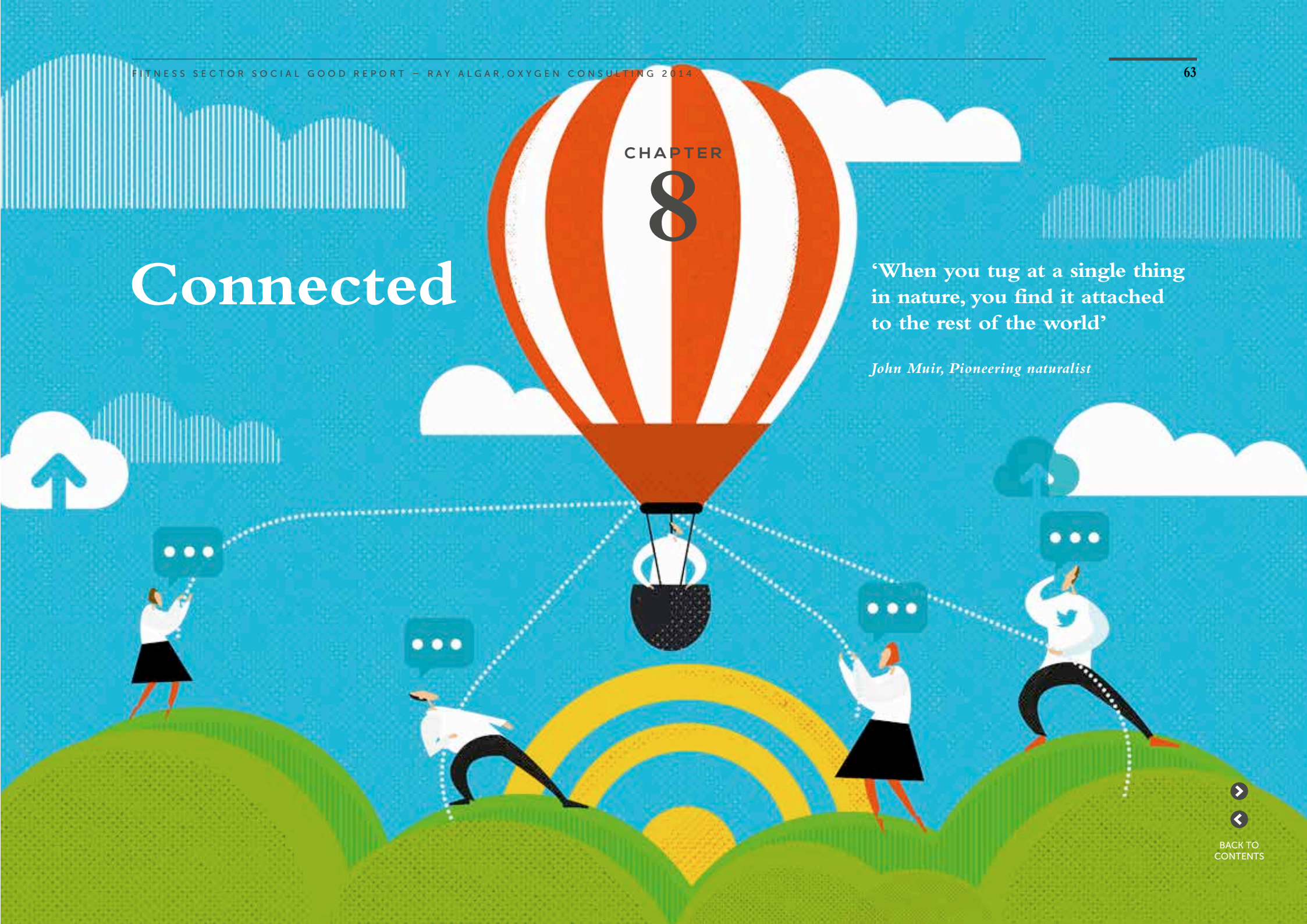
CHAPTER

8

Connected

‘When you tug at a single thing
in nature, you find it attached
to the rest of the world’

John Muir, Pioneering naturalist



CHAPTER

08

CONNECTED

Theo has been struggling to get to the gym since joining three months ago.

With daily life continually getting in the way, he has attended just six times.

So today is the day he decides to quit the gym. The Manager calls him later

in the day; ‘Theo, what’s going on, I thought we had a connection?’

Being connected is now a perplexing thing, given that more of us are now digitally tethered than ever before. 2.4 billion of us are now connected to the Internet, which is one third of the world’s population.⁷⁹ Facebook reached the magic number of one billion active monthly users as long ago as October 2012 and Zuckerberg, Facebook’s founder, has stated he would like to connect the other six billion too. So it is now becoming much easier for organisations to connect with our devices, but getting into our heads and hearts is far more challenging.

Please stay

The UK National Gym Retention Report compiled by Dr Paul Bedford has recently been published. The membership records of 343,000 people drawn from all parts of the fitness industry were analysed. Covering a four-year period, the research answers the critical question: how long does a person retain their membership? Take a look at figure 10 and read the graph from left to right. Starting from 100% of members, individuals progressively begin disconnecting, with 88% remaining after three months. That represents just

over 41,000 who decide to join Theo. After 12 months 52% remain, which means that just under 165,000 have left. Coincidentally, 165,000 is the same number of people who globally have applied for a one-way ticket to join the Mars One space mission in 2023, so it is a big number. As the months roll on, so the trend continues as the slippery slope to the gym exit continues.

79.
Source Internet World Statistics
<http://bit.ly/Internet-stats>



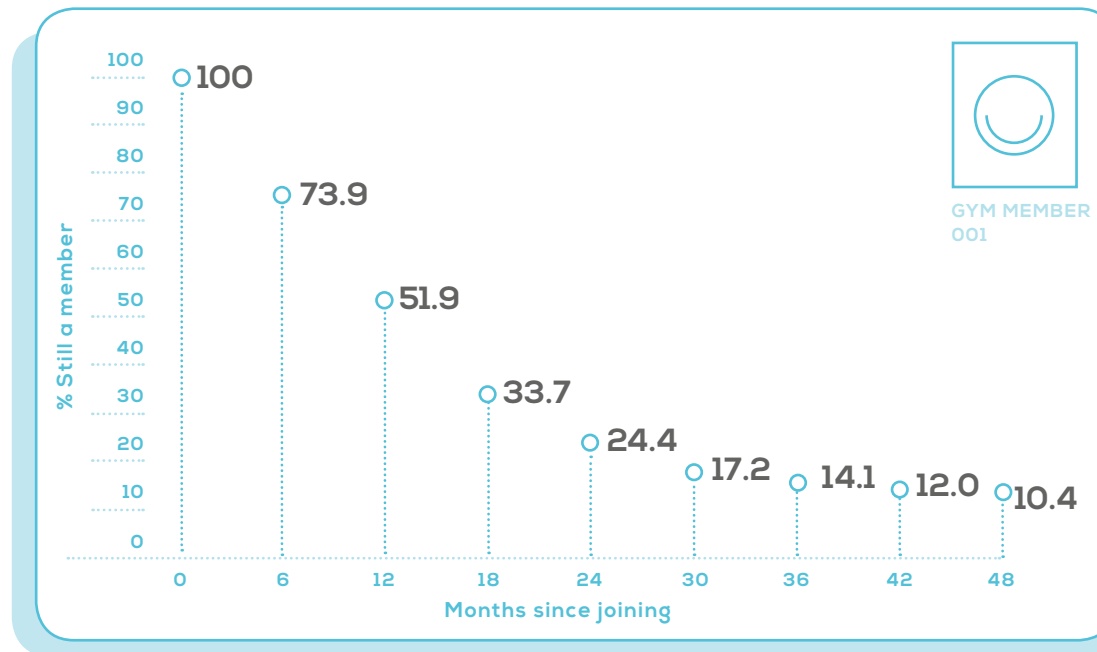


FIGURE
10

**LENGTH OF MEMBERSHIP
RETENTION FOR UK PRIVATE AND
PUBLIC GYM MEMBERS FROM
2009–2012 (UK NATIONAL RETENTION
REPORT, DR PAUL BEDFORD, 2013)**

Visual insight, Ray Algar, Oxygen Consulting, 2014

When purchasing gym memberships, people are not choosing where to buy basic goods such as petrol for their car, but supposedly are on a journey to a healthier and more active future. Why is that motivation so easily lost? Perhaps they still are on that journey, just not with these clubs and centres.



