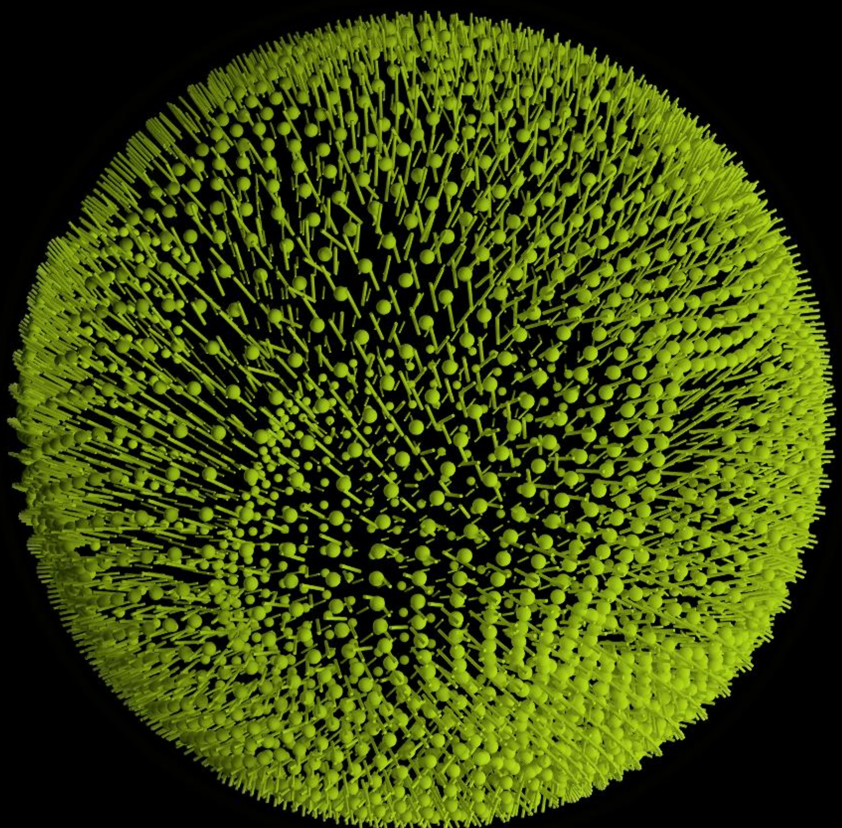

The business case for inclusive growth

Deloitte Global inclusive growth survey

January 2018
Inaugural edition

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“Today, businesses are measured and evaluated by more than just financial and economic indicators. Executives are acutely aware that enduring success is tied to a commitment to inclusive growth and development.”

David Cruickshank
Deloitte Global Chairman

Letter from the Deloitte Global Chairman

Today, businesses are increasingly driven by a sense of purpose to promote more socially inclusive growth and ultimately create greater opportunities for all people. This stems from calls for more inclusive thinking from people across organizations including the board, executives and customers. The influence of the millennial generation in the workplace has also been a significant factor. The idea that businesses can operate in siloes with little input or influence over societal issues is now becoming outdated. This purpose-driven focus is redefining the active role businesses should play in a globalized world.

David Cruickshank
Deloitte Global Chairman

This sense of purpose is further underpinned by the belief that greater equality can strengthen economic growth, and that business is an essential part of creating economic opportunities that can reduce inequality. It is also driven by the fact that consumers and clients are watching these issues – and care deeply about them.

With all of these considerations in mind, Deloitte Global embarked on a new initiative to examine executives' attitudes on the importance of achieving inclusive growth. Working with Forbes Insights, we surveyed 350 C-Suite and VP level executives globally across a range of sectors, from 10 November to 5 December 2017. The Deloitte Global inclusive growth survey also explores the ways businesses around the world are bringing inclusive growth initiatives to fruition.

