



ENACTING PURPOSE WITHIN THE MODERN CORPORATION

A Framework for Boards of Directors



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This report provides guidance to boards of directors on how to enact purpose. It draws on research findings from different academic disciplines together with best practice insights from some of the UK and continental Europe's leading businesses and institutions. It is a first in a series of reports capturing views of a range of organisations from the world's largest economies.

Our aim is to provide boards and senior executives with a simple framework to govern purpose. By following the guidance included in this report, we argue that boards and senior executives will be better able to put purpose *intent* into *practice*, demonstrating how purpose informs strategic choices and delivers value for a range of stakeholders.

To deliver value for different stakeholders, purpose has to be more than a marketing slogan or a vague set of values. It has to become an organising principle, the reason why an organisation exists. Boards of directors across all sectors today face a growing drumbeat of calls from multiple stakeholders including customers, employees and suppliers for a clearer explanation of their organisational purpose. Recent calls for better articulation of purpose from global investment management firms together with specific commitments on purpose by asset owners, are accelerating this momentum and elevating it to a critical board issue.

Boards of directors, senior management and investors have a shared responsibility to work together to ensure effective internal governance and external reporting when it comes to purpose. In achieving this, the board supports and empowers the senior executive team who are charged with enacting the specific strategies and programmes in pursuit of stated purpose. Investors need to be active participants supporting and challenging as required. The immediate aim of this report is to help organisations govern and articulate purpose more effectively through the *SCORE* framework outlined in this report.

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*This report draws on multiple peer reviewed sources and publicly available information.
A list of references and a further reading bibliography can be found
on the EPI website (www.enactingpurpose.org)*

BOARD SUMMARY

Reading this summary should provide board directors with four key takeaways:

1. WHY NOW? BUILD BACK BETTER: this crisis presents an opportunity for organisations and their boards to rebuild on stronger foundations. As with the environmental movement, external catalysts can turn a steady and growing drumbeat into a dramatic 'new norm'. Boards of directors will be expected to demonstrate and exemplify their organisation's purpose as they rebuild. Doing this well requires collaborative stewardship between boards of directors, senior management and investors.

2. PURPOSE AS STRATEGY: when embedded at the most senior levels of decision-making, purpose acts as an organisation principle for boards of directors. It is a key driver informing strategic choices, helping directors make the critical trade-offs and decisions that are required to fulfil their board responsibilities. This is *purpose as strategy* as opposed to *purpose as culture*. Where purpose informs strategy, it facilitates the choices that need to be made as organisations adapt to a 'new normal'.

3. DEFINITIONS: we observe that there is confusion and disagreement about what purpose is and how it differs from values, mission and vision. We offer clarity as follows:

PURPOSE ARTICULATES WHY AN ORGANISATION EXISTS. It sets out the issues that an organisation seeks to solve. As Professor Colin Mayer, one of our co-chairs puts it, "*the purpose of business is to solve the problems of people and planet profitably, and not profit from causing problems*". This sets it apart from three other important organising principles for organisations – values, mission and vision.

VALUES ARTICULATE **HOW THE ORGANISATION**

BEHAVES. Values capture the way an organisation intends to operate, underpinning corporate culture. They usually take the form of a series of bullet points which are short and simple, indicating expected behaviours and norms.

MISSION SETS OUT **WHAT THE** **ORGANISATION DOES.**

It captures the day to day activities of the organisation. It is directly linked to the strategy of the organisation and is underpinned by the values deployed to deliver the mission. It is very practical and descriptive in nature.

VISION DESCRIBES **WHERE THE ORGANISATION** **INTENDS TO HAVE IMPACT.**

It describes the outcome that the organisation wants to see from the successful delivery of its stated purpose. Put simply, vision captures what success looks like. By its nature, vision statements are aspirational, large scale and usually long-term.

We argue that boards of directors should specifically discuss and debate all four of these organising principles. They are ultimately accountable for ensuring that the purpose *intent* is translated into purpose *practice*. In doing so they are required to exercise their judgement in delivering the long-term interests of the organisation, in regular communication and dialogue with investors.

4. ENACTING PURPOSE: we have devised a framework for governing purpose within organisations. Called the *SCORE* framework, it offers five mechanisms that facilitate the translation of purpose *intent* into purpose *action*.

- 1. SIMPLIFY:** make your purpose simple and convincing, with shared frames of reference. Complicated strategies fail. Leaders need to work carefully to simplify the complexity involved in enacting business activity. Purpose is no different. It needs to be simple enough to be understood by the entire organisational workforce, the wider supply chain and other connected stakeholders. A statement of purpose should be precise, not vague or woolly. It should establish what and whose problems the organisation seeks to solve and it should be convincing about why the organisation is particularly well-suited to addressing them.
- 2. CONNECT:** once it has been simply and clearly articulated, corporate purpose must drive what the organisation does – its strategy and capital allocation decisions. Strategy is about choices that are made and choices that are consciously rejected after serious deliberation. For purpose to be enacted with authenticity, it has to be the reference point for such decisions. Internally, boards need to make sure that purpose translates into what everyone in the organisation does, because unless purpose statements translate into actions they are meaningless. Externally, the board should ensure that the organisation's purpose connects with partner organisations throughout its supply chain and customer markets.



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- 3. OWN:** ownership of purpose starts with the board. It has to put in place appropriate structures, control systems and processes for enacting purpose. This goes well beyond formal committee structures such as risk, compliance and ethics committees. It has to be embraced by everyone in the organisation from the board to the shop floor. The purpose also has to be accepted and supported by the organisation's shareholders if it is to have any credibility.
- 4. REWARD:** the board has to define measures of performance that evaluate the success of the organisation in delivering on its purpose. It should build a group-wide performance measurement system that aligns the organisation's incentives and rewards with promotion of purposeful behaviour. For the majority of management, financial measures remain the most significant elements of compensation and promotion. It is important that these correctly reflect the success of the company in delivering on its purpose. The financial measures should be combined with material non-financial metrics that record the success of the organisation in a balanced way, delivering benefits to all its stakeholders including its shareholders.
- 5. EXEMPLIFY:** a key role of leadership is to bring organisational purpose to life through communication and narrative strategies. Done well, these build a sense of shared identity around a common purpose that inspires those working in the organisation to believe that they are contributing as a team to something that is meaningful and fulfilling. The narratives should be vivid and uplifting but also authentic in conveying honestly and openly the challenges and failures as well as the successes. They should reveal a willingness of the leadership to accept personal sacrifices in bearing their share of the costs of failure as well as the rewards of success.