The experience drives the sense of connection

The Retention People conduct ongoing research among gym customers in the UK using the Net Promoter Score (NPS).⁸⁰

Many readers will know that NPS asks one simple question:

‘How likely is it that you would recommend this gym to a friend or colleague?’

A 0–10 scale is used to categorise responses as follows:

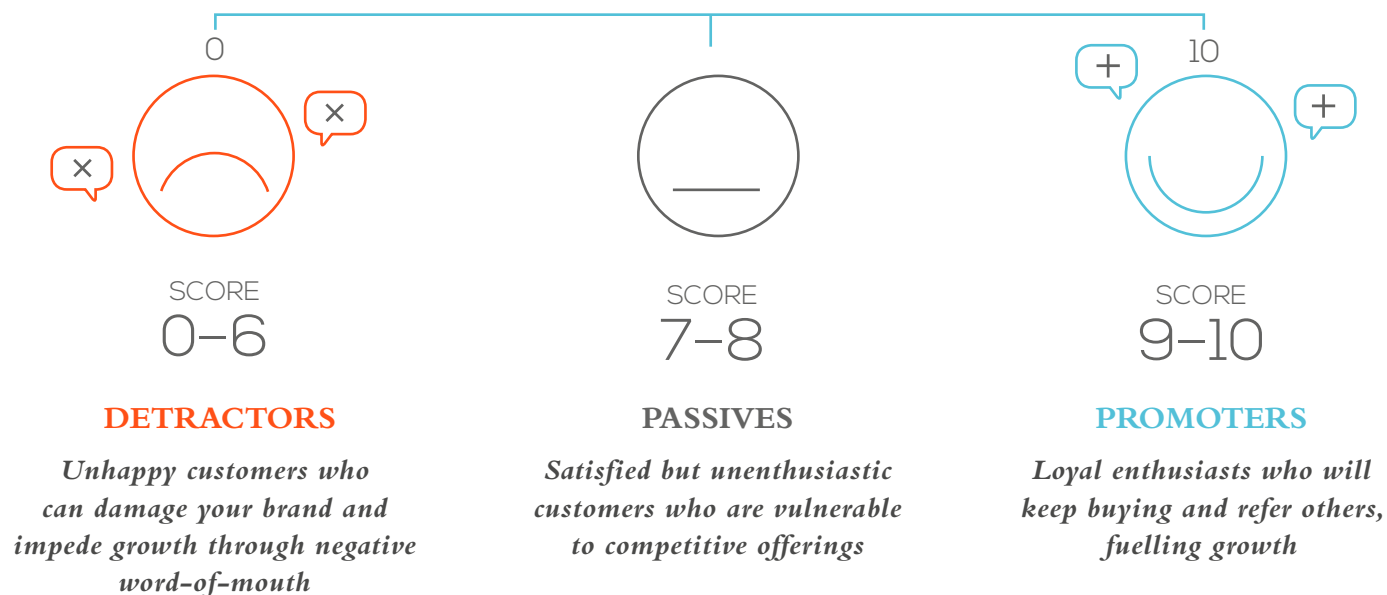


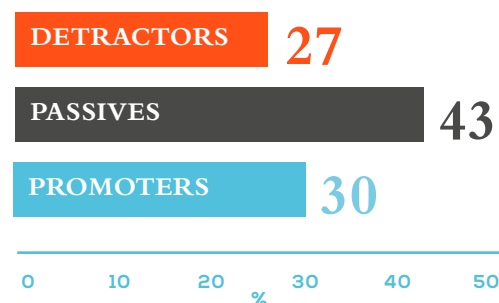
FIGURE
11

NET PROMOTER SCORE (NPS) SCALE

Visual insight, Ray Algar, Oxygen Consulting, 2014

⁸⁰.
Your club or centre can participate
in a free NPS study.
See <http://bit.ly/TRP-NPS>

The Net Promoter Score is calculated by taking the percentage of customers who are 'Promoters' and subtracting the percentage that are 'Detractors'. 'Passives' are ignored on the basis that they are unenthusiastic and indifferent to the organisation. Table 1 shows private multi-site brands with an average NPS of 3%. This means if we took the scores of 100 members, it could produce a distribution or spread as follows:



This means 27 people may be online actively telling the world how poor the experience is, the 43 passives do not care either way, leaving just 30 people with a genuine sense of connection. How would you feel if you were a stakeholder in a business with these scores? Any clubs or centres with large negative NPS scores need to urgently revitalise their customer experience or close the doors – permanently.

Many fitness operators have consistently struggled to generate significant numbers of 'promoters'. Promoters 'love' rather than 'like' the organisation they interact with and so fostering deeper emotional connections must be a top-order priority if the fitness sector is to play a long-term and meaningful role in people's lives.

TABLE 1
UK HEALTH AND FITNESS INDUSTRY NET PROMOTER ALL SCORES – THE RETENTION PEOPLE (2011–2013)

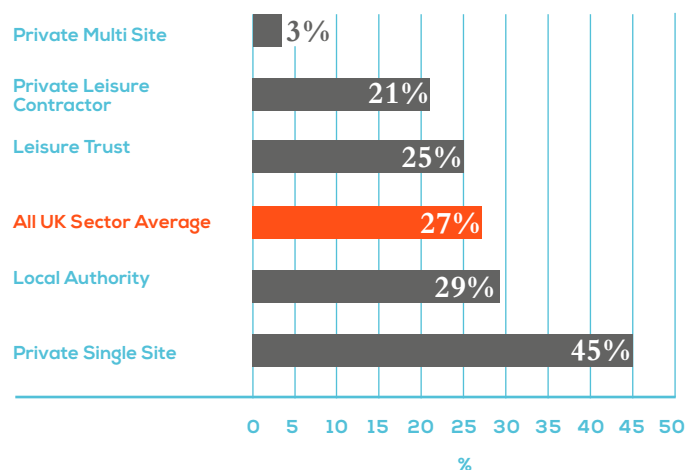
Visual insight, Ray Algar, Oxygen Consulting, 2014

UK HEALTH AND FITNESS INDUSTRY NET PROMOTER SCORES – THE RETENTION PEOPLE (01/12/2011 to 30/11/2013)						
Circa 200,000 member/customer responses						
	Overall Industry NPS Score	Private Single Site	Private Multi Site	Local Authority	Leisure Trust	Private Leisure Contractor
UK AVERAGE	27%	45%	3%	29%	25%	21%
BEST	70%	70%	45%	45%	54%	28%
WORST	-27%	25%	-27%	8%	0%	16%

FIGURE
12 UK HEALTH AND FITNESS INDUSTRY
NET PROMOTER AVERAGE SCORES –
THE RETENTION PEOPLE (2011–2013)

Visual insight, Ray Algar, Oxygen Consulting, 2014

AVERAGE NPS SCORES BY SECTOR



Genuine connection is an extraordinary thing

When an individual and a business do genuinely connect it is an extraordinary thing. It literally is a 'meeting of minds' and a shared value and belief system. During 2013, I was in Brazil and took the opportunity to visit the remarkable Ecofit club in Sao Paulo.⁸¹ Opened in 2005 by brothers Antônio and Eduardo Gandra, Ecofit is probably the world's most environmentally friendly health and fitness club. The brothers have intelligently combined their passion for the environment and wellbeing

into a unique business that members love being a part of. This 8,200 square metre (88,264 square feet) purpose-designed club operates on 'reduce, reuse and recycle' philosophy, which means clever initiatives such as a naturally lit building, solar power, living green roof to retain heat, and collecting rainwater to flush toilets. All showers are fitted with a 'shower coach', similar to an egg timer, that encourages members to conserve water by taking shorter showers. Waste food from the restaurant is sent to the local worm farm. The business has partnerships with Greenpeace Brazil, World Wildlife Fund, the Brazilian Institute for the Defence of Nature and 14 other health and environmental organisations. Ecofit runs a programme called 'Ecokids' which operates environmental awareness courses and workshops for children. The last news item on its website reads: 'Simple steps to a world with less waste'. This amazing club feels more like an environmental academy that also happens to be a fitness club. Members love the club and what it stands for.

