



# What is a purpose-driven business?

June 2020





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# About ReGenerate

ReGenerate is investigating how the growth of the ecosystem for purpose-driven business can be accelerated, making it easier to start, grow and lead a business doing good.

Entrepreneurs and established businesses have a tremendous power to help tackle the great social and environmental issues of our age, from modern slavery and in-work poverty to climate change.

When their unique ability to innovate and scale is combined with a drive for positive impact it can transform society and the planet. We believe that the world would be a better place if there were more businesses operating like this.

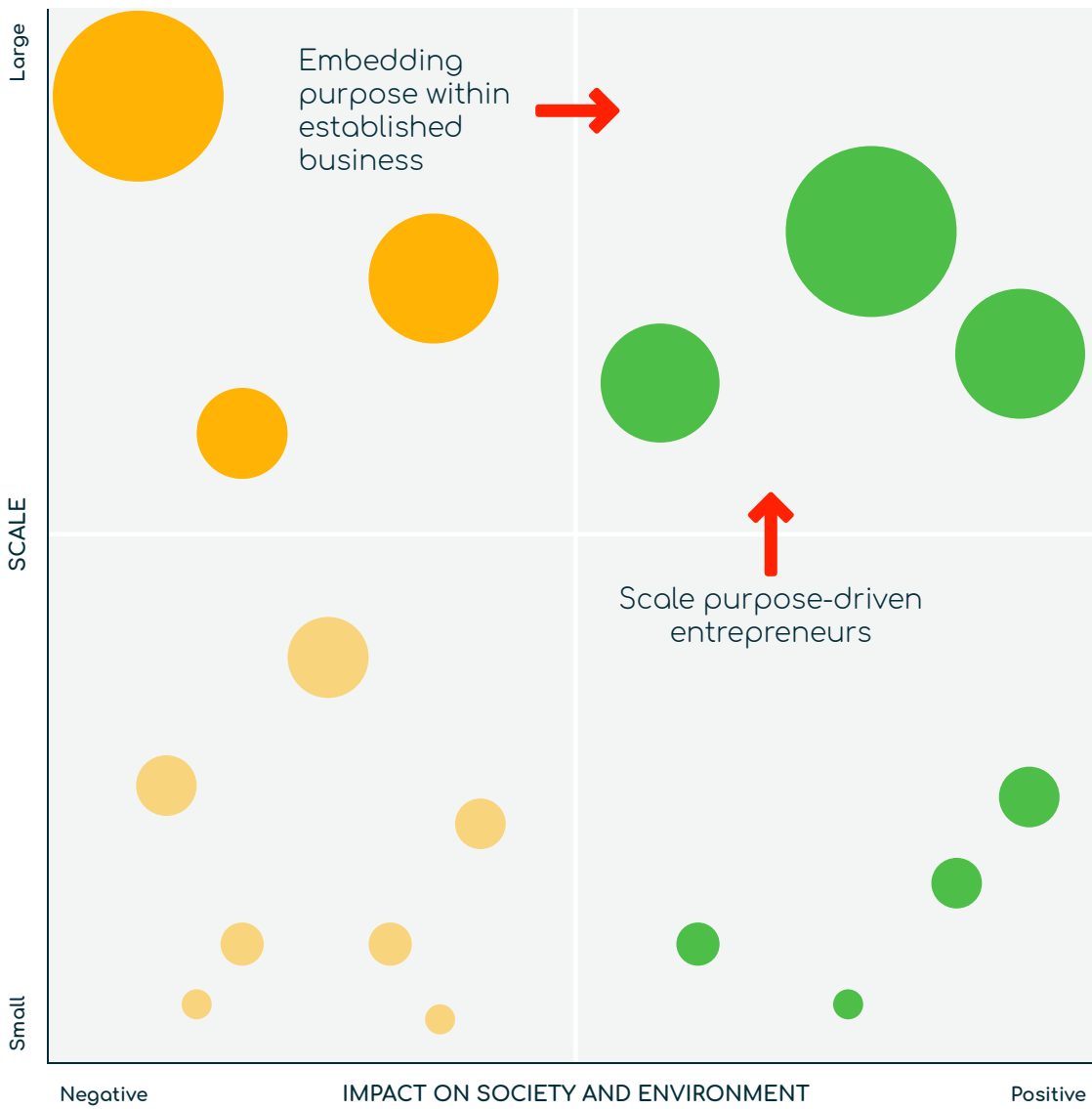
It is, however, harder than it should be to set up, grow or lead a business that is explicitly seeking to have a positive impact on society or the environment. The ecosystem that supports them is immature, and too many leaders are frustrated in their attempts to live with a purpose beyond profit in their businesses.

We are a deeply collaborative organisation, and have gathered leading thinkers from across established businesses, government, academia, investment and entrepreneurship.

Together, we are conducting research that identifies the barriers and shares the solutions necessary to make the UK, and wider world, a great place for purpose-driven entrepreneurs and businesses. In due course we also intend to start programmes to help make this happen.

Figure one shows business will have a greater, positive impact on the world if more purpose-driven businesses are supported to scale and established business embed purpose in all that they do.

Figure one. Business will have a greater, positive impact on the world if more purpose-driven businesses are supported to scale and established business embed purpose in all that they do.





# Executive Summary

When businesses' unique ability to innovate and scale is combined with a drive for positive impact it can transform society and the planet. As we seek to recover from the pandemic, we are at a unique point in history where this positive impact from business is desperately needed.

This paper sets out a summary of what a purpose-driven business is and how to spot one. It is accompanied by a second paper (The Case for Purpose-driven Business, ReGenerate, July 2020) which outlines the case for these businesses: the public want them; they can do a huge amount of good; and businesses that are purpose-driven are increasingly shown to be more successful and sustainable.

## The history of purpose

The idea of businesses being driven by a purpose beyond profit is not new. From the first corporations, 4,000 years ago, through to the Industrial Revolution and beyond, there has often been a cultural expectation that they existed to fulfil a public purpose that went beyond returning profit to owners.