EUROPEAN STEERING GROUP

This report draws on the insights from a wide group of people. We are indebted to the chairs, senior executives and youth ambassadors from organisations across the UK and continental Europe who have given generously of their time and insights. The organisations we would like to thank are listed below. The specific views and frameworks in this report reflect those of the Enacting Purpose Initiative and are not necessarily those of the Steering Group participants listed. Further acknowledgements are included at the end of this report.



PART 1

BUILD BACK BETTER

Six months into the covid-19 crisis, the devastation on organisations is becoming clear. Some have collapsed, many have resorted to Government support, and business models are changing at lightning speed. Boards of directors are now making critical choices about how to rebuild based on some sense of the 'new normal'.

Why then should directors prioritise purpose? The answer is that by doing so, they will build back better.

Purpose articulates why an organisation exists. There can be no better focal point for the critical debates that are taking place. Clarity on purpose helps boards make better informed capital allocation choices. A clear purpose motivates employees, boosting productivity and reducing employee churn. Well-articulated, purpose becomes a strategic asset, a competitive differentiator in competitive markets. In short, clarity of purpose produces better performing organisations which is better for all stakeholders including shareholders.

External pressure for purpose is a major catalyst. Corporate change tends to start with a growing drumbeat of evidence before an external shock catapults this growing drumbeat into a universal norm. Climate change is a good example of this. For years, scientists had been warning of the consequences from global warming, in particular from greenhouse gas emissions. But it took Greta Thunberg and Extinction Rebellion to catalyse this growing chorus of expert opinion into an unstoppable societal movement. Organisations and their investors are

now moving at pace, developing policies to address climate change and seeking differentiation in their investment story on the basis of environmental credentials. Likewise, social inequality and diversity issues have been discussed and debated with growing force over the last decade. Events like the racial inequality protests in the US and the anti-colonial demonstrations in the UK have catalysed this issue, prompting organisations to consider how to act swiftly and appropriately.

This crisis is the catalyst for purpose. Covid-19 has to date produced a number of highly effective examples of organisations drawing on their purpose to help people and their communities. The pandemic has also heightened investors interest in, and public scrutiny of, key issues around employee wellbeing, environmental responsibility and governance of major risks – particularly as they relate to firm performance, human capital management, and enterprise resilience. Directors should embrace this on going opportunity for positive change, rebuilding their organisations with the needs of people and the planet uppermost in their thinking. To make the right choices, many more boards need to start with greater clarity around their purpose.

By doing so, they will take better decisions, create stronger connections and partnerships with their stakeholders, and deliver long term performance for their shareholders. Purpose and profit are not either/or decisions. Profit with purpose is the responsibility of directors as they rebuild better, and investors have a shared responsibility to work with boards and senior management to deliver this.



PART 2

PURPOSE AS STRATEGY

We are a decade into the era of CEOs and senior executives focusing on purpose. Leaders today grapple in fresh ways with an old question: how to define, embed and enact purposeful business in the context of substantial organisational turbulence and transformation. This old question has been given new energy in the context of the lively debates on the nature of capitalism and the boundaries of the organisation, state and society. It is one that needs to be gripped by boards of directors as a whole.

Purpose reflects the *raison d'être* of an organisation, defining its reason to exist. Properly understood, it becomes the most important organising principle within the organisation, informing and guiding strategic decisions and activities. We argue that there is today a greater emerging awareness and understanding of *purpose as strategy*, as distinct from the more standard and now common focus on *purpose as culture*. *Purpose as strategy* celebrates the central position of purpose within decision-making, providing a powerful frame to guide the organisation, its leaders and stakeholders on the difficult choices required to meet the challenges and opportunities of the next decade. It is particularly valuable in this era of advanced *stakeholder* capitalism.

With this distinction in mind, we add a further provocation that the traditional management doctrine 'doing what we do today, even better' may no longer be enough to deliver sustained organisational success. *Purpose as strategy* engages the core precept of business innovation and provides a critical focus on why the organisation exists. The principles and practices of

purpose as culture are critical to effective operations and implementation, but they do not set the agenda for transformation.

This conception of *purpose as strategy* is not as widely used or recognised as it should be, even in the proliferation of purpose discourse of recent years. That said, many successful examples of strategy, innovation and transformation have been enacted by purpose-led organisations. Note the contemporary efforts of organisations like Unilever and Royal DSM, and the history of Patagonia. These are not cases without complexities, but they serve to highlight both the transformative power of *purpose as strategy* and the realisation that purpose and profit need not be opposed over time.

Organisations that actively engage with their purpose take actions that make profits the *outcome* of purpose-informed and purpose-driven strategies. Making a profit, and particularly a sustainable profit, depends on the alignment of diverse activities across the full range of principles and practices over time. Purpose informs and directs strategic decisions: doing business in new and different ways, exploring new technologies, supply chains, business models and governance. Purpose in this conception is not the destination. Its essential power lies in its role as a 'north star', guiding the critical board choices that have to be made.



PART 3

THE FOUR BOARD RESPONSIBILITIES

Purpose, Mission, Values, Vision

We recommend that it is the responsibility of the board chair to ensure that purpose, values, mission and vision are discussed and debated by the board of directors. How this is done should be up to board chairs to decide. Enacting purpose requires boards to start with disciplined thinking on the following core provocations:

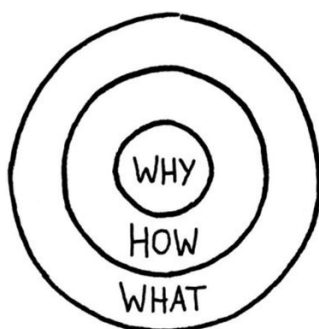
1. What is our purpose?
2. How is this supported by our values and mission?
3. What vision of the future does this connect to?
4. What specific stakeholder benefits follow?
5. How should we govern and reward progress on these during the course of the year?

