Positive Impact Organizations

Positive Impact Organizations broaden their purposes and their value creation to embrace strong sustainability, thereby contributing to economic, social, and environmental value. "Positive impact" is defined by products and services that are created with the purpose of solving societal problems. It reflects the shift from reducing an organization's negative footprint to achieving a significant net positive impact on society and the planet.

1. Introduction

In view of the significant global challenges, this entry analyzes and suggests pragmatic solutions for organizations to transform from sustainability risk management to creating a positive impact. Positive impact is defined by products and services that are created with the purpose of solving societal problems. It reflects the shift from reducing an organization's negative footprint to achieving a significant net positive impact on society and the planet. This entry shows that such a mindset shift is observed on the level of the leadership and the organization. This explorative, case-based research validates the Dyllick–Muff BST typology and identifies strategic differentiators of Positive Impact Organizations, including their governance, culture, external validation, and a higher purpose reflected in their products and services. This entry is translated into two tools for practitioners: the Strategic Innovation Canvas (SIC) and the Positive Impact Framework (PIF). The SIC serves as a quick assessment for organizations to get started. It consists of eight action dimensions: (1) sustainability in the organization, (2) transparency and board support, (3) leadership perspective, (4) targets and incentives, (5) societal stakeholders, (6) triple value reporting, (7) market framing, and (8) products and services. The PIF offers step-by-step guidance during the organizational transformation. The entry sketches a new field of research for both scholars and practitioners in organizational transformation towards positive impacts. It bridges business sustainability and strategy through an innovation approach. By recognizing the importance of the underlying mindset shifts, it connects the fields of organizational and personal development.

A significant business challenge in the coming decade can be defined as follows: How can organizations not only reduce their negative footprints, but also create a positive impact on society and the planet? Purpose-oriented business membership organizations, such as the UNGC, the World Business Council for Sustainable Development (WBSCD), and the World Economic Forum (WEF), are attempting to orchestrate responses to this question. Since their inception in 2015, the Sustainable Development Goals (SDGs) have been embraced by large business organizations around the world, at least in their policies and communications. A challenge remains in scaling their efforts to create the necessary positive change by 2030 and 2050.

There is an increasing awareness that a successful integration of the SDGs into business is dependent on the perspectives that CEOs hold regarding the roles of their businesses in society [1]. At the event of its 20th anniversary in June 2020, in collaboration with the executive search firm Russell Reynolds, the UNGC introduced a report on the "Leadership for the Decade of Action", which presented the characteristics of sustainable business leaders. The report concluded that there are two critical questions for executive and non-executive leadership teams: "(1) Do our leaders have a sustainable mindset and leadership attributes? (2) Does our leadership culture actively prize sustainability as imperative for the long-term viability and success of the organization?" [2]. The emerging importance of the sustainability mindset and the leadership culture points out the challenge in addressing the SDGs or global challenges as strategic focus areas of businesses.

This challenge can be unpacked by exploring two issues. The first issue relates to the connection between the organization and society, or between the micro-level and macro-level perspectives. The second issue concerns the dominant stance taken at the organizational level regarding the role of sustainability. The currently dominant stance favors short-term benefits for shareholders, and this is in contradiction to the creation of value for stakeholders, society, and the

planet at large. These two issues are interconnected, as the following review shall unveil. Topics such as the need for a circular economy highlight the connection between the macro- and micro-level perspectives, with business being challenged to respond to macro-level challenges. The need for a mindset shift hence relates not only to the individual level, but also to the organizational level [3].

2. Differentiating Sustainability Organizations from Traditional Firms

It starts with Bob Eccles' seminal work in sustainable finance. He and his colleagues conducted empirical studies early-on, highlighting how sustainable firms outperform traditional firms in the long-term. Eccles grouped the differentiators into governance structure, long-term horizon, measuring and disclosure, and stakeholder engagement [4]. He connected the long-term financial performance to the importance of organizational culture, which is broadened here to include sustainability culture, responsible leadership and corporate purpose. These additional insights contributed to clarify the four differentiators of Positive Impact Organizations (PIOs).

The concept of PIOs builds on the business sustainability typology (BST), which distinguishes between an "early sustainability" business, an "advanced sustainability" business, and a "true sustainability" business [5]. Connecting the operational priorities (micro perspective) with the larger concerns and issues in the society and natural environment (macro perspective) is critical when discussing how an organization can become more sustainable. The underlying broader perspective is reflected in how the definition of business sustainability has evolved in the past two decades:

SAM and PWC in 2006: "Corporate sustainability is an approach to business that creates shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments." [6].

The Network for Business Sustainability (NBS) in 2012: "Business sustainability is often defined as managing the triple bottom line—a process by which firms manage their financial, social and environmental risks, obligations and opportunities. These three impacts are sometimes referred to as people, planet and profits." [7].

