

THAT MAKES CENTS



REI's path to driving purpose in the outdoor industry

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When it comes to issues like DE&I and sustainability, consumers are putting their money where their mouths are, and they expect businesses to do the same. Organizations that lead with purpose are not only driving societal prosperity, but sustainable prosperity for the business, too. Joining this episode to explain the why and how behind organizational purpose are Dan Kihanya, Director of Corporate Development and Investment at REI, and Kwasi Mitchell, Deloitte's Chief Purpose Officer.

Bobby Stephens: Hi, everybody. I'm Bobby Stephens, and welcome or welcome back to That Makes Cents. This is the podcast where we break down consumer industry trends and explore their impact on businesses and on all of us as consumers. Today, we are talking about purpose, and it's not just the program or a poster in the conference room, it has to be way more than that. It's how organizations intentionally position themselves for the greater good. And I don't think it's hyperbole to say that it's never

been more important for consumer-facing companies to be all in on purpose.

Consumers are people, and people look to support businesses that care about the impact they're making on society, in areas like sustainability and diversity, equity and inclusion. In short, consumers are putting their money where their mouths are and expect businesses to do the same.

Joining me today to make sense of this concept of organizational purpose and its growing role in driving prosperity in business and society are Dan Kihanya, director of corporate development and investment at REI, and Kwasi Mitchell, chief purpose officer here at Deloitte. Dan, Kwasi, I'm ecstatic to have you both here and really want to dive into this conversation

Dan Kihanya: Thanks, Bobby. Excited to be here.

Kwasi Mitchell: Thank you, Bobby.

Bobby Stephens: All right, both of you, there's so much to cover and this topic really needs every second we can give it, so let's jump right in. Dan, I'm going to start with you. REI is well known, I think, for being purpose driven. This is especially true with the environment, with your employees and the overall outdoor community. For instance, all REI stores close on Black Friday to encourage people to get outside. However, you are helping to spearhead additional advancement of purpose at REI. Can you tell us a little bit about the new Path Ahead Ventures and the work that you and your team are doing?

Dan Kihanya: Sure, Bobby. Path Ahead Ventures is really part of REI's broad racial equity, diversity and inclusion initiatives, dedicated to building a more inclusive and welcoming co-op and outdoors. So this includes numerous efforts across delivering

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products, and services, and experiences that reflect the different ways underrepresented communities experience and find meaning in nature. Path Ahead is REI's new organization and \$30 million fund to invest in founders of color who are launching and growing companies in the outdoor industry. Together with these entrepreneurs, we hope to create an industry where economic opportunity and success really reflect the true diversity of people who love and protect and share the outside. So we're excited to see the ways that we'll unlock the full potential of this industry as these founders bring their unique innovations and perspectives along with them.

Bobby Stephens: I'm excited too. I really love it. Beyond just growing the outdoor community and providing access to people who may really not immediately see a space for themselves in outdoor recreation, both as a hobby and as a business, perhaps. I'm also confident this will help drive some incredible innovation and variety in this space as well, which I think will be good for everyone involved. And, Kwasi, I'd like to get started with you too. I've read this statement that you use: "Prosperity that's inclusive is prosperity that has a future." Really strikes an important note. Could you elaborate a little bit on that?

Kwasi Mitchell: Of course I can. We speak as a firm about inclusive prosperity almost daily. And we believe that it's critically important for us to be focused on removing systemic barriers that many in society face toward all aspects of the pure opportunities that our economy provides for them more broadly. And so ultimately, we have a signature ambition, and that is, promote inclusive prosperity and build bridges and pathways to equity within and outside of the firm. Now, there's so many studies that clearly highlight the beneficial aspects of including all within the economy. And when we talk about this being sustainable and sustainable prosperity, we feel that it makes good business sense and that it's really key for our continued growth.

Bobby Stephens: I love it. And you said a couple words there that kind of align with some of the things Dan said. Dan, I'd love

to hear a bit more about the process of identifying the need at REI, getting the buy-in, and really getting the team up and running and getting the fund set up. It probably demanded some pretty honest self-reflection from both corporate leadership and the team.

Dan Kihanya: Sure, Bobby. Well, the murder of George Floyd accelerated our racial equity, diversity, inclusion work at the co-op. We had been engaged in that work, but the social reckoning of 2020 really inspired us and showed us that we can and should be doing more holistically across the entire business.

And in that, we wanted to set some bold goals toward diversifying our supplier base. But what we discovered is that there's a lack of representation and it was a much broader issue across the entire industry. So we began to explore, how can the co-op have lasting impact across this challenge? Path Ahead Ventures was just really the result of research from months and interviews of hundreds of diverse founders, investors, industry personnel, and representatives, community leaders, to try and understand what the current challenges were and identify some opportunities where REI could bring some unique value. We did a lot of humble listening and learning. And by mid-2021, we had developed a proposal for programs and funding informed by a clear mission and some values that was ultimately approved by our board enthusiastically. And we officially launched in October of last year.