Answering these provocations is a core responsibility of corporate board directors.

DEFINITIONS

In 2009, the British author Simon Sinek published his bestselling book, *Start With Why*. The central thesis of the book is that great companies understand *why* they are in business, or as he puts it, their *purpose*. He goes on to state that the majority of organisations don't get this.

His explanation is that it is easier for organisations to state what they do, and the processes by which they deliver their products and processes, than to articulate why they exist. He concludes that “*great companies start with the why. They are purpose-led.*” His TED Talk on the subject, which currently has over 50m views, is the third most popular TED talk on the platform, globally.



Why = The Purpose

What is your course? What do you believe?

Apple: We believe in challenging the status quo and doing this differently

How = The Process

Specific actions taken to realize the Why.

Apple: Our products are beautifully designed and easy to use

What = The Result

What do you do? The result of Why. Proof.

Apple: We make computers

Source:
Simon Sinek,
Start With Why

We draw from this work to suggest a fundamental corporate governance application of this important idea which we call *The Four Board Responsibilities*. These put into context the different terms that are often used, or misused, when it comes to attempts by organisations to define their purpose, enact it through values and mission, and connect it to vision.

PURPOSE

PURPOSE STATES WHY AN ORGANISATION EXISTS. As Professor Colin Mayer, one of our co-chairs puts it, “*the purpose of business is to solve the problems of people and planet profitably, and not profit from causing problems*”. This statement deliberately leaves open the question of the specific purpose of each organisation, but does deliberately and carefully demand a reason for existence alongside the pursuit of profit. Purpose sets out the reasons why the organisation conducts its various activities, articulating what societal challenge, need or benefit the organisation seeks to address. This sets it apart from the three other important concepts for organisations below. Once this purpose has been debated and formally agreed, the board should not only publish it but also ensure that its internal governance and external reporting evaluate its activities and the outcomes generated against its stated purpose.

VALUES

VALUES DESCRIBE HOW THE ORGANISATION BEHAVES. These are often short and punchy bullet points, detailing specific expectations and principles of interaction within the organisation’s internal or external operating environment. More importantly they should be a call to action. These values should inform and guide the specific day to day behaviours and decisions taken by every member of the organisation. They should be articulated in a way that the intent is clearly understood, and the board of directors should ensure that the organisational culture embraces these values and enables them to be put into practice by every member of the organisation. Boards of directors also need to ensure that employees are empowered to ensure that key suppliers act in compliance with the organisation’s stated values.

MISSION

MISSION SETS OUT WHAT THE ORGANISATION DOES. It captures the day to day activities of the organisation, defining quite literally what business it is in. It is directly linked to the strategy of the organisation and is underpinned by the values deployed to deliver the mission. It is very practical and descriptive in nature. Mission therefore sets out specifically and practically what the organisation aims to do in pursuit of its stated purpose. Mission statements provide an opportunity for boards of directors to set out what they specifically intend to deliver to each of the organisation’s different key stakeholder groups.

VISION

VISION DESCRIBES *WHERE* THE ORGANISATION INTENDS TO HAVE IMPACT.

It describes the outcome that the organisation wants to see from the successful delivery of its stated purpose. Put simply, vision captures what success looks like. By its nature, vision statements are aspirational, large scale and usually long-term.

In broader terms, it might be helpful to add that purpose and values are timeless; mission is practical and linked to current circumstance; and vision is aspirational and forward-looking.

Board directors have the responsibility to identify which of these four elements to use and to craft and agree the language attached to each. In this, we echo many others who have argued that board directors are the ultimate owners of these tasks. In particular we echo and support the statement made by the former chair of the UK's Financial Reporting Council (FRC), Sir Win Bischoff, who stated in the FRC's report into corporate culture and the role of boards that *"the strategy to achieve a company's purpose should reflect the values and culture of the company and should not be developed in isolation. Boards should oversee both."*

We argue that all four concepts have central roles to play within organisations and that board directors should consider and explicitly publish clear statements on each. Purpose statements anchor internal and external stakeholders' minds on *why* the organisation exists in the first place. Values statements set out *how* employees are expected to behave in order to deliver the stated purpose. Mission pulls purpose and values together into a clear articulation of *what* the organisation does. Vision sets out *where* the organisation seeks to make its impact.

Below is our version of Sinek's work, which we have adapted to visualise the definition, role and interlinked utility of each of our *four* concepts. We utilise all three of Sinek's frames and add our fourth – vision – which we argue plays an important role in anchoring organisational purpose to desired outcomes. We call this *The Four Board Responsibilities*.