The results show that while a focus on creating opportunities for all appears to be increasingly important to top executives, they feel limited when trying to achieve tangible inclusive growth outcomes. Perhaps this shouldn't be surprising. We know it's not a new phenomenon that executives are constantly under pressure to deliver short-term financial outcomes, which sometimes means weighing what is "good" against what is profitable. Today those pressures are heightened. In addition to adapting to the rapid technological change that characterizes the Fourth Industrial Revolution, executives must make long-term strategic decisions about how to drive greater inclusivity in this new environment.

I am optimistic though. There is significant opportunity for top executives and every business professional to make a positive, measurable—and sustained—societal impact. However, advancing inclusive growth initiatives will require leaders across all sectors to collaborate and bring their expertise to the table.

I look forward to further exploring how our efforts as individuals and business leaders can be leveraged across industries and geographies to harness the opportunities of our current business environment—for all.

David Cruickshank
Deloitte Global Chairman

Introduction

A more connected society, driven by rapid technological change and an increasingly purpose-driven agenda, has positioned global executives to think more holistically about the impact of economic growth. As we have seen, economic growth and the advances of globalization do not directly correlate to the improvement of all people's lives. This recognition is driving an increasing focus on inclusive growth—ensuring an equality of opportunity for all. Recognizing that business cannot succeed if society fails, businesses are increasingly broadening their strategic focuses on financial and nonfinancial measures of success, including societal impact.

The executives in the Deloitte Global inclusive growth survey confirmed this observation. Sixty-five percent ranked progress toward inclusive growth/sustainability among their most concerning issues. In contrast, only 22 percent listed shareholder value as a top concern. Interestingly, inclusive growth emerged as a bigger concern than crucial issues, such as customer trust or talent management and retention, further highlighting how the executive mindset is shifting to include societal impact as a factor of business success. Only the concern about keeping up with technology and competitiveness (77%) ranked higher than inclusive growth.

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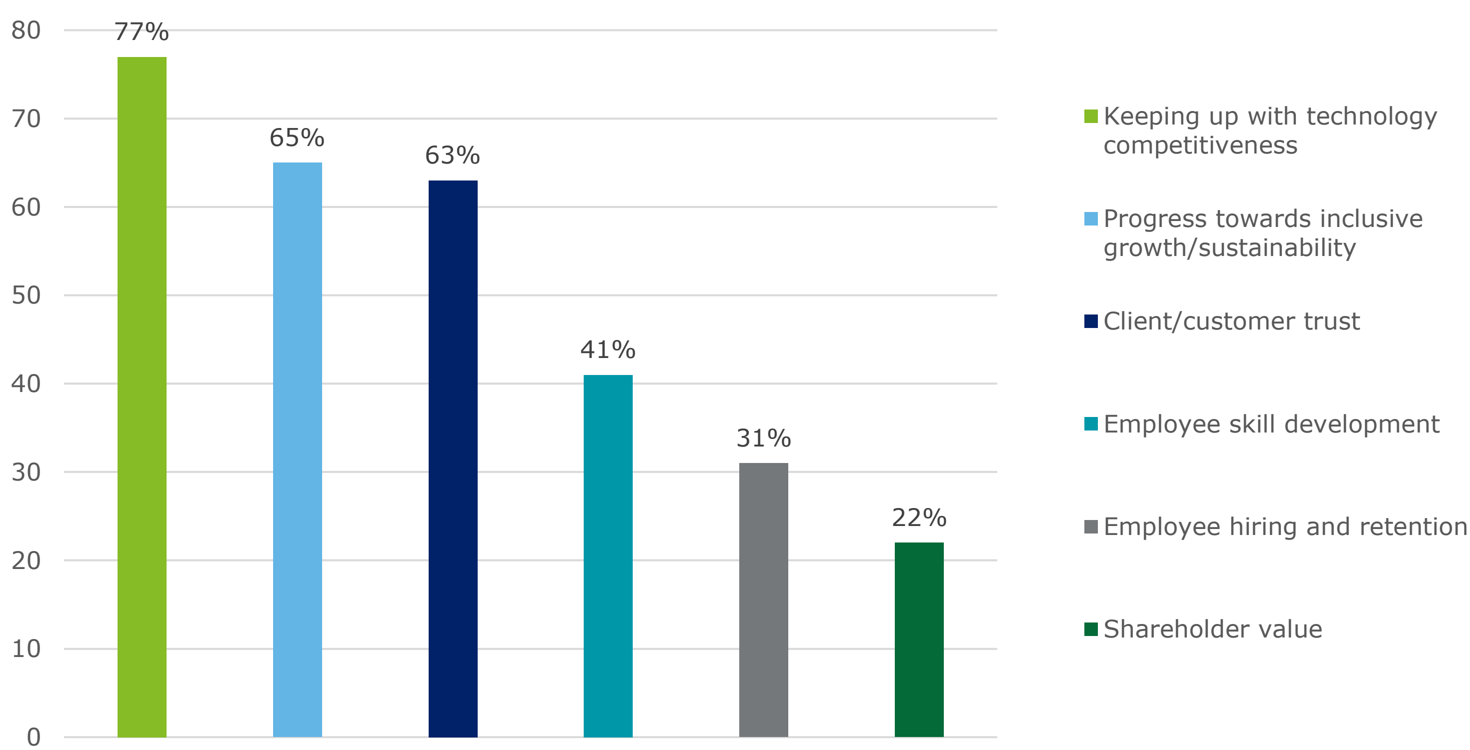
Most concerning issues in terms of business strategy (one of top three issues)