This started to shift in the 1950s, driven mainly by the Chicago School of Business and Milton Friedman; the disaggregation of business ownership; and an influx of profit-hungry buy-out firms driving company minds to focus primarily on profit<sup>1</sup> It is not that all business and entrepreneurship shifted into a profit-only mindset, but rather these changes shifted the balance towards it.

More recently, there have been significant number of research, theories and movements showing how business can do more good they can do in the world.

This intellectual work has been accompanied by action on the ground. Business leaders are increasingly recognising the need to lead with purpose and there has been a boom in Environmental, Social and Governance (ESG) and impact investing. However, at the

<sup>1</sup> For more information on this, the following book is an informative place to start: Carey, D. and Morris, J., King of Capital, 2012

same time support for purpose-driven entrepreneurs wanting to grow or for leaders in established business wanting to reorient towards purpose lags behind. It will be crucial to close this gap. The critical first step is to create a common understanding of what a “purpose-driven business” is.

## What is a purpose-driven business?

A definition creates a shared and common understanding of purpose-driven business, and helps safeguard against purpose-washing. We have adopted the definition expressed by Professor Colin Mayer CBE:<sup>2</sup>

“To produce profitable solutions to the problems of people and planet, and not to profit from producing problems for people or planet.”<sup>3</sup>

Professor Colin Mayer

This definition assumes that purpose must go beyond the attainment of profit and have a positive impact on people and the planet. “Purpose”, therefore, is shorthand for a “positive purpose beyond profit”. To ground it further we explore three elements of it in more detail below:

### 1. The importance of an holistic approach

For a company to be purpose-driven they need to care about the impact they have on everyone they are connected with, such as their employees, supply chain and customers and consider both the social and environmental implications of their decisions. By adopting a purpose-driven mindset, companies are also aligning the interests of all of their stakeholders, as this approach is increasingly proven to create more successful companies, benefiting owners and shareholders too.<sup>4</sup>

### 2. How being purpose-driven leads to impact on people and the plane

There is an intrinsic link between being purpose-driven and having a positive impact on the world, but they are not quite the same thing. Being purpose-driven is a mindset and an approach that a business takes. A positive impact for society and the environment, on the other hand, comes when these businesses are successful in living out their purpose.

### 3. The power of combining purpose with profit

Purpose-driven businesses do not just create “solutions”, but rather “profitable solutions” for people and the planet. The unique contribution of purpose-driven businesses is that they combine impact with the capital that is necessary to scale, and therefore benefit large numbers of people.

2 For reference, Professor Mayer's is the Peter Moores Professor of Management Studies at Saïd Business School, Author of *The Future of the Corporation*, British Academy, 2019 and author of *Prosperity: Better Business Makes the Greater Good*, Oxford University Press, 2018.

3 It's time to redefine the purpose of business. Here's a roadmap, World Economic Forum, January 2020 (accessed via <https://www.weforum.org/agenda/2020/01/its-time-for-a-radical-rethink-of-corporate-purpose>)

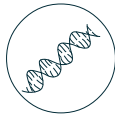
4 The Case for Purpose-driven Business, ReGenerate, July 2020 (accessed via [re-generate.org](http://re-generate.org))



# How can you tell if a company is purpose-driven?

As understanding has grown of the purpose-driven for investors, customers and employees, so has the industry for publicising purposeful intent. What sets apart a truly purpose-driven company from one that is simply using it as a marketing tool?

We outline four things to look for.



## 1. Intent

**Have they set out an authentic, practical and inspiring purpose that will benefit society?**

Articulating, in some way, their purpose is crucial to help employees, investors and customers, both current and potential, understand what the company stands for and help them make good decisions on whether they wish to invest, work for or buy from the business.



## 2. Business Model

**How central is the purpose to the core business model – does it reflect the core commercial activity and shape profit distribution?**

Purpose-driven businesses are set up to deliver meaningfully and tangibly on their purpose. In other words, it is not enough for a business to simply set out why they exist. They must also have a clear plan on how they are going to live out their purpose in practice.



## 3. Governance and Operations

**Does the way the business is governed and operated reflect their purpose? Does the business care about people?**

The organisation's leaders will embody the purpose and be authentic in their desire for the company to live it out. This needs to be reflected in everything from the way Board meetings are conducted to the way in which they recruit.

Some purpose-driven companies lock in their purpose externally, as well as leading on it internally, through everything from embedding a purpose statement into the company's articles to signing up to an accreditation body.



## 4. Measurement

**Do they measure and seek to understand their impact?**

Whether or not a company measures their impact is a sign of whether they are taking it seriously. It is useful not only to show the outside world the effect they are having, but also to show how they are progressing and provide feedback to help them understand what is, and is not, working for them. It also shows that they welcome external scrutiny on whether or not they are successfully living out their purpose.





# Introduction

Entrepreneurs and established businesses have tremendous power to help tackle the great social and environmental issues of our age. They cannot do it alone, but they do have a unique role due to their innovative power and ability to deliver solutions at scale.

There has also never been a stronger case for a more compassionate capitalism that seeks the good of people and the planet, not just profits, for a couple of reasons.

First, purpose-driven businesses are currently needed more than ever. Covid-19 will leave in its wake significant social problems, from serious mental health effects driven by isolation and loneliness to whole regions being without work. Over two million people are now reliant on welfare to pay the bills.<sup>5</sup> And this is just the beginning.

Second, businesses will have a greater weight of responsibility on their shoulders than ever before. At the start of the pandemic, businesses were supported by up to £350 billion.<sup>6</sup> This is money that the public will be paying off for generations to come. It is right for society to expect more from business as a result of this investment.

As things stand, most businesses, intentionally or otherwise, contribute to more than just the pockets of their shareholders. Typically, this is through providing employment, paying taxes that fund public services and creating goods and services that the public need and enjoy. Moreover, much of the shareholder benefit goes into people's pensions, helping provide for them in later life.