So what happens to its membership and employees when a shiny new club opens in the same catchment area? Very little; a few members leave but return a few months later, and employees stay where they are. An easy decision really – why would you leave Ecofit to join a bland club that believes in nothing?

81.
See <http://www.ecofit.com.br>

Do you really need this jacket?

Patagonia, the sports and fitness clothing company who we met earlier, ran a very interesting advert in the New York Times on Friday 25 November 2011. This day was deliberately chosen as it was 'Black Friday',⁸² one of the busiest shopping days in the United States. The advert showed the Patagonia R2 jacket, their best seller, with the headline:

'Don't buy this jacket'

The advert continues:

Black Friday, and the culture of consumption it reflects, puts the economy of natural systems that support all life firmly in the red. We're now using the resources of one-and-a-half planets on our one and only planet. Because Patagonia wants to be in business for a good long time – and leave a world inhabitable for our kids – we want to do the opposite of every other business today. We ask you to buy less and to reflect before you spend a dime on this jacket or anything else...Don't buy what you don't need. Think twice before you buy anything.

The same message was then used on the home page of their global website and in an email campaign sent on Monday 28 November to coincide with 'Cyber Monday', a peak online shopping day.

The advert continues by explaining the high environmental costs in making the jacket including the use of 135 litres of water, enough to sustain 45 people for a day.

Customers have long been encouraged to take a shared responsibility towards their Patagonia products. They can be sent back to Patagonia when they require repair and dropped into a store when they have reached the end of their useful life. The material is then recycled to form new clothing. The customer pledges not to throw away any Patagonia product.



FIGURE
13

PATAGONIA WEBSITE – DON'T BUY THIS JACKET

Visual insight, Ray Algar, Oxygen Consulting, 2014

⁸².

Black Friday is the day after Thanksgiving Day in the United States and falls on the Friday after the fourth Thursday in November. It is a busy shopping day and is a holiday in some states. Why 'Black' Friday? Historically, this is the first day when retailers begin to make money so their accounts ledger turns from red to black

So is this a clever marketing campaign or a genuine request for more responsible consumerism? What is known, is that for more than 40 years Patagonia, founded by a former climber, has been guided by the mission to 'build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis.' This means there is a consistency between what the company says and how it acts. It is possible to imagine some Patagonia customers saying: 'I would expect them to do something really brave like this.' It fosters respect among all its stakeholders and with that respect comes a deeper sense of connection.

Engagement model

Take a look at the engagement model (figure 14) and consider which level you would find the majority of Patagonia's fanatical customers.

FIGURE 14 ENGAGEMENT MODEL

Visual insight, Ray Algar, Oxygen Consulting, 2014

Remarkable

– A great business that is admired by others – 'I love what this business stands for and am continually surprised by what they do.'

Likeable

– A very good business that I choose over others – 'They occasionally surprise me with the great things they do. It feels good here.'

Mediocre

– Always deliver the minimum of what I expected – 'They are consistent, but unremarkable. I can find better.'

Inconsistent

– Sometimes deliver the minimum of what I expected – 'I am not sure about this business. I will be switching soon.'

Consumers actively choose brands based on personal values and aspirations. This alignment of values sparks emotion and connection. When someone says, 'Wow, you really get me,' you know you have met your mate.

I choose brands that match my values



Footnote: Source: 2013 Brand Engagement Survey – the emotional power of brands (Gensler). Online survey of 2,838 American adults across 50 US states

CONSIDER THIS...

1 Do you truly understand why customers have chosen to forge a connection with your organisation?

2 Are customers deeply connected into your organisation or are most only there until something more remarkable comes along?

3 What can you learn from the Gandra brothers in Brazil, who have interwoven their passion for both the environment and fitness to create a unique and much loved business?

4 How can the Patagonia story be used to rethink what your business stands for and how it communicates?



BACK TO CONTENTS



INTERVIEW WITH JOE CIRULLI, OWNER AND FOUNDER OF GAINESVILLE HEALTH & FITNESS CENTERS



RA

Why have you always had a deep commitment to help the entire community, not just your members?

JC

I have always felt it made good business sense to connect to the entire community. It is important to remember our members are part of the community, as well as their family and friends. I believe people like to be part of something bigger than them. When our members see things we do to enhance the community, I believe they have a sense of pride. Many of the things we do can improve the lives of their family and friends who may not be members of our centre. We offer things like free memberships for teenagers during the summer because we know it helps parents. We allow access to families from outside our area who are here to support a loved one for health reasons. They are usually in the hospital coping with a major disease. We are all human and it makes the employees feel better about our business. We do many things that no one really knows about like giving families of soldiers

killed in Iraq and Afghanistan free lifetime memberships. And we did this after honouring them at a major 11 September event we hosted. After a devastating hurricane hit our area we allowed residents of our community access to our clubs for showers since many people had no running water. Maybe in the end it is all selfish as it makes us feel better helping where we can.

RA

You once said that the ultimate measure of a health club is the health of its entire community. Why do you believe this?

JC

Our original mission was to make Gainesville the healthiest community in America. But we had a bigger vision and that was to become known as one of the best businesses for the world. You will notice it did not say 'in' but 'for'.

I have always believed that to clean up the world you start with your own front yard. Well, Gainesville was our front yard. We believed that if we could accomplish our mission it

would help put us in the right direction to move towards our vision. Gainesville Health and Fitness was built on a quote I read years ago. It simply stated that if you help enough people get what they want out of life, you will get everything you want out of life. I totally embraced that idea. As a business we have all worked to find ways to better enhance the health of our community and continue to do so. It has enabled us to talk with communities across America and globally about how they too could impact their communities. Ultimately it makes our team become better by helping people beyond our membership. And it makes our members feel better too.

If you help enough people get what they want out of life, you will get everything you want out of life.





INTERVIEW WITH JOE CIRULLI, OWNER AND FOUNDER OF GAINESVILLE HEALTH & FITNESS CENTERS



RA

What would you say to business owners who only measure their success on financial metrics?

JC

I totally understand it. Some people have a passion for business and that means being the best at the numbers. Others have a passion for the business they are in and the numbers are a direct result of that passion. I have always focused on being the best we can be. Some people may say it costs too much to do, but I have always felt that by offering the best it would return financially. I have found it to be true 95% of the time. As I said, that is not everyone's desire, so growth and managing the numbers are critical to them. That is usually how businesses grow across a region or country. Our goal was always to focus on one community and try to make an impact worldwide.

RA

Why do you believe health clubs can have a purpose other than to serve its members?

JC

I do not know if a health club has to have a higher purpose. I believe the higher purpose resides inside the creator of the business first and because of that passion attracts people who want to be part of it. I believe what keeps people connected to a business for a long time is striving to reach it. The great part of our industry is if a club can articulate that vision then many of the members will want to become part of it too.

I believe the higher purpose resides inside the creator of the business first and because of that passion attracts people who want to be part of it.

The health club industry is perfectly positioned to impact a much larger group of people than simply the members. Why? Because of all the people they are connected to in their lives. Think about it; most members have families and work inside a company. The number of people our members come in contact with each day dwarfs the number of members we could ever have. This provides us an opportunity to connect with an entire community. If we understand the connections then it is easy to see the opportunities. But, once again, it's a personal thing. It's inside the owner of the business.





