

# Profiting from integrity - A CEO's experience

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## Article abstract

The case for 'why' companies should be purpose-based and 'what' this requires of them is well documented. This article focuses on the 'how' to deliver a 'purpose' company. After summarizing the 'why' and the 'what', a core business-process model is put forward to show how a CEO could deliver a purpose company, as there is a paucity of codified best practice or business models here. The model is demonstrated by application to a multinational corporation where the author was brought in as CEO to formulate and execute a new strategy to grow the company and its profits.

# Profiting from integrity: a CEO's experience

How CEOs can lead their business with a pro-integrity approach and deliver superior profitability. By **Alan Barlow**

## ABOUT THE AUTHOR

**Alan Barlow** is the former CEO of Hamworthy Combustion Group and has more than 25 years' P&L executive board experience across Europe, the Americas, Asia-Pacific, the Middle East, and India. He is also the author of *Profiting from Integrity* (Routledge 2018) and has a Doctorate in Economics from the University of Oxford.  
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**T**he case for 'why' companies should be purpose-based and 'what' this requires of them is well documented.<sup>1</sup> This article focuses on the 'how' to deliver a 'purpose' company. After summarizing the 'why' and the 'what', a core business-process model is put forward to show how a CEO could deliver a purpose company, as there is a paucity of codified best practice or business models here. The model is demonstrated by application to a multinational corporation where the author was brought in as CEO to formulate and execute a new strategy to grow the company and its profits.

## The 'why' and 'what'

The 'why' CEOs should lead their companies with purpose is in response to several changing imperatives. The Western capitalist system is under threat because of the

growing disconnect between business and society due to global crises such as the environment and inequality. And, as a consequence, there is the increasing corporate<sup>2</sup> and investor<sup>3</sup> requirements of reporting business performance in terms of management intangibles such as: culture; engagement with employees, suppliers, and customers; and making a positive contribution to society. Additionally, comprehensive literature reviews provide a substantial body of evidence that demonstrates 'purpose' companies outperform their peers in financial returns.<sup>4</sup>

A consequence of the 'why' has been the need to rethink the nature and purpose of a company. Profit is now seen as a derivative from the nature of 'what' a firm does: its purpose. A 'purpose' company has been defined as one that produces profitable solutions to the problems

of people and planet, and not from producing problems for people and planet.<sup>5</sup> This requires a paradigm shift from the primacy of shareholder value to the primacy of purpose.

A purpose-driven company has been characterized by the ‘what’ it does in terms of five guiding principles:<sup>6</sup>

- being a responsible and responsive employer
- being honest and fair with customers and suppliers
- being a guardian of the environment for future generations
- being a good citizen
- having purpose that delivers long-term sustainable performance for the economy.

The challenge outstanding is ‘how’ to deliver a purpose-defined company.

### The ‘how’

While recognizing that there are other key considerations to consider,<sup>7</sup> it is the CEO who must deliver the purpose of the company through leading the actual execution of a focused strategy. The proposition is that CEOs deliver bigger profits for their business and bigger benefits for society through a strategy of leading and operating their purpose-driven company with heightened integrity.

The prerequisite is the definition and successful implementation of a core business process model that ensures the required actions collectively and cumulatively deliver the company’s purpose. This is all about the *modus operandi* of how leaders, management and employees interact, which collectively drive behavior, performance and delivery. It must go beyond formal announcements and flow throughout the whole company.<sup>8</sup> How to lead and

**Figure 1: Core business process model for delivery of a company’s purpose**



(Barlow, 2018)

operate a purpose company in practice is through integrating purpose into the very fabric of the company; its governance, culture, commercial strategy, management, and daily operations.<sup>9</sup>

The model has six interrelated elements (see Figure 1). It has been based predominantly on the author’s CEO experience of leading what became a purpose company; a mid-cap multinational corporation in the downstream oil and gas sector.

At the center is a strategy of executing the model with heightened integrity. This is defined as when company leaders and its people interact and operate with the highest levels of values. Each of the six elements must be delivered with heightened integrity in a highly proactive, not in a responsive, manner.

In identifying and valuing the specific connection that matters, there is a large variety of stakeholders. The one that matters is staff. It is the company’s people who deliver its performance, not its shareholders or other stakeholders.

In this company, much work was needed in terms of how it treated its people. It had a highly dysfunctional culture. There was little trust in management, and employee turnover, for example, was significantly higher than its industry average. The new CEO implemented a radical communications and engagement program.