Bobby Stephens: Dan, obviously the acknowledgment of one of the driving forces, the killing of George Floyd, is important, and then moving quickly and, I think, honestly on that is inspiring. Kwasi, I'd love to broaden it outside of REI a little bit and maybe you could share some advice from the work you've done with other clients who had to go through a similar process to what Dan and his team did. How can they look in the mirror and acknowledge some of the gaps in their organization? What's the best approach from there? I'd love to hear you guys both discuss it a little bit.

Kwasi Mitchell: Of course. First and foremost, the thing that I remind people is that these are huge sticky issues that can't be solved by a singular organization in and of themselves. You heard me use the term systemic earlier. No amount of expertise or funding reside within one organization to solve these challenges. And so when we think about addressing some of the world's most complex societal issues, it's really important to remain agile, and ultimately, for purpose-driven organizations to speak openly about their core values and demonstrate them daily.

Now, I generally say there are three things that organizations can lean into on their purpose journey as they seek to generate meaningful impact within and outside of their business. First and foremost, empower your people through inclusive work. Give them the opportunity to engage. Secondly, dig deep with your clients, customers, and partners to amplify impact. I frequently tell people, this truly does take a village to drive the impact that we need on some of these sticky challenges. And lastly, differentiate your impact in your communities to scale change, and always keep that in the back of your head as to, how do we scale and impact as many lives as we possibly can.

Dan Kihanya: I'm not sure that I could add more to that. That's excellent advice from the experts. Kwasi nailed it (laughing). I'm a former founder and a marketer, so I like to see alignment around tracking and incentives, and how you measure things. So while sometimes challenging and uncomfortable, I might include that transparency of progress can be really critical, as well as alignment for organizational priorities. This helps everybody in a corporation begin to understand how their work can impact the progress that the company is trying to make.

Bobby Stephens: I'm a retail guy at the end of the day, so I like to measure. Kwasi, you also mentioned partners, and in retail one of your main partners is your vendor partners who you get products from, your brands that you work with. And I've seen a lot of my clients and companies in the retail space, especially over the last two years—I don't use this word

lightly either—scrambling, frankly, to make sure that their products and their marketing reflects the diversity of their customer base, the diversity of their store associates, the people who are on the frontlines every day and working in the distribution centers and driving the trucks.

What do you recommend for those organizations that are frankly still finding their way? Maybe this is the first or second year that they have a DEI officer as part of the team or they have a long list of things they want to be committed to but not really a clear North Star in terms of purpose. What advice do the two of you have for them? Kwasi, maybe you could start and then Dan can jump in.

Kwasi Mitchell: Of course, and happy to. One of the items that I think is really important on our journey within Deloitte in and of itself has been really assessing our impact. What are the positive and negative impacts of the business model that you exist in, that really need to be mitigated when you're thinking about broader societal change? And for us, and to give an example of this, frequently as a professional services firm, we place a number of people on planes. And that being said, there are greenhouse gas emissions associated with that, so we are heavily, heavily focused on our world climate ambition.

Secondly, I tell people, act consistently. Companies need to be very deliberate because there is substantial reputational and financial risk if there are inconsistencies between their words and actions. Thirdly, just think about amplifying the benefits. Businesses really do need to consider what material and societal and environmental issues they have the capabilities to affect. And let me put that slightly differently. It's very, very important to know what you as an organization have the ability to influence more broadly and stay in that lane, rely on your strengths, and stay in that lane. And lastly, differentiate your impact, really think about all the distinct items that you can provide a differentiated value to as a business in and of itself and through your business strategy. So those are just four distinct items that we generally lead

with when talking about how we do this collectively.

Dan Kihanya: Those are awesome, Kwasi. I can speak to our work in the discovery with founders in our industry. There are a couple of things, particularly around the folks directly affected. It seems obvious, but it is often overlooked—involve those you are aiming to provide impact for as you develop your programs and goals. So, for example, at Path Ahead Ventures, we decided to be very founder-first oriented. This means, as we design programs, establish our investment thesis, strategies, and measured outcomes, we focus on the founders as a priority.

On the other side, we want to be cautious about putting change onto the shoulders of those you are seeking to impact. We want to be mindful that this can come across as an unwelcome burden. At Path Ahead Ventures, for example, we acknowledge that there are needs within communities that are unmet because less people are creating product with those communities' needs in mind. However, we recognize that many founders of color are making products that appeal to a broad set of consumers, not just their own community. And so ultimately, they want to be supported for bringing differentiation and quality to the market and not just overcoming the barriers to get there.

Bobby Stephens: I heard in both your statements an interesting tension between trying to involve those who you're seeking to impact, trying to make sure that you stick to your strengths and those sort of things without also transferring some of that burden to, frankly, the communities or the folks that have had an undue burden already. That I think is really important. And talking a lot about how organizations can serve the greater good by figuring out how to thread that needle.

One of the things I want to talk about then is how consumers can get involved and maybe how they're driving the movement as well a little bit, using their purchasing power, maybe buying into the better. If you could take off your business hats and maybe put on your consumer or your human being hat for a second. And none of us has a crystal

ball, but what do the two of you imagine that this consumer business relationship might look like 10 years from now when it comes to purpose and specifically the topics we're handling today?

