

Bringing Purpose to Life

When considering the overarching strategy of a business, Boards and senior execs have to be thinking about more than shareholder return. **Criticaleye** speaks to business leaders to understand how they are taking a broader view

There is something vaguely unsettling about the debate on 'purpose' as it's so blindingly obvious that focusing solely on profit and shareholder return is not good enough. In an age where the value of a company can exceed what most countries are worth, it figures that decision-makers need to pay some attention to the wider impact their organisations have on people's lives.

George Cadbury understood this back in the 19th Century, famously building houses for the workers in his chocolate factory to take them away from the poverty of city slums. There's a long history of philanthropists and altruists in the business firmament, doing plenty of great work, but it is somewhat mystifying that, 140 years on from Bournville, the

idea of business leaders acting with a sense of duty and morality needs discussing at all.

There is a lot of talk at present and with it a risk of 'purpose fatigue', but perhaps now that institutional investors, regulators and last, but by no means least, consumers, have entered the debate, it's possible that a corner has been turned. **Charlie Wagstaff**, Co-founder of Criticaleye, says: "There has to be substance behind any statements around purpose. If actions fail to line up with declarations, a company is going to experience some sort of backlash."

According to Accenture Strategy's latest [Global Consumer Pulse Research](#), half of consumers in the UK (52 percent) prefer

to buy goods and services from companies that reflect their own personal values and beliefs. **Rachel Barton**, Managing Director – Customer Insight & Growth Strategy, UK, Europe and Latin America Lead at Accenture Strategy, comments that when she looks at the findings, "there is an overriding theme that, from a consumer point of view, purpose is becoming increasingly important in the factors they consider when choosing a brand".

Not every company will be obliged to move with the same urgency when articulating its purpose, but according to **Rachel** it's simply a matter of time before [stakeholders exert pressure](#). "You are only going to be able to get away with this behaviour for so long," she says, urging senior leaders to >



reflect on what the tipping point might be within their particular sector and industry.

“Ask the question: ‘When is your time up and how are you going to mitigate against it?’ The reality is that consumers are increasingly demanding purpose and therefore, when evaluating the consequences of changing your brand, you may need to accept that you are going to lose some people, but in the long run you are going to stay in business.”

The challenge for an organisation, particularly for corporates operating across different continents, is to act with consistency in the following areas: being honest and fair with customers and suppliers; acting like a responsible and responsive employer; being a good citizen and a guardian for future generations; and delivering long term, sustainable performance which also entails providing a fair return to investors.

Meaning It

The temptation for every company is to drift into lazy platitudes that are divorced from reality. Take Carillion’s 2016 annual report – its vision was to be “the trusted partner for providing services, delivering infrastructure and creating places that bring lasting benefits to our customers and the communities in which we live and work”. It was liquidated less than two years later.

If purpose, vision or mission statements are to mean anything, then they have to guide a company through both the good times and the bad. **Amelia Harvey**, Co-founder of The Collective UK, says: “If you have a strong purpose

and idea of why you exist as a business, it should continue to guide the strategy irrespective of performance.

“Your business purpose should be the North Star for the ‘why’ you exist, it’s what gets the whole team out of bed in the morning.”

Till Vestring, Board Mentor at Criticaleye and a Board member of Inchcape Plc, says: “If a company loses its sense of purpose when performance starts to dip, it’s typically a sign that purpose is only skin deep. Companies that have put sufficient thought into their purpose link it with their strategy, so when a dip occurs the more important question is whether the strategy is still valid or whether it needs to be tweaked or more significantly rethought.

“If a significant strategy rethink is required, purpose may need to be reconsidered too. But just as strategy shouldn’t go out of the window when performance dips, neither should purpose. Clearly though, investors will expect purpose, strategy and performance to be integrated, thought through and well-articulated, and that when performance dips, management is able to explain why and how it will respond.”

Peter Horrocks, Chair of South East Midlands Local Enterprise Partnership and another Board Mentor at Criticaleye, says: “If performance dips and there is a risk of jettisoning the purpose, it is probably an indication of a poor strategy, or the need for strategy to be updated. Purpose and performance should not need to be in conflict.”

One of the ways for Boards to reflect on purpose is to see it as a reputational risk which needs to be discussed and

evaluated, as any inconsistencies leave a business open to attack and result in the erosion of trust with stakeholders. **Till** adds: “Traditionally, the role of a company was to create jobs, generating returns for shareholders and contributing to a country’s growth while being a ‘good citizen’ by observing laws and regulations and perhaps doing a bit of CSR.

“That’s clearly not enough in today’s ‘stakeholder world’, where companies need to balance the interests of staff, regulators, investors, civic society and other interest groups. Companies that are able to articulate a clear purpose fare better when it comes to balancing these needs. An added benefit is that they find it much easier to attract and retain talented staff.”

If you’re on a [Board where ‘purpose’ has become a box-ticking exercise](#), it’s going to come back to haunt you – probably sooner than you think. ■

Featuring Commentary From:



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