Dyllick and Muff in 2016: "Truly sustainable business shifts its perspective from seeking to minimize its negative impacts to understanding how it can create a significant positive impact in critical and relevant areas for society and the planet. A Business Sustainability 3.0 firm looks first at the external environment within which it operates and it then asks itself what it can do to help resolve critical challenges that demand the resources and competencies it has at its disposal." [5].

The business sustainability typology reflects these statements as a way to express the spirit of the three types of business sustainability. The SAM and PWC definition express the spirit of early sustainability (BST 1.0), the NBS definition reflects advanced sustainability (BST 2.0), and our own definition suggests a spirit of true sustainability (BST 3.0). The insights from the literature review, which are summarized in four strategic differentiators, are considered from this framework of three sustainability types. These differentiators are: governance alignment, sustainability culture, external validation, and higher purpose, as outlined in detail below.

2.1. Governance Alignment

For too long, investors have believed that sustainability is only a further cost with limited benefits at best. The tide is turning and sustainable investing is becoming mainstream in the investment world. Shareholders, while clear in their demands on prioritizing returns, have understood that managing sustainability risks and opportunities forms an integral part of good business practices, that also protects their best interest, both in the short and long-term [4].

There is evidence that suggests that advanced and truly sustainable organizations attract new sources of funding with a longer-term perspective and with funders potentially open to consider a value distribution beyond profit.

The linchpin between a longer-term investor intention and an effective integration of sustainability in an organization is governance. A transparent governance is a factor for sustainable organizations to outperform others in the long-run [4]. There is mounting concern in practice about the importance such a longer-term perspective represents in the board, and the degree to which the board composition may hinder a sustainability orientation in strategic decisions. A lack of such representation in the board is connected to a lack of transparency and a limited priority of sustainability roles in the organization.

Reporting transparency is a key indicator of governance and relates to the measuring and reporting of sustainability. Advanced sustainability organizations set tangible measurement criteria that are collected in the context of an objective, third-party audit, and are also transparently communicated in the external reporting [8].

Although these insights are clear, the challenge lies in the implementation. When an organization can count on a board that understands the value of a longer-term perspective and a transparent business conduct often found in purpose-oriented investors, progress in the other positive impact differentiators is easier to achieve.

2.2. Sustainability Culture

"Organizations with strong cultures of sustainability strive to support a healthy environment and improve the lives of others while continuing to operate successfully over the longer term" according to Bertels, Papania, and Papania in their systematic review of the body of knowledge [9]. The culture of sustainable organizations can be clearly differentiated from traditional firms. Employees of sustainable organizations value learning new things about sustainability from the outside, report an ease of communication and work across departments, are effective in conflict resolution, and are rewarded for innovation [10]. They also consider their leaders as capable of inspiring, collaborate well across boundaries, and engage internal stakeholders in their sustainability efforts. Employees of sustainable organizations feel much more valued by their organization than those in traditional firms. Equally important is the significant difference in how employees of sustainable organizations judge the ability to change, stating that their organization has a strong record of implementing large-scale change successfully [10]. Further research underlines that implementing large-scale change successfully requires a more sustainable corporate culture [11].

Research also suggests that culture typically underpins purpose [12]. Interviews with CEO and presidents of sustainable organizations confirm that such organizations have different leadership mindsets than traditional firms [13]. The intentions of leaders can be differentiated into four leadership types: the "traditional economist", focusing on maximizing short-term profits; the "opportunity seeker", who sees a clear business case for sustainability; the "integrator", who is able to reconcile profit and purpose; and the "idealist", who creates social and environment value and feels responsible towards stakeholders in need. Sustainability pioneers, such as Interface, Patagonia, Timberland, Unilever, and Novo Nordisk, have integrators or idealists as CEOs [13].

Compensation schemes of early sustainability organizations show signs of defining and rewarding performance beyond the narrow financial and economic indicators of traditional firms. Ultimately, incentive systems for executives of advanced sustainability organizations are balanced across their economic, environmental, and social performance, with indicators derived from the firm's purpose. Sustainable organizations are more advanced in adopting such sustainability policies than traditional firms (50% vs. 10%), with much room for improvement for even the best [4]. These examples highlight the differences of culture and leadership and how they impact an organization.

2.3. External Validation

Stakeholder engagement is a critical success factor of sustainability organizations. They typically integrate external and internal stakeholders in pertinent decision processes [4]. This integration is a reflection on the role the organization takes in the larger societal context. True sustainability organizations consider themselves as a societal stakeholder among others, rather than placing themselves in the center and seeing their direct traditional stakeholders as their external universe they engage with. An indication for such an engagement is the degree to which an organization is perceived to communicate their sustainability commitment to external stakeholders [11]. Such an approach is different from traditional firms. They engage in an isolated stakeholder engagement event, which is assessed in terms of perception before, during, and after the event [4]. A superior engagement model includes a basis of mutual trust, cooperation, and a longer-term horizon in relating to external and internal stakeholders.