INTERVIEW WITH JOE CIRULLI, OWNER AND FOUNDER OF GAINESVILLE HEALTH & FITNESS CENTERS



RA

You have used your clubs as the catalyst to make Gainesville the healthiest city in the United States. What inspired this amazing ambition?

JC

The actual mission was part of a six-month process we went through many years ago. We wanted to truly define who we were and what we wanted to become known for. I have a great team of people who can dream big. Together we worked on a weekly basis until we had total agreement and not just with my leaders, but with the entire staff. The mission was 'To Make Gainesville the Healthiest Community in America'. I was fortunate to have an individual on my staff who taught at the University of Florida in the School of Health. She searched until she found the organisation and process to get there. But here is the most important part. I had to put my money and time where my mouth was. I had to allow her and an assistant to work

on the project for the next three and half years. It would not have been good if I, as the owner, did not back them 100%. They fully committed to the project and accomplished the goal. Since then we have been able to work with many businesses to support their health initiatives. Over time we have built a very strong relationship with the community and businesses. Remember; the first step in any relationship is building trust. And that trust has helped us become a major part of our community. As I said in the beginning, If you help enough people get what they want out of life, you will get everything you want out of life.

About Joe Cirulli

Joe Cirulli has focused his life working on two things; helping people become healthy and building a company culture that inspires people to become their best. Joe always had a vision of what he wanted to accomplish, but one day realised that unless everyone on his team had the same vision Gainesville Health and Fitness would never reach its true potential. Years ago he read a transformational article in the Harvard Business Review, which discussed the process of creating a compelling corporate vision. Gainesville Health and Fitness is now one of the most admired health club businesses in the world.

 Ghfc.com



Collaborative

‘If you want to go fast, go alone,
if you want to far, go together’

African proverb

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09

COLLABORATIVE

During 2012 Bupa, the international healthcare group, was working on a project centred on creating healthier workplace communities. Operating since 1947, the organisation employs 62,000 people who serve over 14 million customers in more than 190 countries.

With the purpose of ‘longer, healthier and happier lives’, most would accept it has probably accumulated a deep understanding of health and wellbeing over nearly seven decades. So, when embarking on its healthier workplace project, you would expect the organisation to look inside to its vast employee and supplier network for solutions. In fact, Bupa did the opposite and put the general public to work to help develop solutions.

On 13 November 2012, Bupa posted the project on OpenIDEO, a digital platform that brings people and ideas together. Titled: ‘How might we create healthy communities within and beyond the workplace?’,⁸³ the project was thrown open for the world to solve. Starting with an ‘inspiration’ phase, the OpenIDEO community first submitted 334 relevant stories, case studies and comments to help ‘frame’ the core challenge. This was followed by detailed public submissions explaining how the

challenge would be solved. Over four months, 241 global submissions were submitted to the OpenIDEO platform, which were then refined down to a shortlist of 20 ideas. One of the shortlisted ideas I liked is ‘On Your Way Home’ (OYWH), a micro-volunteering project that connects an employee to an elderly or vulnerable member of the community. The employee then spends time teaching a new skill or simply providing companionship to the person in their home.⁸⁴

Following the challenge, a team of multidisciplinary designers from OpenIDEO and Bupa looked at the most promising ideas that were chosen by the community and a panel of experts. Ultimately, this inspired Bupa to develop ‘Ground Miles’, a free, personalised motivational walking app⁸⁵ for smartphones launched in September 2013. The app is part of a global walking initiative called ‘Ground Miles Challenge’, partnering with the World Heart

Foundation. 50,000⁸⁶ people are currently using the app to track their activity and motivated by joining a Ground Miles community group.

So will this open and more collaborative approach to social innovation gain momentum? It certainly feels more synchronised with the connected and ‘participative’ world in which we all now live. Organisations that reach out rather than build from within feel more relevant for the role that customers and other stakeholders now wish to play.

Co-creating is becoming the new normal

Co-creating is where customers and organisations collaboratively innovate over the long term rather than simply coming together to solve an immediate problem or question. It is working with stakeholders to address future challenges and unlocking opportunities, which they have a vested interest in helping to solve.

83.
Read about the project
<http://bit.ly/OpenIDEABupa>

84.
This idea is reminiscent of GoodGym in London, where people combine a run with doing a good deed in the community such as rubbish clearance, changing a light bulb or delivering a newspaper to an elderly person. See <http://www.goodgym.org>

85.
See groundmiles.bupa.com. Bupa created a clever spoof video featuring Chad Strider to launch the initiative. See Chad in action at – <http://bit.ly/ChadStrider>

86.
At January 2014



Kiva

Kiva⁸⁷ is a remarkable American non-profit organisation with a 'mission to connect people through lending to alleviate poverty'. 'Kiva', a native American word for 'gathering place', leverages the web and a worldwide network of microfinance institutions to allow individuals anywhere to lend as little as \$25 (£15). These small micro loans support people wishing to start or grow a small business in 73 countries, including the United States, where Kiva is based. Kiva recently reached \$500 million (£307 million) in loans made by its community of one million micro-lenders. Remember, these are not 'high net worth' individuals, but people who simply decide that someone else needs \$25 for the next year more than they do.

Give me a hand-up

Sometimes, all the local entrepreneur needs is a loan of \$125 (£76). Today on Kiva I can see that Christine, a young widow from Kenya, is seeking a \$125 loan⁸⁸ to buy bales of clothes to resell. She has reached 40% of her funding target and so needs just \$75 (£46) more. She will repay her \$125 over 14 months. A loan

like this can often be the difference between self-sufficiency and dependence on foreign charities – a hand-up versus a handout.

Kiva is a shining example of the potential when individuals and organisations team up to create a difference in the world. More than 5,000 borrowers just like Christine are currently featured on Kiva, and all they need is a small loan to kick start their family's lives. Remember, these are loans and not donations. I asked Premal Shah, Kiva's President, why loans and not donations. He believes:

'Loans create a sense of sustainability and accountability. Altruists (the lenders) crave feedback, and loan repayments drive more good.'

Kiva is powered by the generosity of others. It simply would not otherwise exist, regardless of how great the technology. Over the next two years, Kiva expects to reach \$1 billion (£614 million) in loans, which looks likely to be achieved. Its community of lenders grows daily and is deeply engaged with their ability to connect and make a difference to the lives of others.⁸⁹

Collaborative projects like Kiva are very exciting on so many levels; they allow anyone, anywhere with access to the web to participate in solving social inequalities. The Kiva platform allows lenders to look straight into the eyes of the borrower rather than the traditional method of routing money through charities who say 'trust us, we will spend this money well'. Kiva's future growth will more likely be tempered by a lack of borrowers, more than a lack of lenders. This is similar to a health club having to create a waiting list for new members eager to join because they are full.

87.
Kiva.org

88.
A \$125 loan is around 8% of the average annual income for a Kenyan

89.
4,300 new Kiva lenders joined during a single week in December 2013. Approximately six out of every ten Kiva users go on to make a loan

Compete or collaborate?

During the 2010 World Economic Forum in Davos Switzerland, Nike officially launched the GreenXchange.⁹⁰ GreenXchange is a web-based marketplace where companies can collaborate and share intellectual property, which can lead to new sustainability business models and innovation. Nike committed to making 400 of its patents available for other organisations to use under a simple, low-cost licence agreement. Initially Nike's lawyers thought the idea was commercial suicide, believing intellectual property should be hoarded and never shared. Others inside the organisation believed that if, for example, they had a patent that removed environmentally damaging toxins from the rubber used in its footwear, then it should be made available to other companies. When launching the GreenXchange, Mark Parker, Nike President and Chief Executive Officer, said:

Nike is today committing to placing more than 400 of our patents on GreenXchange for research, demonstrating our belief

that the best way to stimulate sustainable innovation is through open innovation.'