This renewed interest and awareness, however, does not necessarily translate to action. While a vast majority of businesses surveyed—92 percent—publicly support the UN's 2030 Agenda and Sustainable Development Goals (SDGs), only 17 percent believe the current programs and initiatives their businesses have set in place will help to achieve the SDGs by 2030. Why is the success rate expected to be so low, and how can we reinvigorate inclusive efforts to fuel measurable impact?

A look ahead

Business and society are inextricably linked – one cannot thrive without the other. Therefore, addressing the complex challenges society faces, both globally and locally, is an urgent obligation for business – one that too often goes unmet. The survey results further solidify what many believe to be true: today's business leaders want to understand the societal forces shaping our world and impact them in a positive, meaningful way that contributes to the advancement of the societies in which they live and work. In the same breath, it's not a surprise inclusive growth initiatives face the same internal pressures that other organizational efforts face when it comes to creating tangible results.

As the old adage says, "what gets measured, gets done." If the private sector is to embrace the SDGs – to be guided by them and report their progress against them – then the SDGs must be made measurable in an understandable way. Currently, only a third of the 200+ indicators aligned with the SDGs can be measured in a rigorous manner for a majority of countries. This has led to independent initiatives to address this measurement challenge.

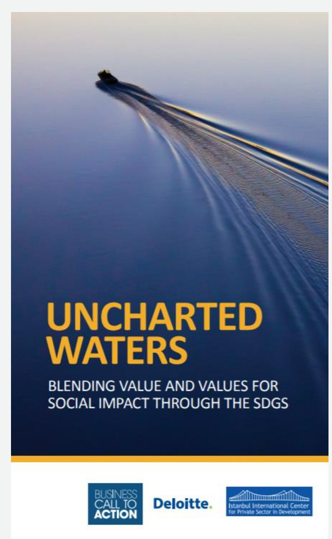
> "Deloitte is working to not only contribute to the Sustainable Development Goals (SDGs), but ensure long-term success in building a society that is both inclusive and sustainable. Any successful initiative needs to be measurable, and our survey shows that executives are not certain about their ability to make a truly measureable impact."
>
> **David Cruickshank,**
> **Deloitte Global Chairman**

One such initiative is being spearheaded by the Social Progress Imperative, a non-profit that Deloitte has collaborated with for the last four years to redefine how the success of a society is measured. Their Social Progress Index uses 50+ societal and environmental outcome indicators drawn from official UN data as well as from globally-respected research institutions and polling organizations to provide a comprehensive, independent estimate of both national and SDG performance. By capturing outcomes related to 16 of the 17 SDGs in a simple but rigorous framework designed for aggregation, the Social Progress Index is an invaluable proxy measure of SDG performance, particularly for areas where official indicators do not yet exist.