The culture of an organization influences the degree to which an organization is open to a strong engagement with external stakeholders [14]. Flexible, externally-focused organizations are better equipped to implement positive impact strategies, than internally-focused, stable organizations. A stable, internally-focused organization is likely to prove less successful with the related ambiguity than a flexible, externally-focused organization. It may, therefore, be less capable to engage meaningfully with external stakeholders [14]. The extent to which an organization is able to create new stories of engagement with external stakeholders can result in a shift in the openness of leaders and employees to work beyond traditional boundaries.

2.4. Higher Purpose

The purpose-hype of the past decade is a reflection on a changing mindset of leaders and the pressure of societal actors. This re-orientation of purpose has brought a debate about the role of the organization in society and has resulted in new organizational forms such as the benefit corporation (B-Corp). However, what is purpose? "Purpose is an explicitly stated vision and authentic belief that defines the value that the company seeks to create for itself and society, directs the key

business decisions in the way value is created, aligns everyone in the business towards a common goal, guides how the company engages its stakeholders, and provides the organization with courage to foster positive change." At its core, purpose is the deepest expression of a company's ability to make the world better with its business solutions [12]. Ultimately, a higher purpose of an organization is measured by the service its products and services provide to society [15].

Pioneering sustainability organizations have adapted an "outside-in" perspective, focusing on the trillion-dollar business opportunities the SDGs have been quantified as [16]. Institutional investor service providers are integrating this "outside-in" perspective in their traditional environmental, social, and governance (ESG) reporting standards. Pioneers such as ISS-oekom or Standard & Poor's Trucost are introducing separate SDG reports. These SDG reports seek to measure the positive and negative impact of an organization's products and services on the SDGs, providing, first, systematic attempts of measuring such impacts. These are signs that measuring organizations for their positive and negative impact on society is becoming more mainstream [17].

Organizations with a societal purpose at their heart can be measured by the degree to which such a purpose influences their investment choices and growth ambitions, their strategic decisions and value proposition, their organizational capabilities, and the agenda of the leadership team [18]. These are measuring points of the transformation process and highlight the interdependence of a higher purpose and the other positive impact differentiators.

In essence, a higher purpose of an organization by itself is an important condition and enabler for change. Its concrete integration can be measured by assessing to what degree the organization's products and services harm or contribute the challenges of society and the environment. Such an assessment may become a standard measurement of investors and civil society alike.

The four strategic differentiators of advanced and true sustainability organizations as identified in the strands of research are summarized in **Figure 1**. In an attempt to circumvent the negative connotation of the term "sustainability" certain practitioners hold I call the advanced and true sustainability organizations commonly "Positive Impact Organizations" (PIOs). These differentiators are used as a conceptual foundation for the analysis of the transformational strategies employed by the case study organizations.

Figure 1. The strategic differentiators of Positive Impact Organizations.

3. The Mindsets and Practices of Positive Impact Organizations

This section translates the research into insights and tools for business practitioners.

3.1. Two Mindset Shifts as Key Predictors of Success

In its updated report, the Business Council for Sustainable Business (WBCSD) highlights that mindset shifts are an essential part of the transition. They have produced the influential "Vision 2050" report in 2010 which has gained much support. Now in 2021, they have updated the report and have provided concrete implementation suggestions [19]. One of the mindset shifts they recommend is called "Regenerative Thinking". It suggests that business has to move beyond a "doing no harm" mindset. The WBCSD points out that it is time to unlock the potential of living systems — social and ecological — that business depends on. It is time for business to build their capacity to regenerate, thrive, and evolve.

Studying the case study organizations reveals that in order to become a Positive Impact Organization (PIO), there are two noticeable mindset shifts to be embraced. These shifts relate to the ability to shift from an inside–out to an outside–in perspective. The first mindset shift concerns the leader, or the leadership team, the second relates to how the organization operates outside of its traditional boundaries with external stakeholders. The regression analysis indicated

that there are two strong predictors of success for an organization seeking to become a Positive Impact Organization. The two predictors are directly connected to the underlying mindset shifts. When comparing true sustainability organizations with early sustainability organizations, these mindsets make a significant difference:

- *The outside–in leadership mindset:* Leaders who "gets it" have redefined their role and the role of the organization in society. They see themselves as one with the world around them and, hence, broaden their focus to serve the common good. Such leaders derive their purpose from providing a positive contribution to society and the planet, and by aligning their organizational processes to ensure the long-term well-being of the organization;
- *The co-creative organization mindset:* An organization that excels in how it engages with its external stakeholders is externally oriented and open. Such an organization is able to work as fluently outside of its boundaries as across its internal departments or divisions. Experience of multi-stakeholder processes has shown that such organizations have successfully learned to work with stakeholders and players outside of its traditional boundaries. These organizations are able to effectively translate its positive impact purpose in practice by co-creating innovative solutions with external stakeholders [20].