Nine organisations are now part of the project, covering 463 intellectual property assets. Projects like this demonstrate that Nike may be competing for the attention of an individual in the market for a new pair of trainers, but the competing stops when seeking ways to reduce the environmental harm produced by the wider athletic footwear industry. You may wonder what the global fitness industry could achieve if competitive rivalries could be set aside, when necessary, for the greater 'good'. How about:

- allowing other organisations to use that clever online learning portal developed for employees;
- two or more organisations decide to jointly fund a charity to conduct an important two-year clinical trial into the 'heart health' of new-born babies;

- technology that allows human energy from fitness machines to be harvested and fed back into the building is shared with other organisations.

Endlessly competing is tiring, whereas collaborating is invigorating.

We are all collaborators

You are probably already a collaborator without overtly recognising it. Back in 2007, I was working on an article discussing how there was a growing movement around citizen collaboration. Wikipedia was growing rapidly and people were using the emerging web to swap, share and exchange ideas and things. I was thinking of ways of describing this phenomenon and eventually decided on 'collaborative consumption'. Well, the collaborative consumption movement has developed rapidly over the past seven years. For example, back in 2007 TripAdvisor, the online travel site, had published 5 million reviews from real travellers.

90.
Short explainer video at
<http://bit.ly/Green-XChange>

This is a considerable number of reviews, and equivalent to the population of Norway. Now, at the beginning of 2014, their reviews stand at 125 million, around twice the population of the United Kingdom. It tells us that if people have easy access to the right tools and platforms and trust the organisation, they will enthusiastically participate.

Collaborate with the crowd

It was not so long ago that banks decided whether a good idea came to life or not. 'Where's the five-year plan?' they would flippantly ask, only to reject the idea following months of hard work. Now you just bypass the 'non-believers' and head straight for Indiegogo or Kickstarter and ask your most devoted followers to fund you. Kickstarter⁹¹ is soon to break through the \$1 billion (£614 million) barrier where individuals have pledged a small amount of money to bring projects or an entire businesses to life. To date, 125,000 projects⁹² have been launched on Kickstarter with the support of 5.2 million individuals. 53,000 projects have successfully hit their funding target. Although many projects require \$10,000 or less, 54 have raised over \$1 million (£614,000). It is revolutionising our notion of how good ideas

come alive. For example, Radiate Athletics, a sports clothing start-up, has been 'kickstarted' by 8,500 individuals who wanted to support a business developing a new range of workout shirts that change colour as your body temperature rises.⁹³ The project had an initial fund-raising target of \$30,000 (£18,300), but finished at \$580,000 (£354,000), 19 times more than the two founders had set. Remember, these are predominantly 8,500 strangers making tiny monetary pledges starting from \$1 because they believe in the idea.

Now, what if you take the potential of a digital platform like Kickstarter and instead of fundraising for a new t-shirt business you use it for positive 'social activism' – gather together a group of people who care enough to improve a community in need. Enter Yimby, launched in the UK during November 2013 by JustGiving, the world's largest online charity fundraising platform.⁹⁴ Yimby, an acronym for 'Yes in my back yard' aims to put the crowd to work in order to benefit a local community or good cause across the UK.⁹⁵

Projects could include raising money to create a new exercise trail in the local park, starting a new children's after school club or funding basketball wheelchairs.

JustGiving used the Internet to revolutionise charitable giving. Our mission is to grow the world of giving and with Yimby, we're taking this one step further, opening up philanthropy to any individual wanting to start a community project using the power of the crowd.

Zarine Kharas, JustGiving co-founder

CONSIDER THIS...

- 1 Does your organisation have a 'we know best' mindset or does it openly collaborate with customers?
- 2 Have you considered collaborating with a 'competitor' to amplify your organisation's impact?
- 3 How many different ways does your organisation encourage a continuous conversation and feedback with stakeholders around service innovation?

91.
See
<http://www.kickstarter.com>

92.
At December 2013

93.
See the Kickstarter campaign here
<http://bit.ly/Radiate-Athletics>

94.
Enabled over 21 million people
since 2001 to raise approximately
£1.5 billion (\$2.46 billion) for
over 13,000 charities

95.
Other social activism platforms exist
such as StartSomeGood.com,
Change.org, Causes.com



INTERVIEW WITH RICHARD BILTON, PRESIDENT, CIA ATHLETICA CLUBS



RA

The Cia Athletica Institute, a non-profit organisation, was founded in 2007. Why was the Institute developed?

RB

The Cia Athletica Institute was created to develop typical non-governmental organisation campaigns involving our communities of members, partners and our suppliers. It is the Institute that demonstrates to our members that philanthropy is not a small and peripheral point of our company's policy, but a fundamental part of it.

RA

Why not simply operate charitable projects through your health clubs?

RB

The Brazilian legislation provides for certain situations where only civil society, non-governmental organisations, have the capability to operate. One typical example is the Sports Incentive Law. Its purpose is to encourage people and companies to make donations for sports projects in exchange for reductions on their tax bills. Cia Athletica Institute, as a non-profit organisation, can present projects in the Brazilian Ministry of Sports.

RA

Cia Athletica believes that people working together can change the world. Please tell me more and give me an example of how your clubs and Institute use their influence.

RB

Cia Athletica believes in fostering a strong human relationship among all the people that attend our clubs. Our company motto is 'People Caring for People' in the broadest sense of its meaning. Projects like 'Tênis Vivo' (Live Sneakers), which has so far collected more than 10,000 pairs of used sneakers in Brazil, have involved our whole community since we launched the project in 2009.⁹⁶ These shoes are then laundered and then passed to local charities to encourage people from poorer backgrounds into sport.

⁹⁶.
You can read more about this project on [page 85](#)





INTERVIEW WITH RICHARD BILTON, PRESIDENT, CIA ATHLETICA CLUBS



RA

What social responsibilities do you believe Cia Athletica has when you open a club in a new community?

RB

To remember and respect how our values can influence the people who attend our clubs. Good humour and respect are values that transcend the immediate environment of our clubs. We have the capacity to drive good causes wherever we are located.

RA

I can see how your health clubs support your Institute, but how is the work of your Institute helping your clubs?

RB

The Institute's work without a doubt greatly improves the culture and atmosphere within our clubs. Philanthropy is an invaluable tool for a person's wellness. We have always believed this and always will. Today it is important to help our club and club members to be involved in positive and worthwhile social causes, so the Institute is important to enable these connections.

About Richard Bilton

Richard Bilton is the President of Cia Athletica, which he founded in 1985. He is a double Brazilian equestrian champion. Cia Athletica now owns and operates 18 clubs totalling 60,000 square metres (650,000 square feet) in 13 Brazilian cities. Cia Athletica is the only club operator in Brazil to be ISO 9001 quality management certified and is also accredited by the Medical Fitness Association.

 Ciaathletica.com.br



CHAPTER

10

Influential

‘Influence is like water.
Always flowing somewhere’

Gary Hamel, Global authority on business strategy



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INFLUENTIAL

It was at the beginning of 2010 that charity: water came to my attention.

There were several factors why it resonated with me. The first was reading the life story of Scott Harrison, founder of charity: water, the second was the big cause⁹⁷ that was driving the charity and the third was the way in which this small New York-based start-up charity was harnessing the social web to excite and engage with its global donor base.

Harnessing influence

By the age of 28, Scott Harrison was an influential New York 'nightclub promoter'. This meant that he could take a New York nightclub on a 'quiet' weekday evening and fill it with cool and aspiring young people who would pay exorbitant sums of money for vodka over ice. Everyone would party long and hard, get photographed by the paparazzi, and then do it all over again the following night.

Harrison is a 'super connector' and he admits to leveraging those connections to lead a shallow, drink and drug-fuelled life. Major drinks brands would pay him thousands of dollars every month to be seen drinking their brand. Then one day, Harrison asked himself:

'What would the opposite of my life look like?