THE FOUR BOARD RESPONSIBILITIES



Source: Enacting Purpose Initiative

PART 4

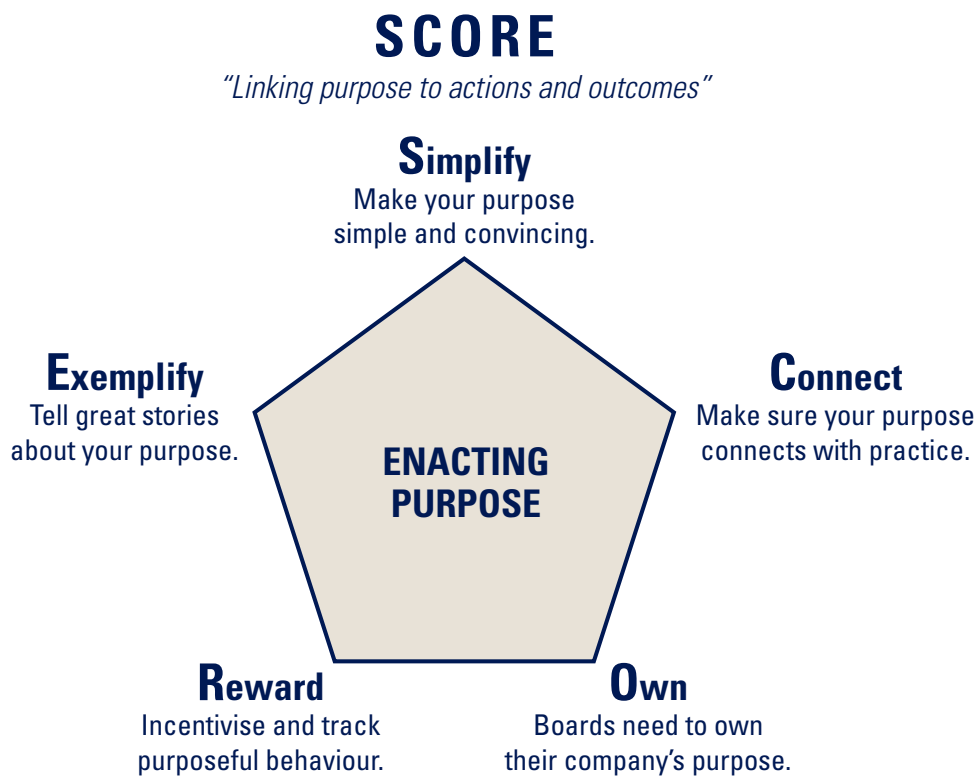
THE SCORE FRAMEWORK

A clear and compelling articulation of purpose only has meaning once it is enacted in ways that engage strategy, capital allocation, and relevant processes and reporting practices. Many organisations today argue that they have articulated their purpose through mission and vision statements, are putting this purpose into practice and have confirmed this through endorsement of global norms set by multilateral institutions and sustainability reporting. However intent is not by itself enough. Organisations need to identify structured ways to enact stated purpose.

In the UK, the 2018 FRC UK Corporate Governance Code states that “*the board should establish the company’s purpose, values and strategy, and satisfy itself that these and its culture are aligned*”. In its 2020 review of corporate governance (published in January 2020), the FRC finds that UK companies largely fail in both the implementation and reporting of corporate purpose. The review lays out “*serious concerns around board effectiveness in considering and reporting on risk to their long-term sustainability*”. The UK is home to arguably the world’s most progressive corporate governance code to date, making it notable that adoption among UK boards has been so poor.

We have therefore developed this *SCORE* framework as a contribution to board directors’ deliberations on how to enact purpose effectively within the organisations that they lead. The framework sets out five elements that we believe should *guide and govern* the enactment of purpose.

THE SCORE FRAMEWORK



SIMPLIFY

BOARD QUESTION

Is our purpose simple enough to be understood and acted upon?

Make your purpose simple and convincing with shared frames of reference. Complicated strategies almost always fail. Leaders need to work carefully to simplify the complexity involved in enacting business activity. Purpose is no different. It needs to be simple enough to be understood by the entire organisational workforce, the wider supply chain and other connected stakeholders.

Simplicity is hard to achieve. Today, each of us individually generates more information than ever before in human history. We are bombarded by an unprecedented volume of data which our brains cannot fully process. We often find corporate narratives long-winded and confusing. Short form communications carry the power to cut through in the crowded information market.

Board directors can therefore start to simplify by assessing their organisation's purpose against the following statement: *"the purpose of business is to solve the problems of people and planet profitably, and not profit from causing problems"*. The responsibility of board directors in this context is to challenge management to simplify the complex, identifying the role that their organisation plays in developing *opportunities* for people and the planet as well as how it will *do no harm*. Simplify this, but not at the expense of relevance – a broad



“Simplicity allows immediate buy-in at scale when building stakeholder consensus really matters.

– Sir Roger Carr,
Chair, BAE Systems

commitment to all seventeen of the Sustainable Development Goals for example will be too broad to have direct meaning.

Simplifying to the extent required demands that trade-offs be made. On the one hand, simple statements are easy to understand and, done well, highly effective in connecting large groups of people inside and outside of the organisation around stated purpose. On the other hand, there is a clear conflict between delivering simplicity while capturing the complexity required to fully explain anything.

We encourage board directors to think of simplicity as creating a 'golden thread' through the organisation, starting with stated purpose before developing specific and wording around values, mission and vision. Building simplicity from the top delivers a clear 'north star' that not only motivates and inspires people, but also helps clarify the strategic choices that need to be made.

“One of the crucial things about purpose is that people have to 'get it' simply and clearly if it is to both galvanise and answer the 'what does that mean I do' question for employees.

– **Rita Clifton CBE**,
Non-Executive Director,
Nationwide Building Society

TACTICAL & PRACTICAL

- Simple statements: it should empower stakeholders to interpret the intent and meaning with accuracy, allowing enough leeway to implement in context specific environments.
- Think broader to develop a narrower focus: it is very easy to drop immediately into mission and strategy if you dive immediately into your own specific activities.
- Draw from your heritage: often going back to the origins of the organisation helps simplify purpose. Statements of intent from the founders of organisations can help boards rediscover why the organisation exists.
- Purpose should stand the test of time: while strategy can and should be re-evaluated in light of new significant external factors or indeed changes in senior management, purpose should have a longer shelf life.
- Simplicity can often be helped by using informal language, especially where it is commonly used in the workplace environment.
- Orient the choice of language to reflect industry norms: use colourful/informal language where it is commonly used in the workplace environment, or less colourful/formal language where that is the norm.

PURPOSE IN ACTION



At Premium Credit, as with many companies, we had a vision and a set of values. We had ticked the box. We told our people about them, built them into our goals and wrote them on our walls, but it felt hollow and the language was bland and corporate. Nobody cared.

We are a fintech lending company and a leader in our markets. Our 420 colleagues spend all their time ensuring that our customers can pay for their insurance and other critical services in affordable instalments. They ensure our partners who advise our customers can offer our services seamlessly. We use technology to deliver our customer and partner journeys, to make it work for the people who use it. There was no mention of any of this in our vision statement.

That's why we've embarked on a journey from a 'vision-statement' organisation to a 'purpose-led' organisation. To do that, we have acknowledged the importance of simplicity. Getting to the heart of purpose we feel, is about going back to basics. It means thinking about what we do and why we do it, from our customers perspective. Describing why we are here for them, in their language, not ours. Try to explain it to a friend or family member, in a way they can understand. This gets our people thinking in a completely different, and energising way, about what we are showing up to work to achieve. The mundane task suddenly has meaning. What each department does contributes to the sum of the parts, and out of this comes something hugely valuable to our customers. We have all contributed to that outcome and can be proud in our part. We have purpose in life, at work.