We will likely need, however, more than just "business as usual" or a "growth at all costs" attitude if everyone is to recover well from Covid-19. Evidence is already emerging that, as well as having a greater impact on society, businesses with a purpose beyond profit are also proving more resilient during the pandemic.<sup>7</sup>

This paper sets out a summary of what a purpose-driven business is and how to spot one.

<sup>5</sup> Employment in the UK: May 2020, Office of National Statistics, May 2020 (accessed via <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/employmentintheuk/may2020>)

<sup>6</sup> Coronavirus: Chancellor unveils £350bn lifeline for economy, BBC, March 2020 (accessed via <https://www.bbc.co.uk/news/business-51935467>)

<sup>7</sup> Debevoise, N, Why Purpose-Driven Businesses Are Faring Better In Covid-19, May 2020 (accessed via [www.forbes.com/sites/nelldebevoise/2020/05/12/why-purpose-driven-businesses-are-faring-better-in-covid-19](http://www.forbes.com/sites/nelldebevoise/2020/05/12/why-purpose-driven-businesses-are-faring-better-in-covid-19))

It is accompanied by a second paper (The Case for Purpose-driven Business, ReGenerate, July 2020) which outlines the case for these businesses: the public want them; they can do a huge amount of good; and businesses that are purpose-driven are increasingly shown to be more successful and sustainable.

Whether you are an entrepreneur or business leader, or someone who is personally or professionally interested in how businesses can increasingly both do good and make money, we hope you find this paper, and the wider work of ReGenerate, useful in making the case for purpose-driven business.



# The history of purpose

The idea of businesses being driven by a purpose beyond profit is not new. From the first corporations, 4,000 years ago, through to the Industrial Revolution and beyond, there has often been a cultural expectation and understanding that they existed to fulfil a public purpose that went beyond returning profit to owners.

“It is only over the last 60 years that the drive to equate corporate purpose with increasing profit has become so acute.”

Professor Colin Mayer, *The Future of the Corporation*, 2019

This culture started to change around the 1950s. It was driven, in part, due to new economic thinking from the Chicago School of Business and by Milton Friedman in his seminal book, *Capitalism and Freedom* (1962). At the same time, the nature of business ownership moved away from families to a disaggregated set of shareholders, and there was an influx of profit-hungry buy-out firms driving companies to focus primarily on profit.<sup>8</sup>

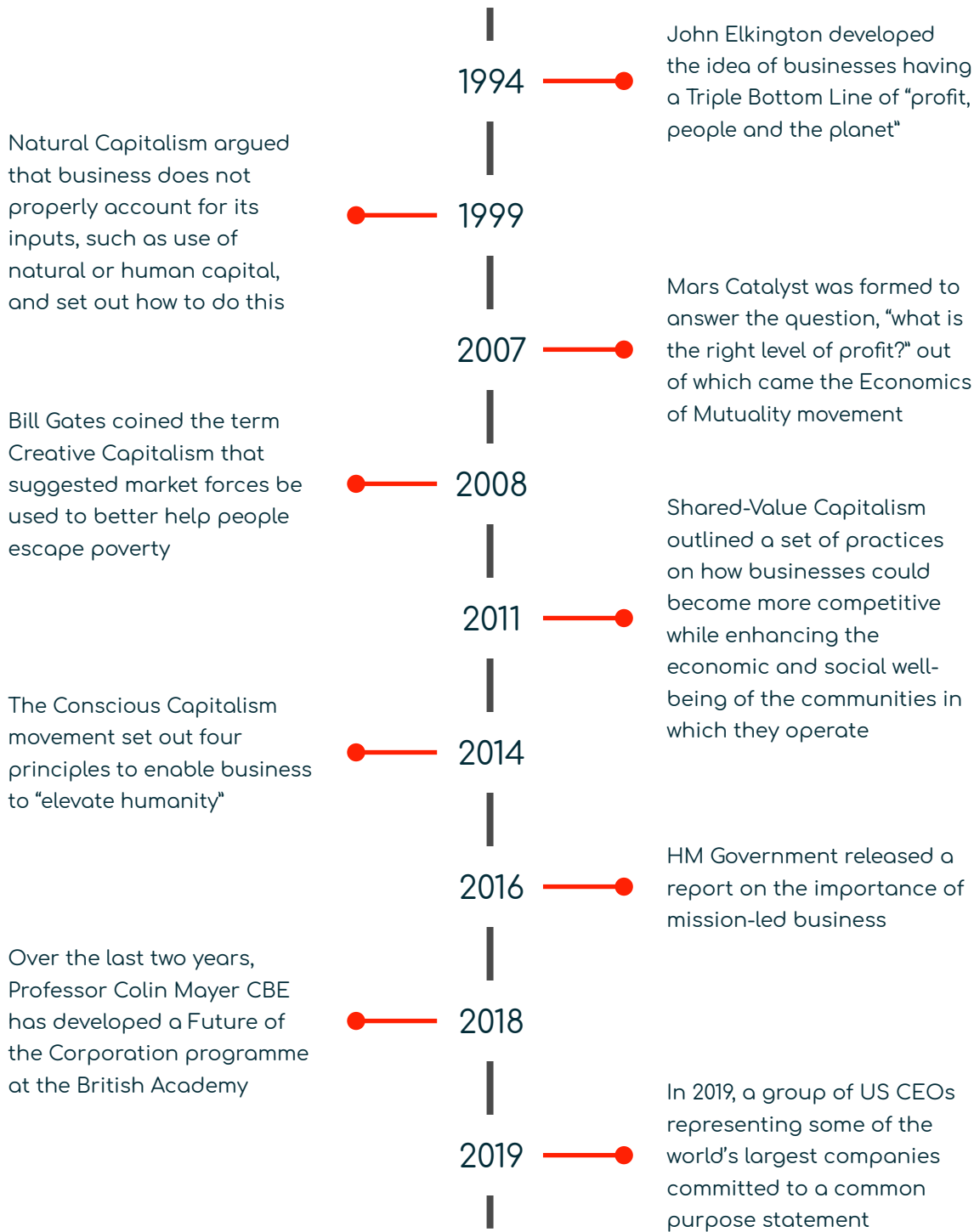
It is not that all businesses and entrepreneurship shifted into a profit only mindset over this period, but rather these changes shifted the balance towards it.

