

# **ESG Integration: Cultivating a Sustainable Future Through Balancing People, Planet, and Profit With an Ethical Culture-Add Approach for Exponential Growth**

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## **Introduction**

Environmental, Social, and Governance (ESG), has emerged as a powerful framework for building a sustainable future that aligns the interests of people, the planet, and profit. ESG principles recognize that businesses have a responsibility not only to generate financial returns but also to consider their impact on the environment, society, and the broader global community. By integrating ESG into their operations, companies can drive positive change and contribute to a more inclusive, equitable, and environmentally conscious world.

To achieve sustainable growth through ESG, it is crucial to emphasize “culture add” as a focus. In today’s rapidly evolving business landscape, organizations are increasingly recognizing the importance of cultivating an ethical culture within their governance structures. Central to this endeavor is the appointment of board members and committee representatives who not only possess the necessary skills and qualifications but

also align with the organization's ethical values<sup>1</sup>. However, in order to foster diversity of thought and ensure comprehensive decision-making processes, it is crucial to prioritize culture add rather than culture fit when making these appointments.

This document explores the significance of emphasizing culture add in governance issues, highlighting its benefits and providing recommendations for organizations to adopt this approach.

## **Understanding Culture Add**

Culture add refers to the value an individual brings to an organization by virtue of their unique experiences, perspectives, and skills that complement and enhance the existing culture<sup>2</sup>. It focuses on diversifying the board or committee by incorporating individuals who can contribute fresh insights, challenge conventional thinking, and encourage innovation. By embracing culture add, organizations can build a robust governance structure that effectively addresses complex ethical challenges and drives long-term success.

When organizations prioritize culture add as part of their ESG strategy, they actively seek to create an environment that encourages collaboration, equality, and personal growth. This involves promoting diversity in the workplace, cultivating a culture of inclusion, and providing opportunities for employees to thrive regardless of their gender, race, ethnicity, or other

1 King IV Summary Guide <<https://kpmg.com/za/en/home/insights/2016/10/king-iv-summary-guide.html>> accessed 23 June 2023

2 'Culture Add: Definition, Process, and Examples - JOIN' (JOIN) <<https://join.com/glossary/culture-add>> accessed 23 June 2023.

factors. By doing so, companies not only enhance their reputation and attract top talent but also harness the collective power of their workforce to address sustainability challenges and drive positive change.

Additionally, focusing on culture add as a core element of growth aligns with the broader goals of ESG<sup>3</sup>. It acknowledges the interconnectedness between people, the planet, and profit, recognizing that a thriving workforce, a healthy environment, and financial success are not mutually exclusive. Instead, they are intertwined and mutually reinforcing.

While culture fit has traditionally been a key consideration in board and committee appointments, it is not without limitations. Relying solely on culture fit can inadvertently perpetuate homogeneity and groupthink, stifling diversity and impeding ethical decision-making processes. A board or committee comprising individuals who share similar backgrounds and perspectives may overlook critical ethical issues or fail to consider alternative viewpoints. By prioritizing culture fit, organizations risk undermining the diverse range of talents and perspectives necessary to navigate today's complex ethical landscape.

## **Benefits of Emphasizing Culture Add**

**Enhancing Ethical Decision-Making:** By embracing culture add, organizations can assemble boards and committees that encourage constructive debate, challenge the status quo, and

3 Florian Berg, Julian F Kölbel and Roberto Rigobon, 'Aggregate Confusion: The Divergence of ESG Rating' [2022] Review of Finance <<http://dx.doi.org/10.1093/rof/rfac033>> accessed 23 June 2023.

promote comprehensive analysis of ethical issues. This approach facilitates a broader consideration of potential risks and ethical dilemmas, leading to more informed decision-making processes.

**Fostering Innovation and Adaptability:** Culture add injects fresh ideas and perspectives into governance structures, promoting innovation and adaptability. By including individuals with diverse backgrounds, skills, and experiences, organizations can better anticipate emerging ethical challenges, respond effectively to changes in the business environment, and maintain a competitive edge<sup>4</sup>.

**Building Trust and Accountability:** Emphasizing culture add in board and committee appointments sends a strong message about an organization's commitment to diversity, inclusivity, and ethical governance. This transparency builds trust among stakeholders, shareholders, and the wider community, enhancing organizational reputation and fostering accountability.

## Recommendations for Organizations

**Clearly Define Ethical Values:** Organizations should articulate their ethical values and ensure these principles are consistently communicated throughout the organization. This clarity will guide the selection process by identifying the values and attributes that candidates should bring as a culture add.

4 Nicola Cucari, Salvatore Esposito De Falco and Beatrice Orlando, 'Diversity of Board of Directors and Environmental Social Governance: Evidence From Italian Listed Companies' (2017) 25(3) Corporate Social Responsibility and Environmental Management 250 <<http://dx.doi.org/10.1002/csr.1452>> accessed 23 June 2023.

**Prioritize Diversity of Thought:** Actively seek candidates who possess diverse backgrounds, expertise, and perspectives<sup>5</sup>. Encourage the nomination of individuals who can challenge the prevailing norms, promote critical thinking, and bring fresh insights to ethical discussions.

**Broaden Recruitment Channels:** Expand the scope of candidate search beyond traditional networks and platforms. Engage with professional associations, diversity-focused organizations, and educational institutions to identify potential board and committee members who embody the culture add approach.

**Provide Ongoing Education and Training:** Offer continuous education and training opportunities to board members and committee representatives to promote a deep understanding of ethics, diversity, and inclusive decision-making. This will enhance their ability to contribute effectively to ethical discussions and governance processes.

## Conclusion

Incorporating culture add into the governance structure of organizations brings numerous benefits, such as enhanced ethical decision-making, increased innovation, and improved accountability. By prioritizing diversity of thought over culture fit, organizations can foster an ethical culture that embraces fresh perspectives and confronts the complexities of the modern business landscape. It is imperative for organizations

<sup>5</sup> Francisco Bravo and Nuria Reguera-Alvarado, 'Sustainable Development Disclosure: Environmental, Social, and Governance Reporting and Gender Diversity in the Audit Committee' [2018] Business Strategy and the Environment <<http://dx.doi.org/10.1002/bse.2258>> accessed 23 June 2023.

to proactively adopt this approach in their board and committee appointments, leading the way towards a more inclusive, resilient, and ethically sound future.

When corporations embrace nurturing a culture that values ESG principles, they can inspire their employees to become champions of sustainability both within and outside the workplace. This can lead to innovations in products and services that address social and environmental needs, responsible business practices that minimize negative impacts, and ultimately, long-term profitability.

In conclusion, integrating ESG principles into business strategies is vital for achieving a sustainable future. By placing a strong emphasis on culture add, companies can foster an environment that values diversity, inclusivity, and innovation amongst its people. This approach not only drives growth but also ensures that business activities align with the broader goals of ESG, promoting a more sustainable, equitable, and prosperous world for all.

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