The pursuit of purpose: from aspiration to value creation

Executive roundtables in Davos
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The pursuit of purpose: from aspiration to value creation
In January 2015 at our EY Beacon Institute launch in Davos, we explored why purpose has re-emerged as a response to new forces shaping business. Over the course of last year, our research found broad agreement that purpose can enable more growth and greater value for shareholders and society, and can drive success in five key ways. But there is still a clear gap between aspiration and activation.

Fast-forward to Davos 2016, where we gathered a group of leading global executives to dissect how businesses can make purpose an integral part of strategy and decision-making, and the ways they are deploying purpose as resource for value creation in their own organizations.

Hosted by Mark Weinberger, Global Chairman & CEO of EY, and chaired by Arianna Huffington, Co-Founder, President and Editor-in-Chief of The Huffington Post Media Group, the discussion across 10 working roundtables was intense and stimulating. More than 50 delegates offered frank assessments of barriers to and strategies for implementing purpose in organizations.

Huffington prefaced the event by discussing the fundamental role that purpose plays in underpinning our economic system. “Purpose,” she argued, “is integrated in the fabric of capitalism. It is when we forget it that capitalism is endangered. Purpose is indispensable to modern business.”

The results of the roundtable conversations that followed offer insights for global corporations to utilize purpose as a resource to grow, innovate and transform. This summary highlights key messages that emerged.

“The breakdown of trust in business is so real, purpose that is operationalized becomes a countervailing pressure.”

Arianna Huffington, Co-founder, President and Editor-in-Chief
Huffington Post Media Group
Navigate

“If you think that purpose will infiltrate your shareholder base naturally, you are wrong. You have to make the case (for purpose) – very strongly.”

Dominic Casserley, President and Deputy CEO, Willis Towers Watson
Given the dramatic, rapid pace of innovation and change that accompanies what the World Economic Forum is calling “the Fourth Industrial Revolution,” purpose may help organizations navigate the turbulence by keeping the focus on creating new, more inclusive forms of value.

In a world that is changing rapidly, purpose remains a constant. One delegate noted that “global demand is slowing as business struggles to keep supplying more material goods. Business now needs to climb the pyramid – to deliver more than just the material, to deliver what matters for the long term – durably and profitably.”

However, gauging the impacts of purpose can be challenging. Acknowledging that purpose is “not easily reducible to measurement,” delegates discussed the most meaningful metrics to demonstrate purpose-led, long-term value creation from their own organizations and how these metrics support effective purpose integration.

The takeaway
Companies are becoming more at ease with systematic, qualitative measures of purpose-driven value. Many are using tools such as surveys and barometers to measure the impact of purpose on employee engagement and retention, and customers’ trust in their brands and business. Simple metrics – including responses to questions such as “would you recommend this company to family and friends?” – are key indicators of the impact of purpose.

The challenge
Many shareholder groups – long-term institutional investors, in particular – regularly confirm the impact of purpose. Others still seek more formal measures of the impact on conventional measures of corporate value, such as share price. Demonstrating the link between purpose and new value creation may first require a shift to measuring financial results over a longer term than reporting quarters. This shift is already well-recognized at a number of firms, led most prominently by Unilever, and also encourages the use of additional measures of value creation discussed in detail at the roundtables.

Do not split the discussion between business and purpose. Look at where business and societal interests intersect, and use your purpose to address those head-on. At Nestlé, that means water, nutrition and tackling youth employment.”

Laurent Freixe, Executive Vice President, Head of Zone Americas, Nestlé S.A.
A mission is defining what you have to do, but a purpose is like unleashing the energy within businesses; this is a really exciting thought.

Keith Weed, Chief Marketing and Communications Officer, Unilever
Integrating purpose — powering performance

Purpose is emerging as a response to the forces reshaping economies and societies. Discussing the EY purpose journey, Uschi Schreiber, EY’s Global Vice Chair — Markets and Chair of Global Accounts Committee, noted that “disruption and a rapidly changing world meant we had to look at who we had become as an organization — it was not a choice.”

Translating this into operations — how purpose is integrated throughout the organization — is key to unlocking the full value of purpose.

The takeaway

Purpose only “takes hold” across an organization if the stated purpose is credible and is made tangible to employees. When the stated purpose is too far removed from recent real experiences of what is driving the company — or too far removed from its recent operational history — employees don’t buy in. How, then, can the company build support? “Teach and measure” was the mantra adopted by several of the companies represented. A set of common factors to support integration also emerged from their experiences, including:

- **Measurement** — It is important to have clear, measurable objectives.
- **Engagement** — Engagement at all levels of the organization is key, particularly at the start of the journey. A purpose with which your employees can identify will be more powerful.
- **Differentiation** — Customers need to understand that your purpose differentiates your brand from others in your industry.
- **Bottom-line action** — Ultimately, you need to illustrate that you will turn away some business if it does not align with your stated purpose.

The challenge

A strong purpose can provide more agility, and can be “the glue” or the “unifying theme” between employees amid continuous transformation, especially at large, global businesses. Many leading companies have already recognized this and, looking ahead, more and more are likely to see purpose as the basis of “a new social contract” among business, employees and customers. But delegates were unanimous around two critical prerequisites if this is to be effective: the need for authenticity — matching actions with words — and alignment throughout the organization strategy, operations and performance metrics.

“If [people] don’t see that you are operating in ways that reinforce your purpose over and over again, then it won’t be viable.”

Andrea Stürmer, Chief Operating Officer, Farmers Business Insurance, Zurich Insurance Group
Acknowledgements

The EY Beacon Institute is grateful to the global leaders who attended these roundtables and shared their time, their stories and their insights. We also appreciate the sustained presence of University of Oxford faculty colleagues in this conversation. The event represents an important shift in the dialogue, as we and our community turn our attention from why purpose drives value to exploring how businesses can make purpose an integral part of strategy and decision-making, business model and culture to create value.

The EY Beacon Institute is a community of executives, entrepreneurs and luminaries advancing a transformation of the working world by redefining what it means to be a successful company in the 21st century. We are committed to producing and sharing new research that documents why and how businesses are transforming to thrive into the future, and to convening a community of diverse members committed to building a better working world.

EY Beacon Institute would like to express special gratitude to the following individuals who helped enrich the discussions at the Pursuit of Purpose roundtables.

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