More recently, there have been a number of significant attempts to help businesses reorientate around the good they can do in the world, with a set of foundational ideas, research papers and movements making the case, in one way or another, for businesses to seek profits through their purpose. Figure two shows a timeline of seminal works.

Each of these theories, movements and reports have brought a wealth of insight and, despite them all coming from different angles, helped develop a common cause of business being about more than profit.

<sup>8</sup> For more information on this, the following book is an informative place to start: Carey, D. and Morris, J., *King of Capital*, 2012

Figure two: Timeline of seminal works



Sources: (9, 10, 11, 12, 13, 14, 15, 16, 17)

9 Elkington, J., Towards the Sustainable Corporation: Win-Win-Win Business Strategies for Sustainable Development, California Management Review, 1994 (accessed via [www.scirp.org/\(S143dyn45teexjx455qlt3d2q\)/reference/ReferencesPapers.aspx?ReferencelD=1635822](http://www.scirp.org/(S143dyn45teexjx455qlt3d2q)/reference/ReferencesPapers.aspx?ReferencelD=1635822))

10 Hawken, P, Lovins, A., Hunter Lovins, L., Natural Capitalism: Creating the Next Industrial Revolution, Little, Brown and Company

11 Economics of Mutuality, Mars Catalyst (accessed via [eom.org/mars-catalyst](http://eom.org/mars-catalyst))

12 Koehn, N., The Time is Right for Creative Capitalism, Harvard Business School, 2008 (accessed via [hbswk.hbs.edu/item/the-time-is-right-for-creative-capitalism](http://hbswk.hbs.edu/item/the-time-is-right-for-creative-capitalism))

13 Porter, M. and Kramer, M., Creating Shared Value, Harvard Business Review, 2011 (accessed via [hbr.org/2011/01/the-big-idea-creating-shared-value](http://hbr.org/2011/01/the-big-idea-creating-shared-value))

14 Conscious Capitalism (accessed via [www.consciouscapitalism.org](http://www.consciouscapitalism.org))

15 On a Mission in the UK Economy, Independent Review for the Department for Digital, Culture, Media & Sport, 2016 (accessed via [assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/574694/Advisory\\_Panel\\_Report\\_-\\_Mission-led\\_Business.pdf](http://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/574694/Advisory_Panel_Report_-_Mission-led_Business.pdf))

16 Professor Meyer, C., The Future of the Corporation, The British Academy, 2018 (accessed via [www.thebritishacademy.ac.uk/sites/default/files/Reforming-Business-for-21st-Century-British-Academy.pdf](http://www.thebritishacademy.ac.uk/sites/default/files/Reforming-Business-for-21st-Century-British-Academy.pdf))

17 Business Roundtable Redefines the Purpose of a Corporation to Promote ‘An Economy That Serves All Americans’, August 2019 (accessed via [www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans](http://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans))

# Moving back towards purpose

This intellectual work has been accompanied by real action on the ground. In the early 2000s, Corporate Social Responsibility (CSR) was in vogue. While it has had some positive social and environmental impact, CSR is frequently not tied to companies core business model, and the resultant benefits for people and the planet are often muted as a consequence.

Today, business leaders are beginning to talk about purpose: only seven percent of Fortune 500 CEOs said they thought business is now solely about profit.<sup>18</sup> It does not mean they are all running purpose-driven businesses, but there is clearly growing momentum towards businesses needing to at least demonstrate that they have a purpose beyond profit.

“Without a sense of purpose, no company, either public or private, can achieve its full potential.”

Larry Fink, the Chairman and Chief Executive of BlackRock, 2018

There has, too, been a resurgence of purpose in investing. This is evidenced in the fact that there are now more than 1,340 organisations managing \$502 billion in impact investments around the world.<sup>19</sup> Investments in products focusing on Environmental, Social and Governance criteria (ESG) has also increased significantly. According to JP Morgan, sustainable investments around the world have surged to \$8 trillion, albeit out of a total \$79 trillion invested assets.<sup>20</sup> It is worth noting, however, that while this is a signal of greater purpose-driven activity, just because a business receives Impact Investment or is ESG compliant does not mean it is necessarily purpose-driven. Furthermore, while Impact and ESG Investing is growing, the support for purpose-driven entrepreneurs to scale or established businesses to truly embed purpose in all that they do is lagging behind. It will be crucial to close this gap.

“There is a fundamental shift occurring both within companies and more generally in society; rather than regarding profit maximisation as the purpose of business, profit is increasingly being regarded as an outcome of a company’s purpose.”

How can investors identify a purpose-led company?, Blueprint for Better Business, May 2018

<sup>18</sup> Purpose: Shifting from why to how, McKinsey Quarterly, April 2020 (accessed via [www.mckinsey.com/business-functions/organization/our-insights/purpose-shifting-from-why-to-how](http://www.mckinsey.com/business-functions/organization/our-insights/purpose-shifting-from-why-to-how))

<sup>19</sup> Sizing the Impact Investing Market, Global Impact Investing Network, April 2019 (accessed via [thegiin.org/research/publication/impinv-market-size](http://thegiin.org/research/publication/impinv-market-size))

<sup>20</sup> On the Minds of Investors, Market Insights, JP Morgan, September 2019 (accessed via [am.jpmorgan.com/blob-gim/1383636833357/83456/JPM52274\\_ML\\_OTMOL\\_ESG\\_Oct\\_2019\\_v2\\_for\\_web.pdf](http://am.jpmorgan.com/blob-gim/1383636833357/83456/JPM52274_ML_OTMOL_ESG_Oct_2019_v2_for_web.pdf))

## US CEOs commit to a common purpose statement

In August of 2019, a group of top US CEOs, including Apple and Amazon, decided to publicly announce a common purpose agreement between them, which committed to the following:

- Delivering value to our customers. We will further the tradition of American companies leading the way in meeting or exceeding customer expectations.
- Investing in our employees. This starts with compensating them fairly and providing important benefits. It also includes supporting them through training and education that help develop new skills for a rapidly changing world. We foster diversity and inclusion, dignity and respect.
- Dealing fairly and ethically with our suppliers. We are dedicated to serving as good partners to the other companies, large and small, that help us meet our missions.
- Supporting the communities in which we work. We respect the people in our communities and protect the environment by embracing sustainable practices across our businesses.
- Generating long-term value for shareholders, who provide the capital that allows companies to invest, grow and innovate. We are committed to transparency and effective engagement with shareholders.