Although this research does not allow us to highlight underlying nuances of a leader's or an organizational mindset shift, Rimanoczy's work adds insightful value to our discovery [21]. She has grouped the various elements of a sustainability mindset into four categories. Two of which can be attributed to a leader's mindset shift, and two to the organizational mindset shift. Sustainability minded leaders adopt an ecological worldview, which can be observed through a higher degree of eco-literacy and a clarity of how they see their contribution for this world. They also develop a spiritual intelligence that can be observed in how they see themselves in the context of nature (as one with nature) and in how mindful they are both with themselves and others. Organizational mindsets are more complex phenomenon as they involve a number of individuals. What can be observed in such groups is that they have grasped an understanding of systems thinking, which consists of long-term thinking, a "both/and" approach and a sense of interconnectedness. Organizations that are co-creative also demonstrate a high degree of emotional intelligence across their members. They are fluent in creative innovation, are able to reflect, possessing a high degree of self-awareness and a clear sense of purpose. Our case study research has highlighted elements of these observations reported in Rimanoczy's valuable work.

Organizations that were "born 3.0", so-called true sustainability organizations, all demonstrated the outside–in leadership mindset and the co-creative organizational mindset from the start (Alternative Bank Schweiz and Blue Orchard in Switzerland, Merkur Andelskasse in Denmark, and Meso Impact Finance in Luxembourg). These two predictors of change play a critical role when considering how organizations can overcome the innovation challenges to become a Positive Impact Organization. The case study research demonstrates that an outside–in leadership mindset and a co-creative organization mindset are closely related to achieving the four strategic differentiators of a Positive Impact Organization outlined in Section 2. Achieving these can be framed in four transformation challenges:

- *The integration challenge of a governance alignment:* organizations that have implemented alignment in governance are able to attract suitable investors and are likely to have a board that is more supportive of a progressive sustainability agenda. This makes it significantly easier to integrate sustainability deeply within the organization.
- *The priority challenge observed in the organizational culture:* organizations with an advanced sustainability culture are inspired and led by a leader or a leadership team that gets the outside–in perspective of sustainability. Such organizations often attract employees who carry a desire to create positive impact in their hearts. Their compensation system is aligned with broader sustainability goals and the organization measures its ambitious sustainability goals. This priority ensures that in times of a crisis, the sustainability topic does not get put on the back-burner.
- *The engagement challenge to achieve a positive external validation:* organizations that benefit from a positive external recognition of their sustainability efforts have learned to excel in how to engage with external stakeholders. Although traditional firms often consider external stakeholders are a potential danger and handle them with "silver gloves", truly sustainable firms have learned their lessons in how to engage authentically with critical civil society players and how to integrate constructive external views in their operational decision-making processes. Such open stakeholder engagement becomes the source of entirely new "outside-in" ideas that the organization can translate into new business opportunities.
- *The positioning challenge to accomplish the organization's higher purpose:* such organizations have rewritten their purpose in a way to demonstrate their desire to create a positive impact for society and the planet. What differentiates advanced sustainability organizations from other firms with impact-oriented purpose statement is the fact that they have translated such a purpose into their products and services. They have reconsidered and identified markets which are relevant to them. Other firms have often not been able to make this translation from a lofty purpose to an amended or expanded product or service offering and they not only risk facing credibility issues but also cannot benefit from the opportunities such a new purpose potentially holds for them.

Figure 2 connects the four innovation challenges with the two mindset shifts. The Positive Impact Organization has successfully addressed the challenges in the four strategic areas: (1) a governance alignment that facilitates the integration challenge of sustainability; (2) a sustainability culture that prioritizes the role of a business in society; (3) an external validation that confirms the societal stakeholder stance of the organization, and (4) a higher purpose that results in a revised positioning of products and services.

Figure 2. The mindset shift of leaders and the organization and the innovation challenges associated with the strategic differentiators of Positive Impact Organizations

In summary, the *outside–in leadership mindset* is required to overcome the challenge to achieve a governance alignment, and to implement a sustainability culture. The **co-creative organization mindset** is needed to successfully work with other societal stakeholders to create a positive impact for the world, which is reflected in new product and service offerings.

3.2. The Positive Impact Framework (PIF) for Measuring Progress

There are different approaches to address the transformational challenges of an organization set to create a positive impact. Analyzing the case study organizations, it was possible to sharpen the draft framework and to confirm the key innovation strategies which pioneering organizations have applied in their journey. These *eight action dimensions* are: (1) sustainability in the organization, (2) transparency and board support, (3) leadership perspective, (4) measuring and reporting, (5) societal stakeholder, (6) triple value reporting, (7) market framing, and (8) products and services. The Positive Impact Framework (Table 8) describes these eight action dimensions across the three types of business sustainability. It offers a qualitative assessment for organizations that seek to measure their progress in achieving their positive impact.