Like many other organisations, we have our own language, sets of acronyms and complex industry wording that are incoherent to the average person. Becoming a purpose-led organisation means putting a stop to that. The articulation of our purpose, in simple language, will be our epiphany moment, on the need to express ourselves simply, less like an organisation, and more like real people. Which is what we are of course, just a large group of people, collaborating to deliver for our customers.

CONNECT

BOARD QUESTION

How does our purpose connect to our mission and to the strategic choices we need to make?

Once it has been simply and clearly articulated, purpose must be directly connected to what the organisation does – its strategy and capital allocation decisions. Strategy is about choices that are made and choices that are consciously rejected after serious deliberation. For purpose to be enacted with authenticity, it has to be the reference point for such decisions. Internally, boards need to make sure that purpose translates into what everyone in the organisation does, because unless purpose statements translate into actions they are meaningless. Externally, the board should ensure that senior management clearly understand how the organisation's purpose connects with partner organisations throughout its supply chain and customer markets.

There is often too much *purpose as culture*, and not enough *purpose as strategy*. If purpose is to have meaning, it has to connect directly to strategy and the difficult choices that the board needs to make to meet the challenges and opportunities of the next decade. Properly constructed, clarity of purpose ensures that board directors make better decisions.

When purpose is connected to strategy, it builds trust. Stakeholders can immediately spot inauthenticity, virtue-signalling and *purpose as marketing*. When boards use stated purpose to directly inform difficult strategic choices, they build trust which underpins the efficacy of commercial relationships and transactions. Board directors have a responsibility to be authentic when they make purpose commitments.



GCHQ is a very logical organisation. But it was when we started to share on an emotional level that we found we were connecting our people most strongly with our purpose.

– Jeremy Fleming,
Director, GCHQ

Purpose statements therefore need to be well governed. It is not enough to create a purpose and leave it unconnected to strategic choices, actions and behaviour. Board directors have a responsibility not just to make better decisions, but to ensure that the right governance is in place to deliver *purpose as strategy*, not marketing. The purpose then becomes embedded in the organisation's mission.

To do this, purpose should be created collaboratively. Board directors have a responsibility to energise bridges and navigate blockages to help this happen. Middle managers are a critical bridge connecting purpose to practice. Boards should specifically ensure that middle managers are engaged in the creation and governance of purpose, and to develop a strategy to connect those who feel disconnected or blocked.

Enacting purpose can be significantly enhanced by harnessing the power of the wider industry and forging shared alliances. Alliances create valuable common ground and synergies when it comes to purpose, enhancing the connective power of organisations to solve problems of people and the planet. Board directors should recognise that purpose is not a competitive but a shared endeavour.

“There is not a single townhall or business review where I don't relate to our purpose. Focusing our efforts on the most urgent questions and challenges of humankind creates advantages not only for society but also for our business.

– **Stefan Oschmann**,
CEO Merck

TACTICAL & PRACTICAL

- Take responsibility for showing why it matters. Often boards complain that investors are disinterested in purpose. If it matters, it is incumbent on the board to articulate why.
- Use purpose as a way to challenge your assumptions and rethink the status-quo. Active board discussions on how purpose, mission, values and vision are aligned will improve critical thinking on large scale trends that have the potential to impact the organisation over the medium to long term.
- Purpose should be broad enough to be applicable generally, but specific enough to be relevant to the organisation and its skill sets to be meaningful and therefore connect with employees and other stakeholders.
- Lead and connect by example. It is up to board directors to ensure that their colleagues throughout the organisation see what to do differently once purpose has been set.
- Devolve the specifics. While purpose must be consistent, the specific touchpoints will differ throughout the organisation. Boards should encourage decentralisation and flexibility when it comes to connecting purpose into practice, respecting different operating norms in different areas of the workplace.
- Leadership and communication are inseparable. It is not the tactical responsibility of the press office.

PURPOSE IN ACTION



Halma

Halma is a portfolio of 43 global businesses, which use technology and deep application knowledge to make the world a safer, cleaner and healthier place.

For 50 years, we have operated a unique model of acquiring small, privately owned businesses and investing in them to grow. Our sustained success has been achieved by combining autonomy and fast decision-making in each business with collaboration across the portfolio and the resources of a global group.

For many years, Halma had a descriptive purpose of 'Protecting life and improving the quality of life'. In 2017 we replaced it with a more action-oriented purpose of 'Growing a safer, cleaner, healthier future for everyone, every day.'

With increasing disruption, digitisation and convergence across our end markets, it became clear that our agile business model and entrepreneurial culture were unique competitive advantages. However, we also needed a more ambitious purpose to attract and develop a more diverse group of individuals and organisations to succeed.

Our purpose clearly defines the end markets we operate in, and the increasing impact we want to have each day. This has fundamentally changed how we define our target markets and technologies.

Potential acquisitions are assessed depending on their 'fit-to-purpose', and the 'everyone, every day' element reflects the increasing global relevancy and digitisation of our new product development. We have also seen our ecosystem of external partners expand and formed new strategic partnerships at the group and company level including minority investments in technologies that will advance our purpose.



OWN

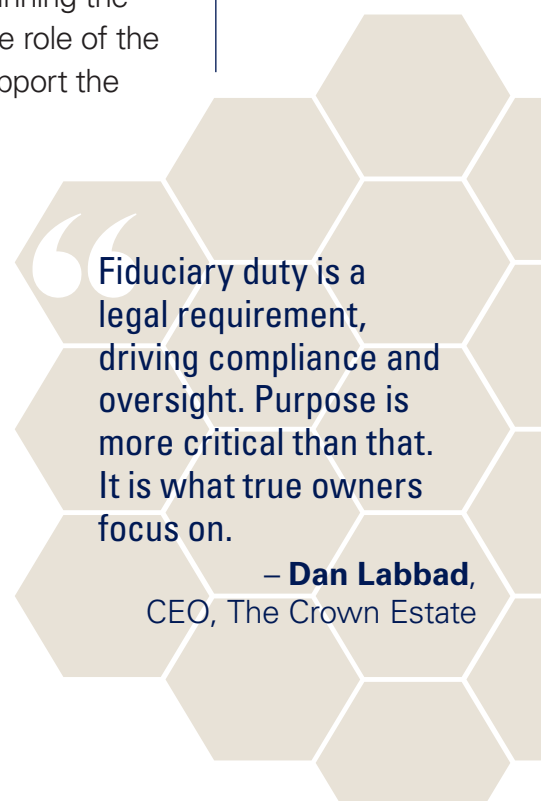
BOARD QUESTION

What are we doing to ensure that our purpose is embraced by everyone inside the company and supported by our investors?