# What is a purpose-driven business?

“What is your company’s core reason for being, and where can you have a unique, positive impact on society?”

Purpose: Shifting from why to how, McKinsey Quarterly, 2020

This question lies at the heart of every purpose-driven business. The answer to which is unique for every entrepreneur and established business leader, drawing on inputs such as their history, experience, assets and passions.

## Defining purpose in companies

A definition, by itself, changes little, yet does play an important role: it is crucial in creating a shared and common understanding. It is a cornerstone on which to build, and helps safeguard against purpose-washing, where the name of purpose can be used simply as a marketing and branding tool.

The most lucid definition, which is increasingly being adopted - including by ReGenerate - is that expressed by Professor Colin Mayer:

“To produce profitable solutions to the problems of people and planet, and not to profit from producing problems for people or planet.”<sup>21</sup>

Professor Colin Mayer

This definition makes two assumptions. First, that purpose must go beyond the attainment of profit and, second, that it must have a positive impact on people and the planet. “Purpose”, therefore, is shorthand for a “positive purpose beyond profit”.

<sup>21</sup> Professor Meyer, C., The Future of the Corporation, The British Academy, 2018 (accessed via [www.thebritishacademy.ac.uk/sites/default/files/Reforming-Business-for-21st-Century-British-Academy.pdf](http://www.thebritishacademy.ac.uk/sites/default/files/Reforming-Business-for-21st-Century-British-Academy.pdf))

The definition is also broad, and necessarily so given the wide-ranging nature of different companies' purposes it encompasses. To ground it further we explore three elements of it below, namely:

- The importance of an holistic approach;
- How being purpose-driven leads to impact on people and the planet;
- The power of combining purpose with profit.

## The importance of an holistic approach

For a company to be purpose-driven, their purpose needs to be part of their DNA. Charles Wookey, CEO of Blueprint for Better Business told us:

"It is all about mindset - how the business thinks about both purpose and people. It isn't enough to simply talk about purpose, or have a few initiatives that do good in the world. The entire mindset of a purpose-driven company must be orientated around how, by the company's very existence, the world is made a better place and people are helped. And this must encompass everything they do: a business is essentially a set of relationships, and a purpose-driven business cares about each one of those relationships and wants to support the people they are connected with to flourish."<sup>22</sup>

Charles Wookey

Purpose-driven businesses, therefore, care about the impact they have on everyone they are connected with including their employees, supply chain and customers and they consider both the social and environmental implications of their business decisions.

Consider for example, a company producing a product that is a breakthrough in tackling climate change, yet has slavery in their supply chain; or one providing employment opportunities for ex-offenders yet with a product that is hugely damaging to the environment. It is hard to argue that such companies were solving problems for people and the planet, more than they were creating them.

By adopting a purpose-driven mindset in all that they do, such companies are also aligning the interests of all of their stakeholders. For, not only does this approach benefit their employees, supply chains and others they are engaged with, but an increasing body of evidence also shows purpose-driven companies are more likely to be successful and sustainable, which benefits owners too (See Business Breakthrough, ReGenerate, 2020 for more details).

Furthermore, evidence is already emerging that, as well as having a greater impact on society, businesses with a purpose beyond profit are also proving more resilient during the pandemic.<sup>23</sup>

<sup>22</sup> In conversation with ReGenerate, May 2020

<sup>23</sup> Debevoise, N, Why Purpose-Driven Businesses Are Faring Better In Covid-19, May 2020 (accessed via [www.forbes.com/sites/nelldebevoise/2020/05/12/why-purpose-driven-businesses-are-faring-better-in-covid-19](http://www.forbes.com/sites/nelldebevoise/2020/05/12/why-purpose-driven-businesses-are-faring-better-in-covid-19))

# How being purpose-driven leads to impact on people and the planet

There is an intrinsic link between being purpose-driven and having a positive impact on the world, but they are not quite the same thing. Impact is the fruit of a company's purpose when it is well delivered.

Being purpose-driven is a mindset and an approach that a business takes. It is a way of running a business. A positive impact for society and the environment, on the other hand, comes when these businesses are successful in living out their purpose. In other words, positive impact is the fruit of a company's purpose when it is well delivered.

## The power of combining purpose with profit

As set out in Professor Mayer's definition, purpose-driven businesses create "profitable solutions", not just "solutions". Purpose-driven businesses are unique in their ability to combine social and environmental impact with the capital that is necessary to scale.

A unique contribution of purpose-driven businesses is that they have the potential to combine social and environmental impact with the capital that is necessary to scale, and benefit large numbers of people. This is possible because they have identified fully market-based solutions to the problems of people and the planet.

This creates an important distinction between purpose-driven businesses, and charities and the majority of social enterprises (shown in Figure three).<sup>24</sup>

It is not that charities and social enterprises do not do a huge amount of good, they do and the role of purpose-driven business should be to work alongside them to help boost social and environmental impact.

A complementary approach to generating greater social and environmental impact is boosting the flow of capital - or philanthropy - to these charities and social enterprises to increase their impact. While ReGenerate supports this on (after all, we are ourselves a charitable enterprise) our focus is on purpose-driven businesses.

<sup>24</sup> "Social Enterprise" is a term with broad usage. While most social enterprises prioritise purpose over profit through mechanisms such as asset locks, some are more aligned with our definition of purpose-driven business.