Supporting the SDGs

Businesses are increasingly interested in supporting the SDGs. However, as the survey indicated, a majority of businesses do not believe that the current programs and initiatives they have set in place will help to achieve the SDGs by 2030

"Uncharted Waters: Blending Value and Values for Social Impact through the SDGs"— a joint collaboration between UNDP, the Istanbul International Center for Private Sector in Development, Business Call to Action, and Deloitte US—is intended to help private sector leaders pursue inclusive business in order to realize progress toward the SDGs.



The executive dilemma: Barriers to making an impact

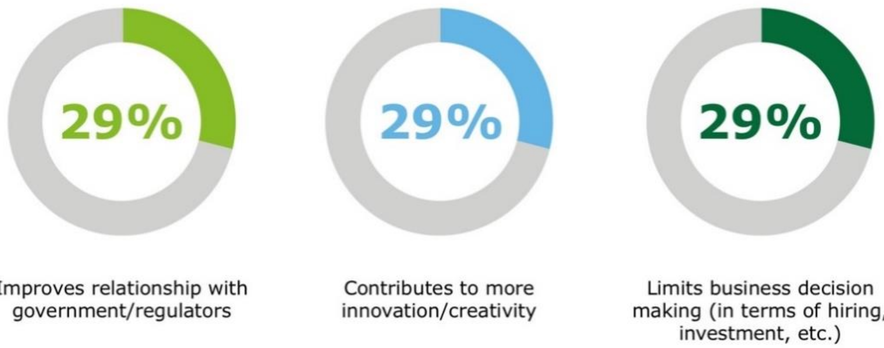
Our survey indicates that while executives are enthusiastic about inclusive growth, they are concerned with their current ability to make a valuable impact. There are two major reasons fueling executive doubt.

First, pursuing inclusive growth initiatives is seen as both a benefit for businesses and as a detriment to achieving short-term goals; a “one-size-fits-all” approach to inclusive growth initiatives simply is not possible for all businesses. This creates a challenging environment, as executives must weigh the costs and benefits of pursuing inclusive growth initiatives and the unique factors affecting their industry and enterprise.

On the positive side, survey respondents believe that investing in inclusive growth initiatives improves relationships with governments and regulators. Executives also believe that these investments have contributed positively to creating learning environments and creativity. As part of the future of work, governments, corporations, and academia will need to prepare for a lifetime of learning and reskilling citizens and employees.

Yet while inclusive growth initiatives are facilitating businesses growth and inspiring business culture, they are also viewed as a limiting factor. As businesses make investments in inclusive growth initiatives, executives feel pressure in other areas. According to our survey, support for inclusive growth initiatives is impairing decision making around investments and the workforce**.**

What is the effect of the support for inclusive growth on your business? (top three)



Other concerns ranked

1	Increases trust of our clients/customers	24.29%	85
2	Increases trust/motivates employees	19.71%	69
3	Contributes to more innovation/creativity	28.86%	101
4	Helps attract diverse talent	27.71%	97
5	Causes additional costs/slowdowns	22.29%	78
6	Limits business decision making (in terms of hiring, investment etc.)	28.86%	101
7	Improves public relations	19.14%	67
8	Improves relationship with government/regulators	29.14%	102
9	Other (specify)	0.00%	0
10	Not applicable, we are not helping pursue inclusive growth	0.00%	0
	Total	**100%**	**350**

Even executives who would like to champion inclusive growth initiatives face significant headwinds. External factors, including "short-termism" and shareholder expectations (33%) are at the top of the list, followed closely by government mandates and the regulatory environment (31%).