Ownership of purpose starts, but does not end, with the board. It has to put in place appropriate structures, control systems and processes for enacting purpose. This goes well beyond formal committee structures such as risk, compliance and ethics committees. The purpose has, however, to be accepted and supported by the organisation's shareholders if it is to have any credibility. The key to success for bringing purpose to the forefront of board leadership lies in aligning purpose with long-term shareholder interests. To do this effectively, it has to be embraced by everyone in the organisation from the board to the shop floor. Underpinning the purpose is a set of values that define the company culture, and it is the role of the board to determine, embed, live these values and ensure that they support the fulfilment of the purpose.

The board does this through its own visible actions, particularly when making tough trade-off decisions. The board is responsible for creating an environment where colleagues want to come to work. That starts with building a shared understanding of what the organisation stands for and actively seeking ways to involve colleagues in the creation and delivery of purpose.

The board's fiduciary duty is to deliver the purpose and mission of the organisation, supporting and promoting the values that underpin this. Purpose is an organising principle, speaking to a broader contribution and the longer-term positioning of the organisation. Strategic purpose discussions complement the shorter-term focus of the executive team who are required to deliver to budgets and quarterly cycles.



Fiduciary duty is a legal requirement, driving compliance and oversight. Purpose is more critical than that. It is what true owners focus on.

– Dan Labbad,
CEO, The Crown Estate

The purpose has to be accepted and supported by the organisation's investors. They should have an intimate understanding and appreciation of it and be willing to support management in fulfilling it. If this is not the case, then the board risks finding that their focus on purpose is undermined by threats of changes in corporate control and shareholder resolutions.

Within the organisation, purpose is not owned by any one person or group. It should be owned collectively by everyone. This involves consulting and engaging the organisation as a whole in its formulation and then ensuring that it is reflected in its values and culture. The behavioural norms of an organisation should become intimately aligned with the delivery of its purpose.

Finally, avoid *accidental purpose*. Deciding on purpose as a by-product is all too easy to do, but this is not ownership; it's abrogation. Owning purpose involves actively identifying and implementing purpose, and then holding yourself and others accountable for its enactment.

“We cannot directly control outcomes, but we can lead and stimulate activity through what we do. This is ownership on a broad scale.

– **Gian-Maria Gros Pietro**,
Chair, Intesa Sanpaolo

TACTICAL & PRACTICAL

- Everyone owns purpose. Distribute ownership down the organisation. Create forums for colleague engagement rather than relying on command and transmit approaches. A combination of executive meetings, town halls, digital forums and two-way communication channels all should be considered.
- Embed ownership by organising regular discussions throughout the organisation on how purpose connects to delivery of stated vision, and how it is enacted through values and pursuit of mission. Storytelling plays an important part in building shared ownership too.
- Purpose should form the heart of shareholder relationships. They should be the basis on which an organisation's investor relations and communications are built. They should be the way in which shareholders formulate their corporate engagements. Shareholders should be consulted about proposals to change an organisation's purpose and be encouraged to have a 'say on purpose'.
- Purpose is not the same thing as sustainability. Sustainability should be considered within the organisation's purpose, as all successful business strategies must be sustainable. Purpose speaks to the broader question of why the organisation exists, being owned by the board collectively rather than specific sustainability or other internal organisational functions.
- Accept good, not perfect. Leaders should realise that an organisation can be faithful to the overall purpose while having some products that are less sustainable than ideal. Own the journey, as well as the outcome.
- Purpose should not become hijacked by any one leader. It should emerge consensually through debate and discussion. While management is responsible for direct communication with staff, the board can create and oversee internal communications strategies to ensure that employees feel a sense of ownership of organisational purpose.

PURPOSE IN ACTION



Our purpose is to make sustainable living commonplace.

Why? The answer is simple. We believe we have the opportunity – and the responsibility – to be a force for good in the world. And – just as importantly – we believe that doing good makes us a better business.

We're convinced that the businesses that thrive in the future will be those that serve society today. That's why ten years ago we launched the Unilever Sustainable Living Plan, which sets out how we are decoupling our growth from our environmental footprint, while increasing our positive social impact.

We've made a difference to millions of lives by acting on the issues that matter. Gender equality. Fairness. Climate action. Healthy eating. Hygiene. Sustainable sourcing. Plastic waste – and many more.

Acting in this way is helping us drive more profitable growth for our brands, save costs, mitigate risk and build trust among our stakeholders. It is the best and only way to achieve long-term growth.

One way we own and deliver this is through our brands. We know our brands can make a direct difference on the issues that matter to people. We've been doing it for more than 120 years. We launched Sunlight Soap in 1884 with a vision of promoting hygiene and health. He believed in 'doing well by doing good'. The world has changed a lot since then – but our underlying purpose has not. That's what we mean by being purpose-led, and that's how we'll make sustainable living commonplace.

REWARD

BOARD QUESTION

How is our purpose linked to internal reward systems including (but not limited to) remuneration?

The board has to define measures of performance that evaluate the success of the organisation in delivering on its purpose. It should build a group-wide performance measurement system that aligns the organisation's incentives and rewards with promotion of purposeful behaviour. For the majority of management, financial measures remain the most significant elements of compensation and promotion, and it is important that these correctly reflect the success of the organisation in delivering on its purpose. The financial measures should be combined with non-financial metrics that record the success of the organisation in a balanced way, delivering benefits to its stakeholders beyond its shareholders.