Figure three: Distinctions between different models.

	Charity	Social enterprise	Purpose-driven business	Profit-driven business
What	Addressing social / environmental issues through programmes.	Addressing social / environmental issues through programmes and business activities.	Addressing social / environmental issues and delivering profit to investors through business activity.	Delivering profit to financial owners through business activity.
Funding	Grants and philanthropy	Grants, philanthropy and commercial returns	Commercial returns	Commercial returns
Number	168,000 (England and Wales only)	471,000	Circa 123,000	Circa 5.9 million
Turnover	£79 billion (England and Wales only)	£59 billion	Circa £165 billion	Circa £4,150 billion
Potential legal model	Not-for-profit	Not-for-profit, Not-for-profit with for-profit trading arm, CIC, Co-operative, mutual, industrial and provident society	For-profit company (No specific legal form created)	For-profit company

Sources: Multiple (see below <sup>25</sup>)

Note: Purpose-driven business figures are a proxy, taken from a review of “mission-led business” with a very similar definition.

25 The data contained within this table has come from the sources set out below. Please note that the most recent data available has been used for each:  
 Charities: Charity Commission Annual Report 2018-2019, 2019 (accessed via [assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/814656/Charity\\_Commission\\_Annual\\_Report\\_2019\\_2019.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/814656/Charity_Commission_Annual_Report_2019_2019.pdf))  
 Social Enterprises: Social enterprise: market trends 2017, Department for Digital, Culture, Media and Sport and Department for Business, Energy and Industrial Strategy, 2017  
 Purpose-driven business: In pursuit of impact, Deloitte, Big Society Capital and Department for Digital, Culture, Media and Sport, 2016 (accessed via [assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/574693/MLB\\_data\\_report\\_-\\_In\\_Pursuit\\_of\\_Impact.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/574693/MLB_data_report_-_In_Pursuit_of_Impact.pdf))  
 Profit-driven business: Rhodes, C., Business Statistics, House of Commons Library, 2019 (accessed via [researchbriefings.files.parliament.uk/documents/SN06152/SN06152.pdf](https://researchbriefings.files.parliament.uk/documents/SN06152/SN06152.pdf))



# How can you tell if a company is purpose-driven?

As understanding of the purpose-driven for investors, customers and employees has grown, so has the industry of publicising purposeful intent. It is not necessarily easy to tell purpose-washed from purpose-driven - at least on the surface. Now that we have set out the definition, what sets apart a truly purpose-driven company from one that is simply using purpose as a marketing and branding tool?

In this section we set out some questions that businesses and their stakeholders can ask, to build a sense of whether their purpose is part of their DNA or simply branding. We draw particularly on the excellent work by A Blueprint for Better Business, to whom we are grateful.<sup>26</sup> In addition we have drawn on the In Pursuit of Impact study co-authored by Deloitte, DCMS and Big Society Capital, and McKinsey's recent article Purpose: Shifting from why to how.<sup>27 28</sup>

Our questions are structured around the four tests set out in Deloitte's work. They have been modified slightly to account for a difference in frame, with Deloitte looking at "mission-led", rather than "purpose-driven" business:<sup>29</sup>

1. **Intent:** Have they set out an authentic, practical and inspiring purpose that will benefit society?
2. **Business Model:** How central is the purpose to the core business model – does it direct the core commercial activity and shape profit distribution?
3. **Governance and Operations:** Does the way the business is governed and operated and the key stakeholders engaged reflect their purpose? Does the business care about people?
4. **Measurement:** do they measure and seek to understand their impact?

<sup>26</sup> The Five Principles of a Purpose Driven Business, A Blueprint for Better Business (accessed via [www.blueprintforbusiness.org/explore\\_principles](http://www.blueprintforbusiness.org/explore_principles))

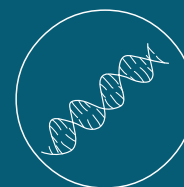
<sup>27</sup> In pursuit of impact, Deloitte, Big Society Capital and Department for Digital, Culture, Media and Sport, 2016 (accessed via [assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/574693/MLB\\_data\\_report\\_-\\_In\\_Pursuit\\_of\\_Impact.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/574693/MLB_data_report_-_In_Pursuit_of_Impact.pdf))

<sup>28</sup> Purpose: Shifting from why to how, McKinsey Quarterly, April 2020 (accessed via [www.mckinsey.com/business-functions/organization/our-insights/purpose-shifting-from-why-to-how](http://www.mckinsey.com/business-functions/organization/our-insights/purpose-shifting-from-why-to-how))

<sup>29</sup> These two terms are looking at effectively the same area, but from a different angle

# 1. Intent

Have they set out an authentic, practical and inspiring purpose that will benefit society?



## Useful questions to ask

- What is the strength of strategic commitment to their purpose?
- Is the purpose reflected in the organisation's strategy and committed to through a long-term target or goal?
- Does the organisation's purpose deliver long term sustainable performance?
- Is the outworking of the organisation's purpose likely to lead to a positive social and environmental impact?

The starting point to understanding whether a company is purpose-driven is looking for signs of intent. Have they set out an authentic, practical and inspiring purpose that will benefit society? Doing so is crucial to help employees, investors and customers, both current and potential, understand what the company stands for and to help them make a decision on whether they wish to invest, work for or buy from the company.

At a basic level, have they even stated that they have a purpose? Companies do this in a variety of ways. While some will have specific purpose statements, such as Anglian Water, others will have it embedded in the way they talk about themselves, such as Timpson.

"Our Purpose is to bring environmental and social prosperity to the region we serve through our commitment to Love Every Drop."

Anglian Water<sup>30</sup>

"Timpson really are an equal opportunities employer. We consider anyone for our vacancies as long as they are able to do the job. This includes ex-offenders and other marginalised groups. We recruit exclusively on personality and expect all of colleagues to be happy, confident and chatty individuals."