The first two innovation challenges are related to the *outside–in leadership mindset*. The integration challenge depends on a supportive board that understands the importance of integrating sustainability in the organization, so that the transformation towards positive impact creation is not just another change project. The priority challenge is a leadership topic that is unlikely to succeed without a sustainability leader who builds a strong sustainability culture [22]. Although it is not always easy to measure these, the quantitative survey among our case study organizations revealed three relevant indicators of a leadership mindset. Employees and managers of Positive Impact Organizations (PIOs) say four things about their leaders that their peers in early-stage sustainable organizations do not see: PIO leaders (1) integrate sustainability into their decision making, (2) they are willing to take measured risks in pursuit of sustainability, (3) they have a clear vision for sustainability, and (4) they are able to inspire others about sustainability-focused issues and initiatives. Studying the case study organizations revealed further important insights that are outlined below.

Table 1. The Positive Impact Framework.

THE POSITIVE IMPACT FRAMEWORK

Mind set	Innova-tion	Action dimensions	Reducing impact (Early sustainability)	Redefining impact (Advanced sustainability)	Increasing positive impact (True sustainability)
Outside leadership mindset	Integration	Sustainability in the Organization	Societal challenges are managed centrally by a specialized function	Societal challenges are integrated into various functions and areas	The organization has organized itself around societal challenges and includes outside players in an open and dynamic structure
		Transparency and Board Support	The organization has primarily introduced defensive policies and guidelines to protect against risks.	The organization's board ensures triple-bottom line goals are integrated into internal policies, guidelines and structures.	The organization's board advocates the integration of relevant societal stakeholders into all decision-making processes on all levels of the organization
	Priority	Leadership Perspective	Opportunity seeker	Integrator	Idealist
		Targets & Incentives	Short term, qualitative targets	Smart targets and some non-financial incentives for management	Smart, science-based targets and sustainability incentives for all employees, management and board members
Co-creative organization mindset	Engagement	Triple Value Reporting	Selective reporting as a response to outside demands	Reporting on all material aspects relevant for the organization	Reporting on societal and environmental value
		Societal stakeholder	The organization reacts to external pressure	The organization reaches out to its traditional stakeholders	The organization redefines its role as one of many responsible societal stakeholders
	Positioning	Market Framing	The organization is responding to outside pressures in existing markets	The organization is exploring new market opportunities and emerging segments inside or outside existing markets	The organization is transforming existing markets or defining new markets allowing for significant repositioning
		Products & services	Qualitative, social or environmental improvements of existing products and services	Systematic improvements incl. all relevant dimensions and the whole value chain	Development of new products and services with a net positive impact on sustainability challenges

Integration

The integration challenge, which is heavily influenced by investors' intention, consists of two elements: transparency and board support as one, and the role of the "sustainability function" in the organization as the other. It is highly related to the priority challenge.

Sustainability in the organization addresses how an organization has integrated the topic into its hierarchy and structure. Early sustainability organizations typically create a centrally managed role of a newly appointed sustainability specialist. Often, the role reports to existing functions, such as the corporate secretary, or the communications or marketing head. Advanced sustainability organizations have overcome the limitations of such a centralized role and have integrated sustainability responsibilities into various functions across departments and divisions. True sustainability organizations have reorganized their entire organization around societal challenges they seek to resolve and address, creating multi-functional divisions that are organized to create the products and services that serve its purpose. Such a structure enables the integration of outside actors into an open and dynamic structure.

Transparency and board support are important ways of measuring the degree of sustainability integration. Signs of early sustainability are primarily defensive policies that consist of codes and guidelines to protect against sustainability risks. A sign of advanced sustainability is the degree to which triple-bottom line objectives are integrated into policies and structures. True sustainability organizations are fully transparent and have integrated relevant societal stakeholders into all decision-making processes on all levels of the organization, including the board.

THE INTEGRATION CHALLENGE: A CASE IN POINT:

LANCASTER HOTEL, UK—service industry

The management of the hotel understood the importance of being an exemplary citizen as a business. As a result, sustainability as a topic was anchored in various aspects of the hotel. The head of sustainability was able to launch a number of sustainability initiatives that transformed the hotel step by step. Although initially the products and services were not fundamentally changed, important additions and modifications ensured that everything in the hotel was aligned with its desire to be a positive example. A broader market framing led to a better positioning and changes to how performance was measured. These were important accelerators of change. The organization started to measure value creation more broadly and worked courageously with new stakeholders in their journey to adapt their services offering.

Priority

The priority challenge relates to the organizational culture. Although a sustainability culture consists of many different elements, the research of our 13 sustainability case study organizations has shown that the type of leader on one hand, and targets and incentives on the other side, are the two determining elements to ensure that an organization can act with clarity to generate a positive impact for society.

Leadership perspective is one predictor of success of a Positive Impact Organization. Although early sustainability organizations have leaders that are opportunity seekers, advanced sustainability organizations often have leaders that are integrators. True sustainability organizations are blessed with idealists, leaders that put the societal and planetary well-being at the heart of their vision and put themselves and their organization at the service of improving the state of the world [23].