Kwasi Mitchell: I love this question because—and I get it frequently, Bobby—it's really thinking through that where we see this evolving is that purpose will be substantially more than what historically it's been considered, perhaps, corporate social responsibility. And in many respects, there's going to be this fundamental shift where organizations start to see that their purpose strategy needs to be inherently aligned to their business strategy and that they mutually create benefit and enhance each other.

And we've done a fair number of studies around this that really show that companies that infuse purpose into their core business operations, to the way that they think about their value chain, the way that they think about their customers and their partners, fundamentally have differentiated returns and differentiated societal impact. So as we're thinking about where things are going to be 10 years in the future, I really see that organizations that act with purpose are going to experience enhanced growth, enhanced societal impact, and really be best positioned to respond to the ever-evolving dynamics that are taking place within our economy and also society more broadly.

Dan Kihanya: Yeah, I think really many consumers use their values as a filter for purchases. I think that, while this is not always conscious or an active filter, it can be a tipping point. Right now it's still secondary, I think, to need and function when making purchase decisions. But I can certainly imagine, particularly for the emerging generations of consumers, how this might evolve really to a place of equitable weight in their buying choices.

I also believe that consumers will continue to call for simplicity and transparency, lofty brand ambitions will fly right over their heads without tangible proof. So if you're promoting climate sustainability goals, for instance, give very clear examples of what

you're doing that consumers can see and participate in. If you're focused on, say, diversity and inclusion, act with humility, think holistically, and try to avoid this idea of virtual signaling. The intent should come through as authentic.

If you think about it, some of our big brands today that are emerging most recently began as movements, really. And when you think about a movement, there's an alignment around tenets, and principles, and values. So it's going to be essential for companies to provide reinforcement for how their purposes fit into all they do with customers, employees, and society as a whole. Ben Steele, REI's chief customer officer, gave an interview recently with Footwear News, and I think he sums it up pretty well. He said, "If you're not willing to stand up for your values, then they're not really your values."

Bobby Stephens: Well said. We have covered a ton of ground really quickly. And so one of the things I want to do is just pause and give each of you a chance to leave our listeners with one thing—you guys who practice this every day. Maybe I'll start with you, Kwasi. What's one thing, either from the conversation or that we didn't talk about yet, that you'd want to leave our listeners with on this topic?

Kwasi Mitchell: It's interesting because I think about this particular topic all the time, as you were just saying, Bobby. And I think that the most critical piece of advice for an organization—start the journey, start this purpose-led journey and don't be caught on the sidelines, because things are moving quickly and it's key in all aspects of your business that you be recognized as a purpose-driven enterprise. And me personally, so many aspects of the things that Dan has mentioned already. I, as a consumer, do fundamentally think about purpose-driven brands, I think about stances on things such as diversity, equity and inclusion, and my loyalties are always to organizations that are thoughtful with respect to the impact that they're going to have on society more broadly rather than solely on their bottom line, because they can

and should be one and the same, and I feel that we and many other organizations are on the path to proving that.

Dan Kihanya: That's great. I'll leave it to Kwasi to help us to share how corporations should embrace this. I look at it from an individual perspective. I think that diversity of perspective and diversity of thought really is something that we can all embrace. We can be vulnerable, we can find ways to reach out to folks who haven't had the same background, have had different journeys than us, whatever that looks like, doesn't have to be along racial aspects.

I'm left-handed, and I can tell you, there's many ways that I interact with the world that people who are right-handed don't. As an example, I think there's a lot of opportunities for all of us within corporations, no matter what level you're at, find those ways to be vulnerable, to reach out to somebody and try to understand. Where did they come from? How did they get there? What are some of the things that are important to them in that journey? And I think that eye opening is foundational for how we then construct this institutional momentum around how we make the change. I think it's got to be bottoms-up as well as across an organization.

So if you're out there and you're thinking about this, and you say, this is a change I want to be a part of, have a one-on-one conversation with somebody whom you wouldn't have otherwise.

Bobby Stephens: That's great. I really loved hearing those two perspectives and I think they mesh well together. I do really want to thank you both for being here today and helping us scratch the surface of what it means to be a truly purpose-led organization and, at times, what it means to be an individual engaging in these topics as well. I also want to personally thank you both for the leadership and care that you put into this critical mission every day. And I think you said this a few seconds ago, Kwasi, for not standing on the sidelines and just watching it.

Dan Kihanya: Thank you, Bobby and Kwasi. I really appreciate the opportunity to participate in such an important conversation, so thank you.

Kwasi Mitchell: It was a pleasure. Thank you both.

Bobby Stephens: Absolutely. So if you, listener, would like to learn more about Path Ahead Ventures at REI, you could connect with Dan on LinkedIn or tune in to his podcast, Founders Unfound, where he spotlights exceptional tech entrepreneurs from underrepresented backgrounds. You can also find Kwasi on LinkedIn and learn more about Deloitte's work around purpose on [deloitte.com](https://www.deloitte.com). Again, thank you so much for your time, both of you. Listeners, thanks for engaging with us on this critical topic. We'll see you all next time on That Makes Cents.

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