Internal factors such as executives' clarity about how to address inclusive growth (30%), and executives' belief in their business's ability to influence change (30%) also make supporting inclusive growth challenging. Yet, in a positive sense, these concerns can provide global executives with a tangible understanding of the factors that are in their control as they try to overcome roadblocks in promoting a more equal, more socially responsible business.

Which of the following factors have the most impact on your ability to support inclusive growth?

A look ahead

Today, businesses are measured and evaluated by more than just financial and economic indicators. Many executives understand that having a purpose-driven agenda not only improves returns, but also helps restore public trust in business and, most importantly, adds value to society. Businesses need to hit the "reset button" and evaluate how they can support inclusive growth initiatives despite other obligations and demands—including short-term expectations—that make it hard to prioritize these important efforts.

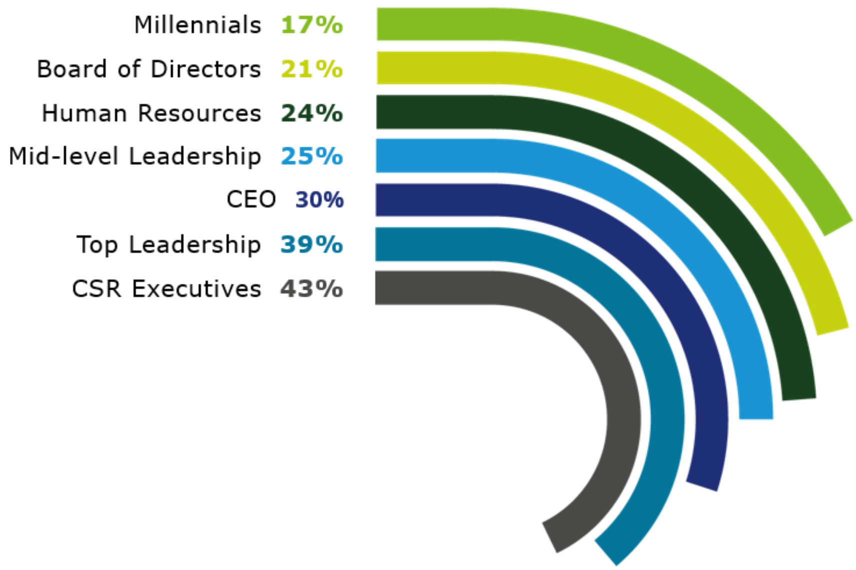
Who is accountable? Building an inclusive growth culture

Our survey showcases that inclusive growth is top of mind for executives and businesses, but there are still significant barriers to implementing inclusive growth initiatives and uncertainty as to who should be leading them.

In your opinion, what is the level of responsibility the following stakeholders feel towards achieving inclusive growth?

A majority of executives surveyed consider inclusive growth to be a collective, rather than personal, responsibility. Less than half (45%) feel personally responsible, though they believe that the responsibility falls to their business leaders (75%). This is reassuring, as the whole organization needs to drive inclusive growth initiatives rather than one individual or department. However, it is still concerning that that same level of responsibility does not permeate to other executive levels. If no one feels responsible, who is taking the lead?

Which of the following roles are driving inclusive growth in your organization?



Currently, inclusive growth is most often driven by the constituency that is tasked with social initiatives—the Corporate Social Responsibility (CSR) function (43%)—followed by the constituencies that wield the most power—top leadership (39%) and the CEO (30%). This breakdown highlights that although the issue has reached the C-suite, it also risks being siloed as a purely CSR-driven initiative and not a business wide priority.

Surprisingly, millennials, who are often seen as a voice behind sustainability initiatives, are the least likely to drive them. This is particularly interesting, as Deloitte's 2017 Millennial Survey found that globally, millennials feel accountable, at least to a fair degree, for many issues in the workplace and the wider world. While they feel they can wield more influence over their peers, customers, and suppliers than on leaders or "big issues," the millennial survey found that they are still reliant on their older, more senior leaders to create real change – or, perhaps, simply less informed about their ability to enact social change when faced with other business priorities.