Measurement is critical in any organisation. Financial performance remains a priority and it is important that accounting for purpose reflects the extent to which it is fulfilled and costs of remedying deficiencies in not delivering on it.

Non-financial metrics attached to purpose need to be treated with the same importance by board directors as sales or returns numbers. This has proven problematic, partly due to disagreement about what should be measured and also which specific metrics are reliably available.

Investors and board directors have shared responsibility here. Board directors should be required to identify and publish the key non-financial metrics they use to inform the decisions that they take. It is difficult to find agreement

“Our people are our most valuable asset. The passion, innovation and unique skills that we have draw from our values and allow us to reach our purpose. It's the organising principle on which we operate.

– Lucia Calvosa,
Chair, Eni

on what these metrics should be and we recognise that the multiplicity of measurements available often confuse more than they clarify. However, metrics matter to all stakeholders inside and outside organisations. Collaboration, discussion, and agreement are key to ensuring the right measurements are used.

Internally, balanced scorecards and non-financial metrics are increasingly being attached to executive appraisal and performance reviews. Explicit purpose metrics should be at the forefront of these reviews, with existing colleagues being actively appraised on their understanding of, adherence to, and promotion of purpose. Likewise, recruitment should explicitly address vision and purpose, ensuring that new talent commits to this before any offer is formally made. Onboarding processes too should start with education around purpose, values, mission and vision – and especially how these are enacted in practice.

Externally, multiple different stakeholders are interested in how purpose shapes decision-making and behaviours. For customers, understanding why an organisation exists (purpose) is becoming an important differentiator when it comes to brand choices. For suppliers, purpose provides a link to values, which in turn underpin the behaviours they can expect to see in their interaction with organisations. For investors, purpose both helps them interpret the strategic options available to board directors, and also the way in which organisations behave, a key driver of risk.

“Purpose is a powerful motivator. Bringing our people with us as we transform the company is our first priority. We actively link non-financial metrics into our rewards system.”
– **Emma Marcegaglia**,
Chair, Marcegaglia Group

TACTICAL & PRACTICAL

- Purpose concerns the big question of why an organisation exists. Reward colleagues who act or lead in support of this wider purpose, not just when they deliver or execute the direct mission.
- Delivering purpose is not just about setting financial rewards. Non-financial reward mechanisms are critical drivers of colleague satisfaction. Board directors should utilise a basket of rewards including flexible working, providing individuals with the opportunity to do interesting work, supporting individual colleague pro-bono choices, and delivering board-level feedback.
- Reward the enactment of purpose through explicit positive endorsement and praise. Call out inspiring stories as they relate to the delivery of purpose at all levels within the organisation.
- Listen to, and support where possible, individual choices of colleagues when it comes to wider social initiatives. Organisations can learn from colleagues' personal choices and sometimes these personal activities help inform the wider organisational purpose.
- Actively call out bad behaviour. Misconduct must not be rewarded by career progression up through the organisation. Articulate your view around transparency and fairness, allowing scope for challenge.
- Report not just the metrics used, but how boards came to the decision around which metrics matter. Boards should report on how they *govern* non-financial disclosure.

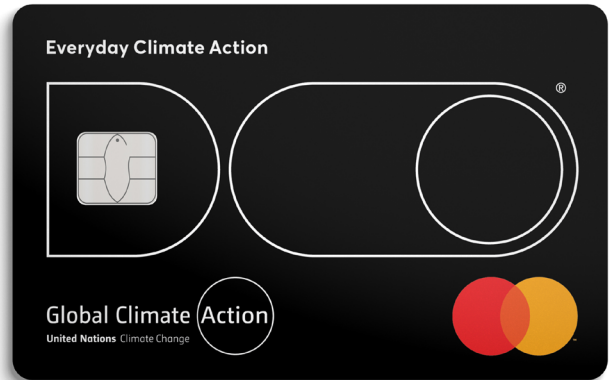
PURPOSE IN ACTION

13 CLIMATE ACTION



Doconomy

**The world's first
credit card
with a CO₂-
emission limit**



In 2015, the UN issued an urgent call to action stating the need to cut global carbon emissions in half by 2030. The average consumer in Sweden causes around 10 tonnes of carbon emissions each year of which 60% is linked to consumption.

In 2018, a Swedish fintech company called Doconomy was established with a stated purpose of tackling climate change through daily positive actions. To do this, they focused on using the most powerful tool that we all have access to – our money. The company launched DO, a mobile banking app connected to a credit card that enables users to track and measure their carbon footprint from each purpose and to compensate for its impact day by day.

In 2019, working with RBK communications and WPP owned H+K Strategies, the company took its fight against climate change one stage further launching a premium credit card DO Black. Unlike typical premium credit cards that encourage further consumption through linked offers and reward points, it did the opposite, creating the world's first credit card with a carbon limit. Put simply, DO Black stops you overspending, not on your available funds, but on the level of CO₂ emissions caused by your consumption. DO Black helps you track your climate impact and ensures that you reduce it by 50% in line with the UN 2030 recommendation.

For years, credit cards have put a limit on our credit. DO Black puts a limit on our impact.

EXEMPLIFY

BOARD QUESTION

What stories do we use to show our purpose in action?

A key responsibility of leaders is to bring the purpose to life through clear and compelling communication and narrative strategies. Done well, these build a sense of shared identity around a common purpose that inspires those working in the organisation to believe that they are contributing as a team to something that is meaningful and fulfilling. The narratives should be vivid and uplifting but also authentic in conveying honestly and openly the challenges and failures as well as the successes. They should reveal a willingness of the leadership to accept personal sacrifices in bearing their share of the costs of failure as well as the rewards of success.

Enacting purpose however requires more than logical argument and well considered actions. It works best when people also feel some form of emotional connection with the stated vision and purpose. Enacting purpose effectively demands strong, connective storytelling at all levels throughout the organisation.

There are many ways to tell great stories. Drawing from history can provide a powerful platform on which the current strategy can be elevated. Using metaphor helps to simplify the complex, allowing colleagues to understand more clearly through simple association and inspiring colleagues through careful use of example. Be concise where possible – short form wording done well captures and communicates the complexity of business more effectively than lengthy explanation.