When leaders set out an aspirational and motivational vision for staff, it has to go further. The vision must also meet a societal need. People generally do not turn up for work thinking, “I’m going to increase shareholder value today.” They

## Figure 2: Case study returns: financial, human, social, intellectual, and natural capital

### Financial capital: Substantial shareholder returns

- Superior profitability:
- 18 percent cagr EBITDA
- revenue growing at 12 percent pa in a market growing at 7 percent pa

### Human capital: Empowered

- Employees: meaningful work; high self-worth; fulfilled; emotionally committed
- Reduced mismanagement and maladministration

### Social capital: greater market efficiency and allocation of resources:

- Stronger governance
- Reduced non-compliance
- Regulatory traction: no tax evasion, systemic tax avoidance, or gaming of regimes
- Honest and fair treatment of suppliers and customers
- No corruption

### Intellectual capital: world-leading product technical performance

- Emissions reduction
- Greater fuel efficiency
- Absolute safety

### Natural capital: reduced depletion of natural resources and a healthier environment

- Cleaner air
- Reduced use of fossil fuels
- Fewer polluting disasters

**“There is a need to embody an integrity and compliance ethos in a company.**

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want an emotional connection, self-worth, meaning, and fulfillment from their work.

Previously, the company was a ‘dog’ – drifting, under-invested, and with declining profits in a growing market.

With the new CEO, the company’s purpose was defined in terms of what its customers wanted: to produce market-leading performance-combustion burners for industrial applications that reduced emissions and increased fuel efficiency along with absolute safety, thereby serving a societal need. The newly formulated vision included being a world leader and doubling the size of the company within five years, with profits growing faster than revenue growth.

There is a need to embody an integrity and compliance ethos in a company. Ethics (knowing what to do), competence (having the ability to do it), and accountability (people taking responsibility to do it) are necessary individually but are not sufficient. They must be aligned collectively so that

employees themselves take responsibility for what is acceptable and unacceptable behavior, and ‘do good’.

Under the former management regime, leaders displayed an inconsistent moral fiber. There was little trust and there were often secret ‘side deals’ between managers. To address this, the new CEO emphasized “how things are done around here” in an open and transparent manner. It thereby provided a role model from the top for people as to how they were now expected to engage with their company.

Leadership’s moral compass must demonstrate the right tone from the top. Proclaimed values of leaders are not important to staff. What is important is employees’ perception of leaders. There is the need not only to set out what employees should not do, but also the need to encourage them to do good.

The impact on employees of how the CEO responded to compliance and integrity issues and situations became

clear. For example, when the CEO was seen to be proactive about an integrity issue, then the impact on employees was often very high. The CEO was seen to be taking and demonstrating the high moral ground in terms of what is acceptable and unacceptable behavior, which demonstrated the new ethos of the company.

Staff engagement and communication must be delivered in a fundamentally radical manner. Radical engagement and communication are delivered through interactive face to face communication being the norm. Previously, the company's culture was completely different: it was hierarchical; it had a blame culture; it was risk adverse; and, there was micro-management.

In terms of engaging people, a core element of the company's new comprehensive communication program was the holding of open question-and-answer sessions at all employee events (in other words, workshops, staff business briefings, training sessions, staff satisfaction results). Two-way interaction between leaders and employees requires feedback from colleagues. It culminates in enlightened empowerment of employees by top management. Consequently, there was considerable improvement in employee productivity levels. Revenue per employee increased by 11 percent and profit per employee by 67 percent over a seven-year period. Staff turnover was reduced from above to less than a third of its industry average within three years.

Finally, there is the imperative of proactively closing the feedback loop between leaders and employees. Feedback is the critical success factor for the business process model. The feedback loop must be independent of management and be transparent to all employees. This can only be achieved through having open-ended question-and-answer sessions between leaders and employees in communication sessions.

Typical questions that the CEO faced in open question-and-answer sessions ranged from "Given the dangers of working in Nigeria, are you going to force us to go?" to "You say we're growing profitable, so why are you making redundancies?" The acid test is the extent to which employees ask – and continue to ask – leaders challenging questions. As this became the norm, it was evident that there was a common focus on delivering the company's purpose.

Successful implementing of the strategy by executing the core business processes through heightened integrity delivered the 'five guiding principles' that characterize the 'what' that is required of a purpose company.

Through being led and operated with heightened integrity as a purpose-defined business, the case study company was transformed from a 'dog' to a world leader. The company now delivered long-term sustainable performance in terms of financial, human, social, intellectual, and natural capital returns (see Figure 2).<sup>10</sup>

The strategy of executing the core business process model through heightened integrity ensured that the company's purpose was achieved and sustained. It resulted in bigger profits for the business and bigger benefits for society. Business thus becomes a force for good for society, thereby resolving some of the issues as to the 'why' companies should operate with purpose. ■

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