Targets and incentives including relevant non-financial, sustainability performance indicators is highly relevant in assessing the degree to which an organization has embraced a sustainability culture. Early sustainability organizations tend to create short term, qualitative targets. Advanced sustainability organizations set smart targets and some non-financial incentives for management. True sustainability organizations find answers in how to create value for stakeholders and society and as a result create both moonshot goals as well as smart, science-based targets and sustainability incentives for all employees, management, and board members.

THE PRIORITY CHALLENGE-CASE IN POINT:

RHOMBERG, AUSTRIA—*construction industry*

The new CEO brought in a new leadership perspective which inspired a higher transparency in the organization, coupled with a deeper engagement of the board. The CEO had a great interest in broadening the range of products and services and openly engaged with new players outside existing business boundaries creating new and stronger bonds with external stakeholders. The outside–in leadership mindset created a strong sustainability culture, which enabled an accelerated transformation. The authentic engagement of CEO Hubert Rhombert was a magnet for new talent and has resulted in remarkable market innovations.

The other two innovation challenges are related to the **co-creative organization mindset**. The quantitative survey among the case companies provided revealing insights into how employees and managers of true sustainability organizations assess their organization. They see these three things that their peers in early sustainability organizations do not observe: (1) their organization sends a clear and consistent message to external stakeholders about its commitment to sustainability, (2) their organization has mechanisms in place to actively engage with external stakeholders, and (3) their organization encourages sustainability in its supply chain. Further insights derived from the case study organizations are outlined below.

Engagement

The engagement challenge describes the upside potential of an organization's ability to involve traditional and societal stakeholders in the decision-making processes of the organization. This is — so our research suggests — the second predictor of success to become a Positive Impact Organization. This engagement can be observed by the stakeholder involvement and what type of value creation a company reports on.

The societal stakeholder is a new way for the organization to see itself in society. Traditionally, stakeholders have held an important role in helping the organization to clarify its role along its value chain. Early sustainability organizations tend to be reactive to external pressure and view stakeholders as a potential threat. Advanced sustainability organizations reach out to their traditional stakeholders along the value chain to discover ways to reduce the extended footprint. True sustainability organizations adopt a broader perspective as one of many responsible stakeholders in society. They are changing the playing field from placing themselves at the center (inside–out) to starting by considering how the world is evolving (outside–in).

The triple value reporting of an organization is a good indication of how sustainable an organization is. Early sustainability organizations undertake selective reporting as a response to outside demands. Advanced sustainability organizations report on all material aspects that are relevant for the company. True sustainability organizations engage in the unchartered territory of attempting to report on the societal and environmental value they create, including both negative and positive impacts.

THE ENGAGEMENT CHALLENGE—A CASE IN POINT:

PEBBLES, PAKISTAN—*manufacturing industry*

Pressing social issues in the neighborhood of the organization were very front of mind of many managers. Ongoing external pressure further increased awareness and triggered a number of consultative meetings with concerned citizens including a number of management and employees participated. Increasingly, the CEO and his leadership team understood that the social crises at their doorsteps may be an opportunity in disguise. They started exploring options for collaboration with local planers and engineers and worked together on a proposal that envisioned a promising future for the concerned neighborhood. Initially, the organization saw this external engagement as a prototype; they deeply cared about the issue but they were not sure how connected it was to the rest of the business. Once a first prototype was implemented, the internal impact was enormous. Employees started to emotionally connect with this new activity of their organizations with many reporting how proud they felt. The growing sustainability culture was palpable and departments started to engage with much less hesitation in new types of collaborations with organizations outside of their market definition. The business boundaries were reconsidered and redefined much more broadly. The initial prototype significantly change the way the organization — its employees and managers — considered themselves. As importantly, external stakeholders validated this new role through their admiration and willingness to work together with the organization that had transformed to be such a good citizen. New opportunities emerged as a result, with the CEO reporting how proud he was of how far they had come and how confident his future outlook had become.

Positioning

The positioning challenge defines the higher purpose dimension of a Positive Impact Organization (PIO). It consists of two key elements: market framing and products and services. Its success is intimately connected to the engagement challenge. Creating relevant products for society requires a trusting and open collaboration with societal stakeholders. It builds on a broader societal perspective.

Market framing is about shifting from reacting to the perspective of the organizational purpose. Early sustainability organizations react to outside pressures in existing markets. Advanced sustainability organizations explore new market opportunities and emerging segments inside or outside existing markets. True sustainability organizations transform existing markets or define entirely new markets as a result of considering new ways of solving existing societal and environmental challenges, resulting, often, in a significant repositioning of future products and services.

Products and services are central to the repositioning of an organization. Early sustainability organizations consider selective improvements of existing products and services. Advanced sustainability organizations undertake systematic improvements across their product and service range, which include all relevant dimensions and the whole life-cycle, resulting in "better product". True sustainability organizations work on "good products and services that generate a net positive effect" (impact) on sustainability challenges, often along several time horizons [18].