Pursuing purpose is essential to engaging staff and teams, as well as ensuring the organisation is doing the right thing. A clearly articulated purpose can help align the focus of staff and the organisation with the needs of customers and citizens.

– Antonia Romeo,
Permanent Secretary at the UK's
Department for International Trade.

Corporate storytelling works best when it captures all four elements – purpose, values, mission and vision. The purpose (why), values (how), mission (what) and vision (goal) is a proven storytelling format used by writers and filmmakers over many years, and we connect best when we understand not just what we are doing but why and to what ultimate end. Board directors need to ensure that the executive showcases stories that capture all four elements.

Exemplifying purpose through storytelling should not be confused with marketing or branding. Marketing stories focus on how an organisation's products or services are special or distinctive. Storytelling around purpose, by contrast, is not competitive. Translating purpose into the brand platform provides clarity for consumers who are not overly familiar with the organisation's ethos, but who have a desire to understand its intent. When communicating, organisations can articulate a wider reason for its existence and the issues it seeks to address, building bridges with a broad group of organisations and at times calling for united action. Explaining purpose is not a competitive endeavour.

In storytelling it is valuable to reference the five rules of storytelling: **WHY** are you telling this story? **WHO** are you trying to reach? **WHAT** are you trying to achieve? **HOW** are you linking the facts to the story? **WHEN** will this be most powerfully told?

“Storytelling offers a powerful narrative arc for talking about purpose. Having a purpose that our people believe in helps them get out of bed positively on a Monday morning and be happy to talk about their work to friends on a Friday evening.

– **Paul Moore**,
Corporate Affairs Director, ITV

TACTICAL & PRACTICAL

- Care should be taken to avoid 'waterfall' stories, where purpose gets relegated to the easier storytelling around what an organisation does (mission).
- Actively consider how to make stories fun. Business is a serious endeavour, but the stories about business do not need to always be so.
- Embed an emotional component in your purpose. Board directors need to ensure that purpose is not just 'another process'.
- Communication and storytelling has become much more visual over the last decade. Communicating purpose is particularly suited to the use of visual platforms such as Instagram and Snapchat.
- Storytelling should celebrate achievements and outcomes, but care should be taken also to address organisational failings when they occur. Corporate apologies are important storytelling moments.
- Organisations should actively encourage the sharing of great stories between colleagues, investing in facilitative internal communications technologies such as Yammer (Microsoft) or Workplace (Facebook).

PURPOSE IN ACTION



Energy for
generations

Since its foundation in 1927, ESB has been driven by a very strong sense of social purpose. As Ireland's state-owned electricity utility and a former monopoly, for decades it had sole responsibility for ensuring that the lights stayed on. Purposeful investment decisions drove its most ambitious projects, from the construction of Ireland's first hydro-electric scheme, to the roll out of the rural electrification programme which brought light and energy to every home in the country.

In recent decades, market liberalisation, increased competition and advances in technology have brought about massive changes in the electricity sector. Recognising the need to redefine its purpose in a way that is both authentic to the past and relevant to a rapidly changing future, ESB looked to its archive for inspiration. A consistent belief in the role of electricity as an enabler of societal wellbeing provided the stories, insights and the scale of ambition for the company to reframe its purpose in the context of today's global challenges.

ESB's redefined purpose statement – to create a Brighter Future for the customers and communities we serve by leading the secure, affordable transition to a low carbon energy system powered by clean electricity – has set a clear strategic direction for the company, accelerating investment in renewable generation, smart networks and the electrification of heat and transport. ESB's purpose is now fully embedded in its strategy, values, risk management and investment decisions and forms a compelling framework for collaboration, innovation and investment.

"Lightening human burdens, brightening human lives"

ESB advertisement 1928

PURPOSE IN ACTION

SIEMENS
Ingenuity for life

"I will not sell the future for short-term profit." These powerful words, formulated by Werner von Siemens in 1884, have resonated throughout the history of the Siemens group. Time and again, they have guided the reinventions of the company at critical moments.

"Vision 2020+" is the most recent of these reinventions. At the core of this strategy concept – presented to the public in 2018 – is the aspiration to not only strive for excellent business performance, but also serve society. With Vision 2020+, the Siemens group is focusing on efficient manufacturing, sustainable infrastructures, mobility solutions, cleaner energy, and next-generation healthcare. In all of these fields, the company can make a clear and positive contribution to the United Nations Sustainable Development Goals.

Siemens' purpose statement *"We make real what matters"* reflects this strategic direction and is directly relevant to the company's key stakeholders: Some of the world's biggest investors have put 'purpose' at the centre of their strategies. The company's contribution to society also matters to customers and fosters a sense of belonging and motivation among employees.

Most importantly, Siemens considers 'purpose' an ingredient for long-term business success: Companies that contribute to humanity's larger goals are in a good position to stay relevant and successful in the future.

ACKNOWLEDGEMENTS

We are also grateful for the project leadership provided by a number of organisations and institutions. The lead academic organisation driving the Enacting Purpose Initiative is the Saïd Business School at the University of Oxford.

The work referenced in this report draws on insights from a number of people involved in this initiative, in particular Rupert Younger, Colin Mayer, Bob Eccles, Marc Ventresca, Mary Johnstone-Louis, Judith Stroehle, Abrar Chaudhury and Dennis West. We are indebted to them and other colleagues within the Saïd Business School at the University of Oxford including Richard Barker, Anette Mikes, Kazbi Soonawalla and Richard Whittington. We have also been supported in substantive ways by three leading professional organisations - global consulting firm Brighthouse (a BCG company), investment managers Federated Hermes, and law firm Wachtell, Lipton, Rosen & Katz (WLRK). We are particularly indebted to Amelia Grice and Brad White from Brighthouse, Tim Youmans and Amy Wilson from Federated Hermes, and to Martin Lipton and Bill Savitt from WLRK. Finally, we are also grateful to be working with the British Academy where our thanks in particular go to Hetan Shah and Henry Richards. This report – together with the policy discussions that are being separately held within national groupings – contribute to the wider multi-year ‘Future of the Corporation’ programme.