Against this backdrop, it is troubling that inclusive growth initiatives are not more prominent throughout businesses, especially as previous research has told us that millennials feel the most empowered to enact change in the workplace.

Inclusive growth initiatives need to be embedded in businesses' strategic priorities, with champions held accountable for moving them forward. This should include identifying opportunities to empower others to become active in the inclusive growth space and create room for all professionals to take an active hand in driving these initiatives.

Inclusive growth initiatives cannot be left to any single individual - all members of an organization need to feel accountable and empowered to lead and partake in inclusive growth efforts.

A look ahead

Our survey reconfirms that supporting inclusive growth initiatives cannot be left to a single individual – all members of an organization need to feel accountable and empowered to lead and partake in inclusive growth efforts.

Leadership must also take a more active role in prioritizing inclusive growth initiatives and raising their visibility. The c-suite and board of directors can be a driving force to ensure everyone has a seat at the table and feels involved in fueling progress.

Previous Deloitte Global studies have shown us that millennials care about matters of social reform and inclusive growth. Yet, the lack of involvement from this critical demographic shows that we need to listen to and leverage them more to bring about meaningful societal impact. Creating programs or initiatives that empower millennials to use their unique skills and work towards achieving inclusive growth will help drive change at all levels.

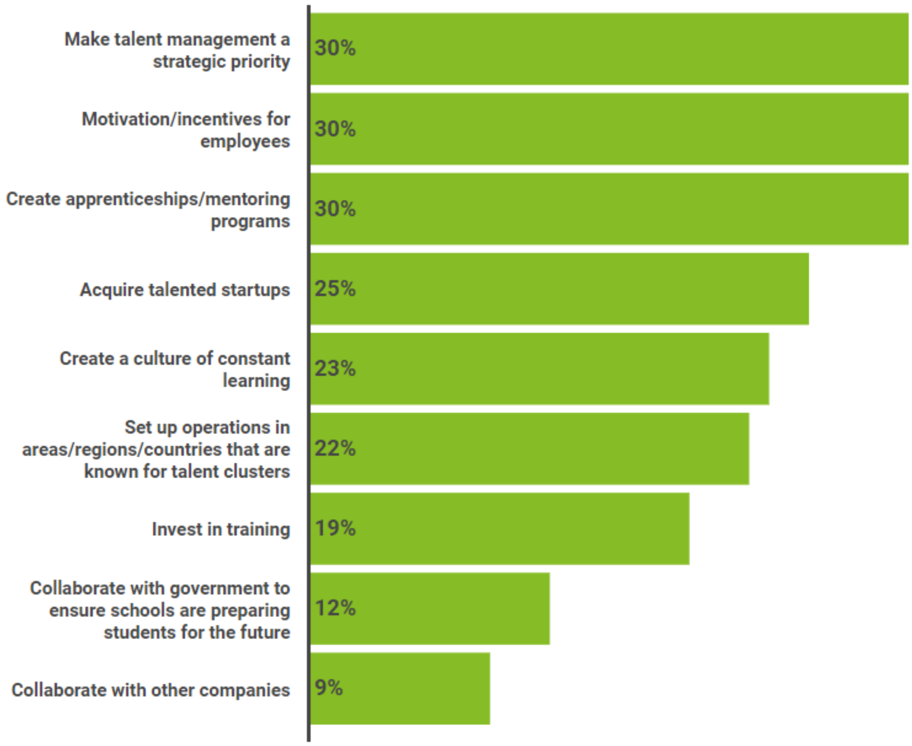
Preparing for the future of work: Impact on inclusive growth

The Fourth Industrial Revolution is bringing with it rapid changes to the nature of work and the workforce. It is changing the way businesses approach learning and skills development within their organizations. These new strategies have the opportunity to influence the success of inclusive growth initiatives significantly, but leave questions as to who is responsible for the larger societal impact of technological and enterprise change as well as addressing the broader societal issues like wage disparity.