THE POSITIONING CHALLENGE—A CASE IN POINT:

EARLY SUSTAINABLE COMPANY *(anonymized)—manufacturing industry*

The organization had started to consider sustainability as a result of increasing external pressure. To its management, sustainability issues were risks mapped in the materiality matrix. The CEO defined his role as ensuring the survival of the organization in an increasingly fast-changing world, driven by a competitive mindset of an opportunist. Performance measurements consisted of short-term economic measures to ensure first and foremost shareholder value. The sustainability department reported to the communications department and had a challenging stance in trying to change the organization mindset from inside–out to outside–in. External pressure and eroding markets had forced a rethinking internally and the SDGs provided a welcome new framework to hopefully find new market opportunities, even though the management team was hesitant to what degree to collaborate with external stakeholders it had not previously engaged with. Sustainability had not yet resulted in a broader framing of markets or new service solutions.

3.3. The Strategic Innovation Canvas (SIC) for Getting Started

Translating the insights for practitioners ideally results in a tool that provides a meta-level orientation. The SIC (**Figure 3**) is a concise and visual summary of the Positive Impact Framework, allowing organizations that seek to increase their positive impact to gain a strategic overview to clarify their innovation strategy.

Although each organization needs to determine which of the eight dimensions is the most relevant and appropriate to improve, the case study research suggests that there may be a path of least resistance to become a Positive Impact Organization. Starting with the right kind of a leadership perspective (top right quadrant of **Figure 3**) to authentically embrace such an endeavor, the organization subsequently embeds such a vision in its targets and incentives. In a second phase, the organization learns to co-create beyond its boundaries as a societal stakeholder (bottom right quadrant) to identify ways to create value for society, the planet, and the economy (triple value reporting). This increased ease of

collaboration outside of the organizational boundaries will speed up the implementation of a positive impact purpose. Such a purpose needs to be expressed in a broader market framing and will result in changes in existing and new products and services (bottom left quadrant). Last but not least, the integration of sustainability in the organization and an increased transparency along with a strong support by the board is enabled through the early successes of low-hanging fruits that have been collected in a first circle of the canvas. It closes the loop in a first transformational round (top left quadrant) and may well allow the leadership team to be boosted in its sustainability mindset and the second round of transformation is launched.
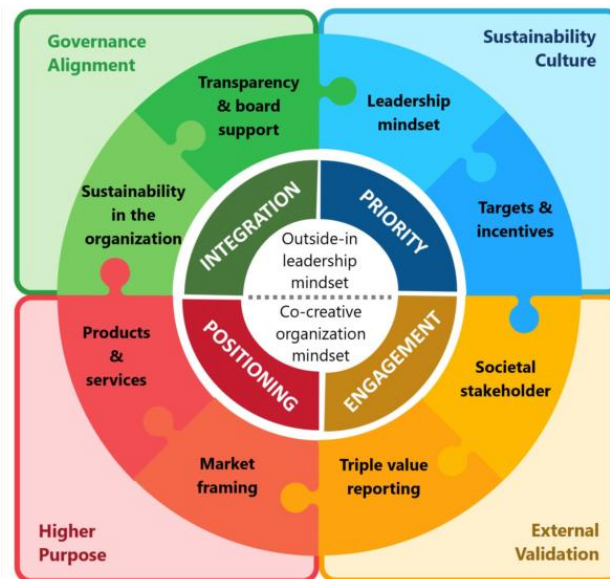

Figure 3. The Strategic Innovation Canvas for Positive Impact Organizations.