This led him to quit New York and volunteer as a photojournalist for the 'Mercy Ships', a charity that provides free medical care in some of the poorest regions of the world. Over the next eight months, Harrison saw poverty at first hand and discovered that he had the ability to do something about it. At this moment, charity: water was conceived.

Reinventing charity

After choosing water as the cause he would pursue, Harrison began seeking a charity to join, but was uninspired by what he found. He felt people were becoming disconnected from 'old-style' charity and believed a new and different kind of charity, harnessing the power of the web and social networks, could help to re-engage people and build enduring relationships. So he founded charity: water.

What is the purpose of charity: water?

Harrison discovered during his time with the Mercy Ships charity in Africa a terrible irony; people were living on top of clean and safe water, with no way of accessing it.

Harrison recognised that clean drinking water was fundamental in helping people break free of ill-health and poverty, and yet the cost to build fresh water wells was relatively small. Just £3,145 (\$5,100) provides a village of 250 people with fresh drinking water.

⁹⁷. Helping to bring clean and safe drinking water to every person on the planet. Presently 800 million people (one in every nine of the world's total population) rely on contaminated water



Since being founded in 2006, charity: water has made a dramatic difference to the lives of three million people around the world, having now funded 8,000 water projects in 20 countries.⁹⁸ Every year, this relatively small New York-based not-for-profit extends its impact, funding more than 2,000 water projects during 2012.

Of course, the significance of this story is the decision that Harrison made to redirect the considerable influence he possessed away from serving himself to serving others – moving from self-interest to shared interest. Imagine being able to transform the lives of millions of people simply by redirecting your influence.

Do you want your business to be popular or influential?

The marketing team of one of the UK's leading health club businesses is very excited as today they reached 100,000 'likes' on their official Facebook page. It has been a long journey of 'nudging' and incentivising – 'like' our page and receive a free one-day gym pass – but today they reached the milestone. So, it is official; according to Facebook they are one of the most 'popular' gym brands in the country. Of course, it feels good to be 'popular', especially

as individuals and organisations everywhere are all rushing to attract ever more 'friends' and 'followers', but it is influence that really matters. Popularity can be bought or 'faked' whereas influence is earned and authentic. Popular businesses do not necessarily have the authority to 'move' people; influential ones do. Influence is the capacity to affect the way that people think and behave, and this only occurs if they believe in you and your organisation, loving what the organisation stands for and the way it is championing a better future for others.

As fitness businesses grow in size, some begin to potentially accumulate greater levels of influence, which may not at first be apparent. Virgin Active, for example, now has more than 1.2 million global members in seven countries, while Planet Fitness, the American low-cost gym brand, has more than 3.6 million, not too far off the population of New Zealand.⁹⁹ Add to this employees, suppliers and other stakeholders, and you have businesses with the potential to create dramatic social impact, if they are motivated to harness it.

This means more than improving the lives of members, as this is the core mission of the business, but the mobilisation of these stakeholders on enriching the lives of other people less fortunate than theirs. As the Edelman 'goodpurpose' 2012 report¹⁰⁰ says:

'Rather than merely exercising their "license to operate", leading brands and corporations must move beyond operational imperatives and social add-ons to establish their license to lead.'

This means using their influence to help solve societal challenges and rebalance social inequalities. This is no 'should we or should we not get involved', as increasingly consumers will expect business of all sizes¹⁰¹ to play their part – a genuine and consistent part.

In other words, if a business has influence then consumers will increasingly expect companies to use it. (see figure 15). The future is about influence, not popularity (see table 2).

98. charity: water financial statements for year ending December 2012

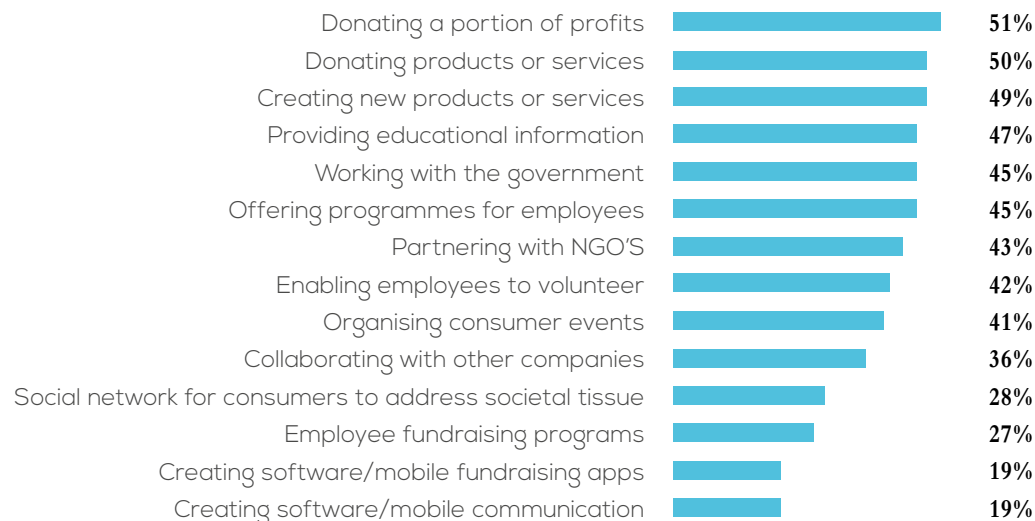
99. 4.5 million at December 2013 (Statistics New Zealand)

100. Survey of 8,000 consumers across 16 countries. See <http://purpose.edelman.com>

101. All purposeful and authentic businesses have influence, regardless of their size



What should companies be doing?



FIGURE

15

THE WIDER ROLE OF BUSINESS
IN SOCIETY – EDELMAN GOOD
PURPOSE REPORT 2012

Visual insight, Ray Algar, Oxygen Consulting, 2014

Being popular | Being influential

Popular is....	Influential is...
Followers listen	Followers act
Think 'self-interest'	Think 'shared-interest'
You pay to promote your ideas	Followers enthusiastically spread your ideas
You can create a short-term buzz about your organisation	Your organisation creates a valued and enduring legacy

TABLE

2

BEING POPULAR,
BEING INFLUENTIAL



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This health club wants your shoes

Members need trainers to work out, but what happens to all those shoes when the time comes to replace them? Throw them away or put them to a better use. Companhia Athletica, one of Brazil's most established club chains, invites its members to bring their redundant trainers into the club where, they are laundered, bagged and tagged. The shoes are then donated to local charities that encourage young people from poor backgrounds into sport. Drop into one of their clubs and you will often see trainers hanging from walls and ceilings, prompting interesting conversations. Approximately 4,000 pairs of shoes are now collected annually. 'Philanthropy is in the DNA of our members' commented Silvia de Féo from the Companhia Athletica Corporate Marketing team when I asked about the project.

I first stumbled across this story when talking to Richard Bilton, President of Companhia Athletica, during a conference in Brazil in 2012. It was one of those synchronicity moments; I had just finished a presentation titled 'What is the core purpose of your club and what does it stand for?' where we had discussed many remarkable businesses, including TOMS. Minutes later, here I was hearing about a health club business putting its influence to work in helping to put shoes on the feet of impoverished Brazilians.



I was fascinated by Richard's project for several reasons:

- Clubs are significant and influential communities that can be harnessed to create any type of social impact that they passionately care about.
- How big could this one shoe project become if other clubs were inspired to get involved by the actions of their peers?
- Why are these inspiring and socially worthwhile club projects not more 'findable'? I was discovering them by accident.

Following the conversation, I excitedly scribbled in my notebook: 'Develop a digital platform that illustrates how the global fitness industry is doing good in the world.' Ten months later Gympopia¹⁰² was developed, with support from five very generous companies¹⁰³ and seven individuals.