Timpson<sup>31</sup>

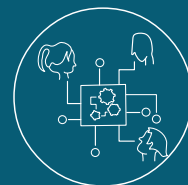
It is, however, important that the company does not just have a purpose statement but that they are really intent on delivering it, demonstrated through their actions and whether they have clearly thought through how they are going to live out their purpose in their strategy, measurement and elsewhere. We explore these more below.

<sup>30</sup> Anglian Water website (accessed via [www.anglianwater.co.uk/about-us/our-purpose/](http://www.anglianwater.co.uk/about-us/our-purpose/))

<sup>31</sup> Timpson website (accessed via [www.timpson.co.uk/about/careers-at-timpson](http://www.timpson.co.uk/about/careers-at-timpson))

## 2. Business Model

How central is the purpose to the core business model - does it reflect the core commercial activity and shape profit distribution?



### Useful questions to ask

- Is the purpose directly connected to the profit engine / superpower of the organisation, or is it a side-project/product/service?
- Are investors supportive of the purpose / do their interests align with that of the business?
- Does the business model rely on practices that are damaging to people or planet i.e. the business model wouldn't stand up without causing this damage? If so, is there a clear and credible plan to transition away from this?
- Does the business proactively address negative impacts of its model, and seize opportunities to have a greater positive impact?

In addition to demonstrating intent, purpose-driven businesses need to be set up to deliver meaningfully and tangibly on their purpose by embedding it across their culture and operations, and be constantly seeking further ways of using its resources for good. As Timothy Henry, Co-Author of *The Conscious Capitalism Field Guide* (2018) puts it:

"For a company to be truly purpose-driven, they need to really live it. It should affect all that they do, from strategy to operations to culture. It should affect the way they treat their staff and the way they treat their supply chain and customers.

Business leaders need to be asking whether their purpose is alive at every part of the organisation. Are people making decisions based on their purpose - or is it simply a statement on the wall in their office, that has no real meaning in their day to day work?

Without embedding purpose in an organisation's behaviour, it will merely be another mission statement and do little to affect any social or environmental good."<sup>32</sup>

Timothy Henry

In other words, it is not enough for a business to simply set out why they exist. They also must have a clear plan on how they are going to live out their purpose in practice, such that it informs their core business strategy. This is crucial to their purpose not just being inspiring, but also authentic i.e. it needs reflect what the company actually does. And the purpose needs to be practical so it can actually be used to take decisions. Does the way the business is governed and operated reflect their purpose? Does the business care about people?

<sup>32</sup> In conversation with ReGenerate, May 2020

### 3. Governance and Operations

Does the way the business is governed and operated reflect their purpose? Does the business care about people?



#### Useful questions to ask

- Have they embedded their purpose in their company articles and governance?
- How is purpose kept at the top of everyone's mind, every day?
- Are board discussions and agendas anchored to the purpose?
- Is operating with purpose a factor in recruitment, retention and promotion?
- Does the organisation measure and report on its impact?
- Does the organisation seek external accountability on its impact e.g. through an accreditation body?
- Is the business honest and fair with customers and suppliers?
- Is the business a responsible and responsive employer?
- Does the business actively seek to remove damaging practices from its operation and supply chain, and proactively integrate its purpose into its operations?
- Does the business make a full and fair contribution to society by structuring its business and operations to pay promptly all taxes that are properly due?
- Does the organisation act as a guardian for future generations, for example contribution to regulatory improvement, protecting resources for future generations and investing in skills and knowledge?

The depth of questions on governance and operations is a signal as to their importance. While this is not the place for a detailed discussion of each one, there are a few overarching areas worth exploring, namely: leadership; Board level ownership; and governance.

An organisation ultimately reflects the values and behaviour of its leaders. It is, therefore, crucial that the leaders embody the corporation's purpose and are authentic in their desire for the company to live it out. This needs to be reflected in everything from the way Board meetings are conducted to ensuring the purpose is reflected in recruitment at every level of the organisation.

For this to happen, there needs to be ownership at a Board level, with the CEO being the lead on bringing the purpose to life. Otherwise, governance arrangements where purpose is contained within a siloed CSR function, or where Board discussions do not integrate thinking on delivery of their purpose into each area of the business, are unlikely to set up a business to deliver on their purpose well.

Some purpose-driven companies choose to lock in their purpose externally, as well as leading on it internally, through everything from embedding a purpose statement into the company's articles, which makes the Board legally responsible for delivering on it; through to signing up to an accreditation body, such as becoming a B Corporation or joining the Good Business Charter.



## Purposely

Purposely is a simple, web-based tool that supports company founders in embedding purpose into their company articles. After filling in a short set of questions, founders are directed to one or more recommended examples of company articles, alongside tips on how to adapt them to their purpose, and legal support with drafting and registering them at Companies House.

## B Lab UK

B Lab is the non-profit responsible for growing the B Corp movement. This movement, having originated in the US, launched in the UK in 2015. It is a certification system for businesses that ensures they meet high standards of verified social and environmental performance, legal accountability and public transparency, in order to balance profit and purpose, redefine success, and build a more inclusive and sustainable economy. There are currently over 300 certified B Corporations in the UK.

To become a B Corp, a business must undergo a rigorous Impact Assessment, where they are assessed under five categories: Governance, Workers, Community, Customers and Environment. Businesses must score at least 80 points (most companies score between 40 and 100) to validate that they have achieved a significant threshold of impact to become a B Corp.

B Lab believes that society's most challenging problems cannot be solved by government and nonprofits alone. By harnessing the power of business, they use profits and growth as a means to positive impact for their employees, communities, and the environment.

The values and aspirations of the B Corp community are embedded in their Declaration of Interdependence:

- To be the change we seek in the world;
- To conduct business as if people and place mattered;
- Businesses should aspire to do no harm and benefit all;
- To understand we are dependent upon and responsible for each other.

Certified B Corps also amend their legal governing documents to require their board to balance profit and purpose. The combination of third-party validation, transparency, accountability help B Corps grow in trust and value.