Business response to a changing workforce

In order to realize progress towards inclusive growth, addressing talent issues around the future of work is critical, including challenges posed by the growing skills gap and wage disparity. Executives surveyed, though, differ in their paths forward.

What is the best way to ensure that businesses will have talent in place?



Currently, businesses are leveraging a number of tools to build the workforce of the future, including providing opportunities to potential employees through apprenticeships and mentoring programs, and creating a culture of lifelong learning. These types of tools have an impact beyond just a business's talent management strategy, and can positively offer their employees and communities greater inclusion in wage and economic growth.

Although these efforts will go a long way in developing the workforce of the near future, there remains gaps in prepping today's young students for the more distant future of work – and much of that future remains shrouded in mystery. Only 12 percent of executives believe that their businesses will collaborate with government to ensure schools are preparing students appropriately for the future. This gap is one that needs to be addressed because it can have a measurable impact on future business talent needs and address future disparities that will be created by those with and without the necessary skillsets to succeed.

Beyond just business's focus on its own talent needs, there is also a gap in how business views the wider impact of the Fourth Industrial Revolution. Sixty-one percent believe that the impact of technology on the workforce will require new social solutions, but executives and business strategists often do not address what those solutions are and business's role in achieving them.

Looking ahead

As the future of work evolves rapidly around us, businesses are working to harness new technologies and effectively lead and engage the new workforce. We can—and need to—apply these same cutting-edge innovation capabilities to transform learning and enable educators and business to better prepare for the future. This will not only have a positive impact on businesses, but also the wider societies in which they operate by creating opportunities for talent across regions and backgrounds.

Education and skills development are some of the most important tools that can be used to reduce inequality and achieve inclusive growth. Businesses, in collaboration with education systems, need to invest in delivering lifelong education and skills development that do not end once people enter the workforce. By breaking down these barriers, businesses can increase employment inclusivity and make progress toward inclusive growth and addressing social mobility.

Deloitte Middle East's Digital Youth Program

WorldClass

Preparing fifty million futures for a world of opportunity

At Deloitte, we have developed WorldClass, an organization-wide initiative to impact 50 million futures that aligns Deloitte's local efforts around a global ambition.

Deloitte is committing its most valued asset—its more than 250,000 professionals around the globe—to creating opportunities for those left behind. By collaborating with businesses, government, and educators, together we can transform learning and enable individuals to access the skills they really need to meet future job demands.

In FY17, Deloitte member firms invested US$200 million globally in societal impact programs. Of that, over US$65 million was aligned to education and skills, including more than 410,000 hours of Deloitte professionals' time.

Conclusion

The inaugural Deloitte Global inclusive growth survey suggests that although significant challenges remain, business leaders are enthusiastic about the business case for inclusive growth. They recognize that businesses that focus on creating opportunity for all, including their employees and their communities, perform better than those who only focus on financial success and short-term results.

With a majority of businesses surveyed publicly committed to the 2030 Agenda and Sustainable Developments Goals (SDGs), there are encouraging signs that inclusive growth initiatives will remain a key issue on the minds of executives.

In the year ahead, business leaders have a significant opportunity to explore new ways to bring inclusive growth initiatives to fruition and make progress towards the SDGs.

This series of surveys will continue to shed light on where future opportunities exist—and where challenges remain—as executives lead their organizations into 2018 and beyond.

About the survey

Methodology

Forbes Insights surveyed 350 senior executives globally across a range of sectors, from 10 November 2017 to 5 December 2017. Seventy percent of respondents are C-Suite executives, while the remainder are VP level and above. Forty-three percent of the executives surveyed are from the Americas, 40% are from EMEA, and 17% are from APAC. All executives are from organizations with a minimum of $1 billion in annual revenue, with 46% coming from organizations with $5 billion or more.

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