102.
See Gympopia.org

103.
Companhia Athletica (Brazil),
Gantner Technologies (Austria),
Les Mills (UK), Retention
Management (USA),
The Gym Group (UK)

Gymtopia now curates the wider social good that the fitness industry is leading through a series of 'stories'. Recent stories¹⁰⁴ include:

- How a UK fitness equipment reseller collaborated with two charities to equip rehabilitation centres used by survivors of cluster bombs in Laos, Southeast Asia.
- How a low-cost gym business in Denmark has entered into a three-year partnership with the Danish Red Cross in funding clean water wells in Africa.
- How an Italian fitness show asked visitors and trainers to collect fresh food, milk and clothes for a local home caring for abandoned and abused children.
- How a personal training business in Montevideo, Uruguay collected food and blankets for an animal shelter and rescue centre.

These are all thought-provoking examples of what can be achieved when the business directs the attention of customers to a social inequality. These large communities of customers are eager to play their part, contributing where they can with money, time and expertise – often they simply need to be asked. So why not take a look at all your 'followers' and inspire them with your big and generous ideas to become 'contributors'?

¹⁰⁴.
See
<http://bit.ly/Gymtopia-stories>

CONSIDER THIS...

- 1 Scott Harrison has been on a mission to reinvent charity and mobilise a global donor community. Is there clarity about the mission your organisation is on?
- 2 Would your stakeholders say that your organisation has a reputation for self-interest or shared interest?
- 3 Does your organisation pursue popularity or influence?
- 4 Does your organisation possess sufficient influence to affect the way that people think and behave?





INTERVIEW WITH PHILLIP MILLS, CEO, LES MILLS INTERNATIONAL



RA

What does being a socially responsible business mean to you?

PM

Doing as much good in the world as possible. For our staff, our customers, our community and the world at large. The obvious way we can do this in our industry is to play a part in dealing with the health crisis. I will not labour the explanation, as we all understand the problem, but for all the wonderful things the modern medical system does, it does not deal with the majority of illness that is lifestyle-related. The world is spending more on health, but illness is increasing. To give just one statistic, the cost of the United States healthcare system in 2012 was \$3 trillion. This is more than twice the global cost of dealing with climate change.

Fitness has become the biggest 'sport' in industrialised nations. By getting our participants active and teaching them to eat better and avoid environmental toxins, we can play a big part in solving the problem

RA

You have a goal of becoming New Zealand's leading restorative business. Please define 'restorative' in a business context and why this matters to you.

PM

I mean the net impact of our business will be positive for the environment – restorative. Here we are referring specifically to the problem of eco-sustainability. Dealing with climate change and the related challenges brought about by an increasing population and a growing middle class in a world with limited resources. There are a number of areas where sustainability converges with health, but our motivation here is our belief that all businesses and all industries have to play a part in dealing with global eco-challenges. As catalogued for instance in the book 'Collapse' by Professor Jared Diamond, history shows that ecological crises lead to economic disaster and ultimately the disappearance of civilisations. Not great for human health in the long run, or business.

There are three ways in which our businesses can play a part:

- By reducing our own 'footprint' – using less energy, water and other resources. I recommend a business 'footprint analysis' undertaken by a green consultant. I guarantee you will find significant cost-effective savings, while impressing members and potential members through your responsible actions. Research shows that an increasing number of consumers are basing purchase decisions on green credentials, so it makes perfect business sense as well.
- By encouraging our suppliers to reduce their business footprints.
- By far the greatest positive effect we can have is to convince our members to take actions that reduce their own ecological impact. For instance our green business consultants have estimated that if we can persuade 10,000 of our members to switch just two light bulbs in their homes to a low energy model and encourage 2,000 to ride to work just one day a week, which is also great for their health, we could virtually eliminate our businesses footprint.





INTERVIEW WITH PHILLIP MILLS, CEO, LES MILLS INTERNATIONAL



RA

Your business has a truly global reach, operating in 80 countries. How are you harnessing this influence to create positive social impact?

PM

By doing what we are doing in this interview – spreading the message and the benefits at every opportunity. I have spoken at many industry conventions on this subject and almost all of my presentations include a section on it. In 2007 Random House published 'Fighting Globesity', a book by Dr Jackie Mills MD, my wife, and I. It shows people how to build sustainable lifestyles nutritionally, ecologically and exercise-wise.¹⁰⁵

RA

What role do you believe the fitness industry can play when communities face social trauma such as the devastating Christchurch earthquakes in 2011?

PM

The earthquakes were tragic for the people of Christchurch. The majority of inner-city businesses were closed for more than a year after the earthquakes subsided and most

peoples' homes were damaged. We lost one club in a suburb that was completely destroyed, and our main inner-city club – an earthquake-proof, eco-sustainable building that we had built a year before the earthquakes – was forced to close for 13 months. It ultimately became one of just two buildings left standing on our large city block.

It was important that people maintained community contact, so we first set up a network of fitness classes in school halls and parks. Next we built a temporary club in a largely undamaged area just outside the inner city.

We were grateful for the generous assistance of several undamaged suburban clubs that accepted our members.

We also had to care for our 100+ employees for a year in which our clubs were closed. On the day of the worst earthquake, some of our staff acted as volunteers. They had the terrible experience of recovering bodies from buildings, in which hundreds of people lost their lives. We were fortunate that nobody was injured in our clubs, but as one of the only buildings still standing, our inner-city club was used as a centre for emergency operations.

RA

What social initiative has your business led that you are most proud of?

PM

There is still work to be done but I am happy with some of the initiatives referred to above, and that 'Be Green' is one of the five core values of our New Zealand club business. Beyond that, I founded a green business organisation, Pure Advantage, and last year donated my salary to this and other green charities.

About Phillip Mills

Phillip Mills is the CEO of Les Mills International, the world's largest distributor of branded group-exercise programming for health clubs. The Les Mills programmes are taught by 100,000 certified instructors in 15,000 licensed clubs in 80 countries. Phillip is also actively involved in managing ten family-owned health clubs throughout New Zealand.

 Lesmills.com Pureadvantage.org

¹⁰⁵
Fighting Globesity can
be purchased at
<http://bit.ly/Globesity-Mills>





Concluding Remarks

ABOUT THE AUTHOR | ACKNOWLEDGEMENTS | GYMTOPIA

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CONCLUDING REMARKS

There will always be some who navigate through life adopting a zero-sum mindset.

Often it is based on a flawed assumption that we are engaged in one big competition and that means there must be winners and losers.

The people and organisations that make up the fitness sector must compete, but surely competition constitutes only a small part of its entire activities. The remainder is spent collaborating, learning, innovating and supporting others in their pursuit of a healthier future. As Giles Gibbons comments in his interview, the fitness sector starts from the very advantageous position that most people, even those unconnected to the sector, have a clear idea of the fundamental reason for its existence and that its purpose is altruistic and energised by the desire to help others. Some industries, by contrast, produce harmful products and continually have to defend their very existence. So the fitness sector starts from an extremely strong position, but this 'right to operate' cannot be taken for granted. It is merely an authentic platform on which to build.

'This is what I find most magnetic about successful givers: they get to the top without cutting others down, finding ways of expanding the pie that benefits themselves and the people around them. Whereas success is zero-sum in a group of takers, in groups of givers, it may be true that the whole is greater than the sum of the parts.'

Give and Take, A Revolutionary Approach to Success, Professor Adam Grant, 2013

Pieces of the same puzzle

This report has been written around eight core themes because they all seem so interconnected. How can an organisation be socially responsible if its strategic purpose is unclear? How can it be influential, if not authentic and connected? What the recent global economic crisis has shown us is that the pursuit of a narrow and self-serving agenda is unsustainable and simply unfair.

It may work in the short term, but at some point Twitter will realise there is an injustice taking place and its 241 million active users¹⁰⁶ will get to work to right the wrong.

What is going on inside that fitness centre?

Since Scott Harrison founded charity: water in 2006, this relatively small New York charity has changed the lives of three million people. How does a 'twentysomething' with no previous charity experience achieve this? Part of his and charity: water's 'secret sauce' is an ingredient called 'proof'. Give charity: water \$50 (£30) and then use their website to track your donation as it gets allocated to a specific water project in one of their 20 operating countries. Next, enter the GPS coordinates they have provided for the project into Google Earth and see how your money is being put to work. Follow the project's progress through regular field reports and social media updates.¹⁰⁷ As their website states: 'At charity: water, we've always believed in the power of proof.'