A further useful application of the SIC lies in its use as an assessment of the current state of an organization during a strategic discussion at the management or board level. Such an assessment can be generated by members of the leadership team or the board completing a straight-forward online assessment: (https://assessment.sdgx.org/index.php?r=survey/index&sid=65264&newtest=Y&lang=en. The online assessment translates the eight action dimensions of the Positive Impact Framework into eight questions and generates a company profile. This profile can be displayed visually (see **Figure 4**). Such a visual can serve as a starting point of a strategic discussion. Each of the eight dimensions is featured depending on the average assessment of the organization's leadership team. The higher the score the larger the shaded area. The smallest circle represents business-as-usual, the next larger circle covers early sustainability, thereafter advanced sustainability, and the outer largest circle represents true sustainability, as illustrated with the top right pictogram. For example, the organization featured in **Figure 4** has already achieved a level of "true sustainability" in the action dimensions, targets and incentives, societal stakeholder, market framing, and products and services; while it is only at a stage of "early sustainability" in the dimensions triple value reporting and transparency and board support. The visual highlights further opportunities for improvements in the strategic dimension "integration" and to a lesser degree in "engagement" and potentially "priority".
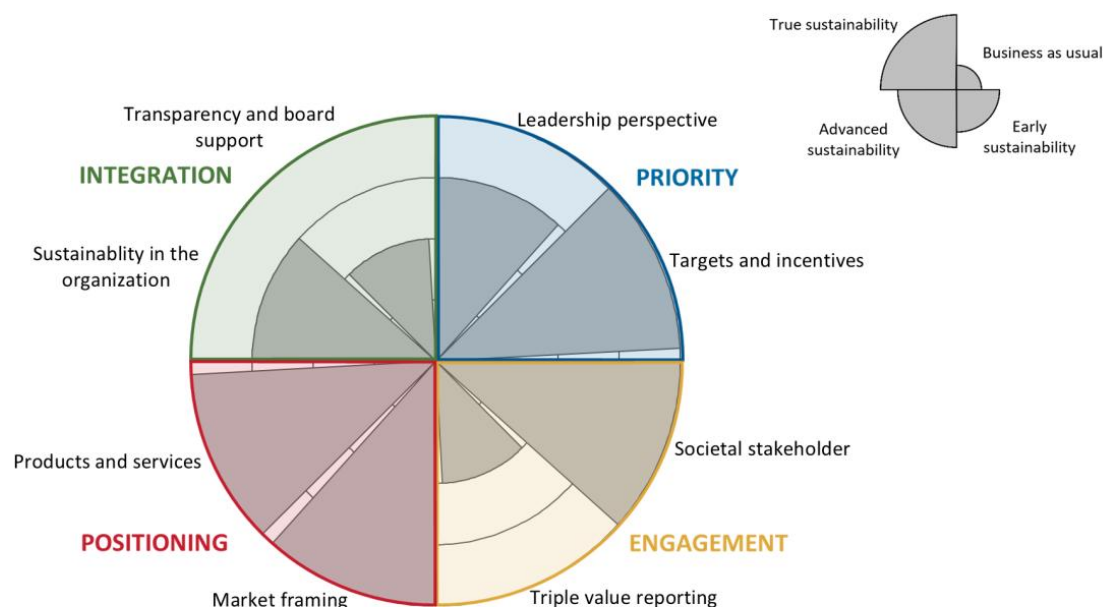
Figure 4. Example of a current position of an organization when starting its positive impact innovation.

The Strategic Innovation Canvas is a symbol to indicate that organizational transformation is an ongoing creative process and that one dimension often helps the improvement of another and that once a virtual circle is set in motion, the positive energy will help propel the organization forward. The stories of the seven truly sustainable organizations are well documented (https://www.theibs.net/research (accessed on July 27, 2021) and make for inspirational reading for those interested in learning more.

3.4. Relevance to Practice

This entry has contributed to practice in two ways. First, it serves as a hands-on tool to differentiate between green washing and true business sustainability in a Swiss-government-funded sustainability platform. On this platform, organizations can apply for a professionally-produced short documentary featuring their true sustainability. The platform is called Business Sustainability Today (www.Sustainability-Today.com (accessed on July 27, 2021) and organizations complete a self-assessment that reflects the PIF. An expert panel then reviews these self-assessments to confirm the level of sustainability of the organizations.

Second, it was used to co-create a SDG-oriented innovation strategy tool for business. The tool is called SDGXCHANGE (www.SDGX.org (accessed on July 27, 2021) and has been created based on the insights of our case study research and finalized during a stringent prototyping process in collaboration with numerous businesses from different industries [24].

The practice application has helped to validate three of the four strategic differentiators identified in Section 2. The SDGXCHANGE tool enables organizations to revisit their market definition and to create new products and services. As a result, it has proven effective in shaping the "higher purpose" strategic differentiator. In the process of creating new products and services, organizations were incited to involve a broad range of external stakeholders in co-creative workshops. These workshops have helped validate the effectiveness of the strategic differentiator "external validation". The tool has resulted in discussions about the role of sustainability in the organization, which has in a few cases resulted in an improvement in governance and transparency. An improved "governance alignment", a strategic differentiator, is best achieved by actively involving the board of directors. The SDGXCHANGE tool is used at the board level to frame a strategic discussion with investors and shareholder representatives and to trigger a strategic process.

It is, however, not just the direct application of this research that demonstrates its usefulness in practice. A parallel effort by CB Bhattacharya and Paul Polman (then CEO of Unilever) highlights near identical action dimensions, or "pain points", as are highlights in the SIC. Referring explicitly to the mindset shift from inside–out to outside–in, they point to all eight action dimensions. They highlight that (1) "the CEO has to lead this charge", (2) "it's important to set clear targets and get all employees to conduct business through the sustainability lens", (3) "executives are required to engage with multiple external stakeholders", (4) "incorporating sustainability criteria into financial tools such as integrated reporting", (5) "understanding what stakeholders within and beyond the value chain are asking of our business", and "sustainability needs to be put in the precompetitive space", (6) "top leadership must clarify what is the business' purpose and where is the growth likely to come from in the future", (7) "making sustainability part of every employee's job", and (8) "making

sustainability a priority for the board" [25]. They also confirm that a sustainability initiative is a change process with purpose. This has also become evident in various practice applications of the SDGXCHANGE tool. As a result, the tool includes a change readiness assessment at the start of its process.

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