## The Good Business Charter

The GBC was founded in 2019, as an initiative of the Good Business Foundation, a charity whose board includes representatives from The Confederation of British Industry and the Trades Union Congress. It currently includes 56 accredited organisations.

The GBC is partnered with operators, such as the Living Wage Foundation, the Ethical Trading Initiative and the Prompt Payment Code, amongst others.

In order to sign up to the Charter each business must evaluate its operations in relation to 10 component areas, and be required to:

1. Pay directly employed staff and regular contracted staff the real living wage;
2. Have fair hours and contracts, including fair shift scheduling, cancellation policy and consideration for guaranteed hours contracts;
3. Not have any penalties around issues of employee well-being, such as legitimate sickness;
4. Have all employers engage with worker representatives and ensure there is employee representation around the boardroom table;
5. Evidence how they monitor the diversity and inclusion of their workforce and their commitment to closing pay gaps;
6. Commit to environmental responsibility and demonstrate they are committed to reducing their environmental impact;
7. Pay fair tax, not engage in tax avoidance and commit to be transparent in their relationship with HMRC;
8. Publish their commitment to customers on their website while gathering and monitoring customer feedback;
9. Commit to the standards set out in the Ethical Trading Initiative Base Code for ethical sourcing;
10. Sign the government's Prompt Payment Code to ensure prompt payment to suppliers.

It is notable for its simplicity, and believes that this will be key to its success. Application is easy, taking less than an hour to complete. Signing up to the GBC is free for the first year. The GBC's hope is that simplicity and cost effectiveness facilitates growth, which, in turn, will help it play its part in creating change in business to boost responsibility.

## 4. Measurement

Do they measure and seek to understand their impact?



### Useful questions to ask

- What approach do they use to identify whether or not their purpose has had the positive impact they hoped for?
- Do they consider both quantitative and qualitative approaches to judging success?
- Do they make their results publicly available?

While not sufficient by itself, whether or not a company measures their impact is a sign of whether or not they are taking it seriously. It is useful not only to show the outside world the effect they are having on people and the planet, but also to show how they are progressing and provide feedback to help them understand what is, and is not, working for them. It also shows that they welcome external scrutiny on whether or not they are successfully living out their purpose.

There is a risk, however, of an over-reliance on data: not everything that is important can be measured, and not everything that can be measured is important. It is, therefore, crucial that the right metrics are used and that they are interpreted alongside other insights on a company.

While the concept of measuring and reporting on purpose is simple, the practice of it is hard and many different approaches have been developed to enable it. Here are just some of the tools used over the past 30 years:

- Social Return on Investment
- Multiple capital models
- Full Cost Accounting
- ESG (a framework focusing investors and financial analysts on Environmental, Social and Governance factors)
- The Environmental Profit & Loss approach
- Net Positive, Blended and Shared Value
- Integrated Reporting
- Impact Investment
- Boston Consulting Group's Total Societal Impact framework

We do not plan to get into which measures are best. The only point we would make, is that businesses need to be measuring and reporting on their purpose in the most effective way possible (which will also vary across sectors and business types).

This is, however, an area where improvements and new breakthroughs are needed. John Elkington, author of the Triple Bottom Line movement, expressed it well:

“Together with its subsequent variants, the TBL (Triple Bottom Line) concept has been captured and diluted by accountants and reporting consultants. Thousands of TBL reports are now produced annually, though it is far from clear that the resulting data are being aggregated and analyzed in ways that genuinely help decision-takers and policy-makers to track, understand, and manage the systemic effects of human activity.... Whereas CEOs, CFOs, and other corporate leaders move heaven and earth to ensure that they hit their profit targets, the same is very rarely true of their people and planet targets. Clearly, the Triple Bottom Line has failed to bury the single bottom line paradigm.”<sup>33</sup>

John Elkington

## Impact Management Project

Impact management is the ongoing practice of measuring the risk of negative impacts and positive impacts, with the aim of reducing the negative and increasing the positive. The Impact Management Project (IMP) is a forum for building global consensus on how to measure, compare, and report ESG risks and positive impacts.

IMP convenes a Practitioner Community of over 2,000 organisations to debate and find consensus (norms) on technical topics, as well as share best practices. It also facilitates a network of companies that coordinates efforts to provide complete standards for impact measurement, management and reporting.

<sup>33</sup> Elkington, J., 25 Years Ago | Coined the Phrase “Triple Bottom Line.” Here’s Why It’s Time to Rethink It, Harvard Business Review, 2018 (accessed via [hbr.org/2018/06/25-years-ago-i-coined-the-phrase-triple-bottom-line-heres-why-im-giving-up-on-it](https://hbr.org/2018/06/25-years-ago-i-coined-the-phrase-triple-bottom-line-heres-why-im-giving-up-on-it))



# Conclusion

The case for purpose-driven businesses is strong: the public wants them; businesses with a purpose beyond profit are proven to be more sustainable and successful; and they can do a huge amount of good.<sup>34</sup>

Before, however, there are any efforts to support purpose-driven businesses to flourish, it is crucial that we understand who they are and how to spot them. This is vital to help separate out those who simply talk about purpose and making the world a better place, from those who are living it out and making a real and positive impact on people's lives.

We hope that this paper has proven useful in helping you understand what it looks like for a company to operate with a purpose beyond profit, and some of the telltale signs that they are seeking to live out their purpose in all that they do.

This work will be followed by two other pieces of research that build on this work. The first, due shortly, will set out the case for purpose-driven business. The second, which will be completed and released in stages over 2020 and early 2021, will set out ideas on how the full power of business to benefit people and the planet can be unleashed in the UK and beyond.

As we build this research, and start to act on it, we would welcome all and any feedback on our work and plans. We are a deeply collaborative organisation, and are looking to work with all others who are passionate about supporting entrepreneurs and established businesses to make their full contribution towards people and the planet.

<sup>34</sup> As set out in The Case for Purpose-driven Business, ReGenerate, 2020 (accessed via [re-generate.org](https://re-generate.org))