Proof is the next piece of the puzzle for the fitness sector to embrace. Proof that it can engage and retain people in a life-long habit of physical activity, proof that it provides a 'return on effort' for customers and that it is cost-effective when compared against myriad health and fitness alternatives.

Be good and prosper

It should be no surprise that organisations who consciously embrace a broader definition of their stakeholders will outperform, over the long term, those who adopt a narrow self-serving, profit-first approach. Here is why:

- They have a clarity of purpose that inspires staff and customers. Think of it as a halo that radiates 'goodness'.

- They possess a powerful culture that guides decision-making – a compass that is drawn towards a point marked 'Is this fair?'
- It helps people to quickly understand how to choose between two organisations operating in the same marketplace.
- People want the organisation to be successful and will voluntarily help it on its journey.
- They are more trusted and people are more likely to listen and act on what the organisation has to say.
- They can more easily forge partnerships and alliances because they engender respect.
- They are more conscious of their ethical and social responsibilities and so more synchronised with wider public opinion. 'This is a good business,' people say.
- They possess a clearer understanding of the interconnections that exist between all stakeholders and a sensibility for Newton's third law of motion – that an action creates an equal and opposite reaction. However, in an age of social media, the reaction may no longer be equal.
- They have a compelling organisational story that people are eager to share.

¹⁰⁷.
This small charity has more than 1.4 million Twitter followers (January 2014) and was the very first non-profit Twitter account to gain more than one million followers

- There is a consistency with their brand promise and what customers experience.
- They have a reputation that often extends far beyond their geographic marketplace and so become 'famous'. Consequently, they spend less talking about themselves.

A responsibility to be as good as you can be

Several contributors to this report commented that the fundamental responsibility of all organisations connected to the fitness industry is to improve the health of nations. This requires a relentless pursuit to create a remarkable organisation that understands what makes people 'tick' and, of course, 'move'. This is because what is the point of switching off some light to conserve energy, or saving water in the showers, if the organisation is merely mediocre, or worse, at delivering its core business? So be good, however you wish to define it, but always remember your ultimate responsibility is to create something remarkable.



ABOUT THE AUTHOR



I am the Managing Director of Oxygen Consulting, a UK-based company that provides compelling strategic business insight for organisations connected to the global health and fitness industry.



Until recently, I was also the Chairman of Wave Leisure Trust, a social enterprise operating eight leisure centres in the South East of England.¹⁰⁸ I was involved for more than six years and experienced its transition from a start-up to a highly influential leisure organisation making a significant social impact on the communities it served.

Previous industry reports that I have published include:

- 2013 Review of the UK Health and Fitness Industry and an Outlook for 2014
- 2012 UK Low-cost Gym Sector Report
- 2011 Global Low-cost Gym Sector Report
- 2011 European Health Club Industry Web and Social Media Report
- 2010 UK Low-cost Gym Sector Report

In July 2013, I launched Gyntopia,¹⁰⁹ a digital platform that shares stories and insights about how the global health and fitness industry is creating positive social impact. Please take a look and be inspired.

When not writing, I spread my time between strategic consulting assignments and conference presentations in the United States, Latin America and Europe. The topics tend to span strategic marketing, technology, research, health and web-based themes. 'Thought-provoking', 'challenging' and 'forward-looking' are typical comments I receive. If it does not stimulate a reaction, what's the point?

If you are inclined to know more about me and my work, then browse over to my website: Oxygen-Consulting.co.uk

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A PLACE WHERE CLUBS DO SOCIAL GOOD

Was conceived by **RAY ALGAR**, founder and chief engagement officer, who believes the global health and fitness industry has enormous influence and potential to do good in the world, beyond its immediate customers

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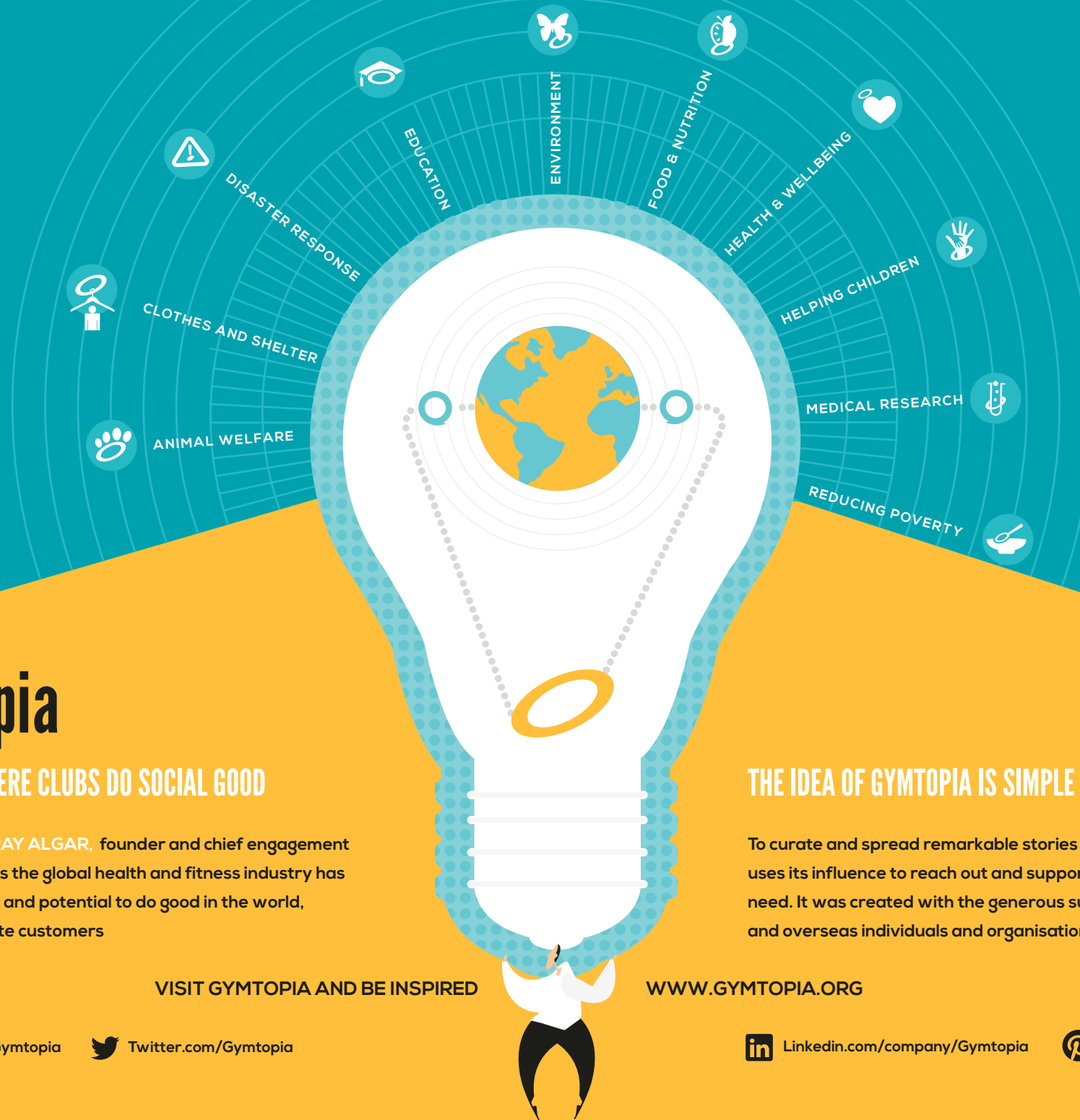
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THE IDEA OF GYMTOPIA IS SIMPLE

To curate and spread remarkable stories in which the fitness industry uses its influence to reach out and support an external community in need. It was created with the generous support of various UK and overseas individuals and organisations.

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