



Deriving value from purpose

Understanding the critical
role of the CMO

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Foreword

Nearly all companies “say” they have a purpose.
But do they?

The research that follows shows that certain companies take their purpose significantly more seriously than the rest of the pack. A growing number are so focused in their efforts that almost without exception, key stakeholders such as workers, managers and customers are intimately familiar with the organization’s purpose. The purpose is so clear and so compellingly articulated that people both inside and outside of the company understand it and offer buy-in, and the host company reaps the rewards.

But achieving such a state involves much more than merely expressing purpose. To succeed, purpose must be authentic, deeply ingrained and integrated. Mere slogans and marketing campaigns will not achieve the desired results. Real purpose must begin by guiding corporate strategy, and from there, execution must attain complete alignment. To be truly activated, purpose must inform and drive day-to-day actions. Throughout the enterprise, the workforce must feel empowered to make decisions based on purpose.

Getting there requires constant communication and reinforcement of purpose. Performance evaluation and even compensation, bonuses and recognition/award programs must fortify the premise of purpose. Leaders say that capably executed, purpose delivers benefits ranging from stronger sales to greater customer loyalty and employee engagement.

The research also reveals that for chief marketing officers (CMOs), purpose is becoming a critical priority, reaching the “top two” list at 79% of companies. And by no means is the path forward an easy one. Indeed, this fast-evolving role requires the CMO to lead or influence a wide range of functions and activities ranging from product development, to logistics, sourcing, HR and even M&A.

So does your company have a purpose? Is that purpose clearly articulated and activated? Are you deriving all of the value there is to be found in commitment to purpose? How can you improve your purpose-driven results? Though it will remain for each company to find its own answers, we believe the report that follows can provide valuable guidance.

– Bruce Rogers, Chief Insights Officer, Forbes Insights



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Executive summary





Purpose is not a mission statement or a marketing slogan, but an aspirational “reason for being” that is grounded in humanity and inspires a call to action.

- ▶ Companies bring their purpose to life through:
 - ▶ *Articulation*, the clear expression of why this business is in business
 - ▶ *Activation*, tangible practices making purpose real for decision-makers, the workforce, customers and all related stakeholders
- ▶ Some companies are more “purposeful” (purpose-driven) than others: 29% say purpose is of primary importance.
- ▶ These 29% exhibit a commitment to articulating and activating purpose to a significantly greater degree than others – and are referred to as “primary” companies throughout the analysis.
- ▶ The leading driver of purpose today is the perceived need to pursue continuous transformation, cited by 60% overall and 77% of respondents who view purpose as a primary focus. Other issues, such as rising consumer power, leadership concerns or even corporate citizenship concerns surrounding global workforce working conditions or compensation, can also play a key role.
- ▶ Over half of survey respondents, 53%, say purpose delivers significant tangible value to their enterprises, rising to 75% among those for whom purpose is of primary value.
- ▶ Over half (51%) say purpose delivers significant intangible value to their enterprises.
- ▶ Companies for whom purpose is of primary importance consistently indicate higher levels of focus, effort and investment in its utilization, with positive results. Primary firms, in general, tend to report significantly greater purpose-related articulation and activation outcomes relative to the rest of the sample.
- ▶ Key challenges inhibiting firms’ abilities to achieve value from purpose include:
 - ▶ Changing employee/organization behaviors (cited by 39% of respondents)
 - ▶ Achieving alignment across all business functions (36%)
 - ▶ Achieving buy-in across the enterprise (34%)
- ▶ The CEO and the CMO must work closely together on purpose:
 - ▶ Overall, the CEO is most frequently cited as being the key driver/decision-maker in terms of the development/ articulation of purpose (79%).
 - ▶ The CMO ranks second (53%), well ahead of the CFO (37%).
- ▶ Nearly half of executives overall (45%) say they believe purpose is the top priority for their CMO:
 - ▶ This figure rises to 60% at primary companies.
 - ▶ Ninety-four percent of CMOs themselves say purpose is a top one (42%), two (24%) or three (13%) priority.
- ▶ The purpose role for CMOs is multifaceted:
 - ▶ Must lead or collaborate on a wide range of initiatives (e.g., alignment across customer experience, measurement and metrics and new product development)
 - ▶ Must collaborate with a wide array of functions (e.g., finance, HR, R&D)
- ▶ Senior executives are likely overconfident in terms of how capably purpose is being activated:
 - ▶ The most senior executives in the survey are significantly more optimistic than others about the effectiveness of purpose in their organizations.
 - ▶ Confidence declines significantly among mid-level managers.



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Methodology



The insights and commentary found in this report are derived from both a survey and qualitative interviews. Partnering with EY, Forbes Insights conducted a global survey of 217 executives. Key demographics from this fall 2015 research include:

- ▶ **Title:** CEO (26%), CMO (22%), SVP/VP (17%), managing director (8%), COO (6%), EVP (6%), president (5%), CIO/CTO (4%), other C-suite (6%)
- ▶ **Location:** North America (30%), Asia/Pacific Rim (30%), Western Europe (29%), Central/South America (10%)
- ▶ **Annual sales:** \$5 billion or more (20%), \$1 billion to \$4.9 billion (51%), \$500 million to \$999 million (29%)
- ▶ **Industry:** consumer products/retail (20%), banking and capital markets (13%); telecommunications (11%); diversified industrial products (7%); health care (6%); insurance (6%); technology (5%); oil and gas (5%); private equity (5%); real estate, hospitality, construction (5%); wealth and asset management (5%); mining and metals (4%); other (8%)

Interviews were conducted with senior executives from four leading companies. Quoted interviewees include:

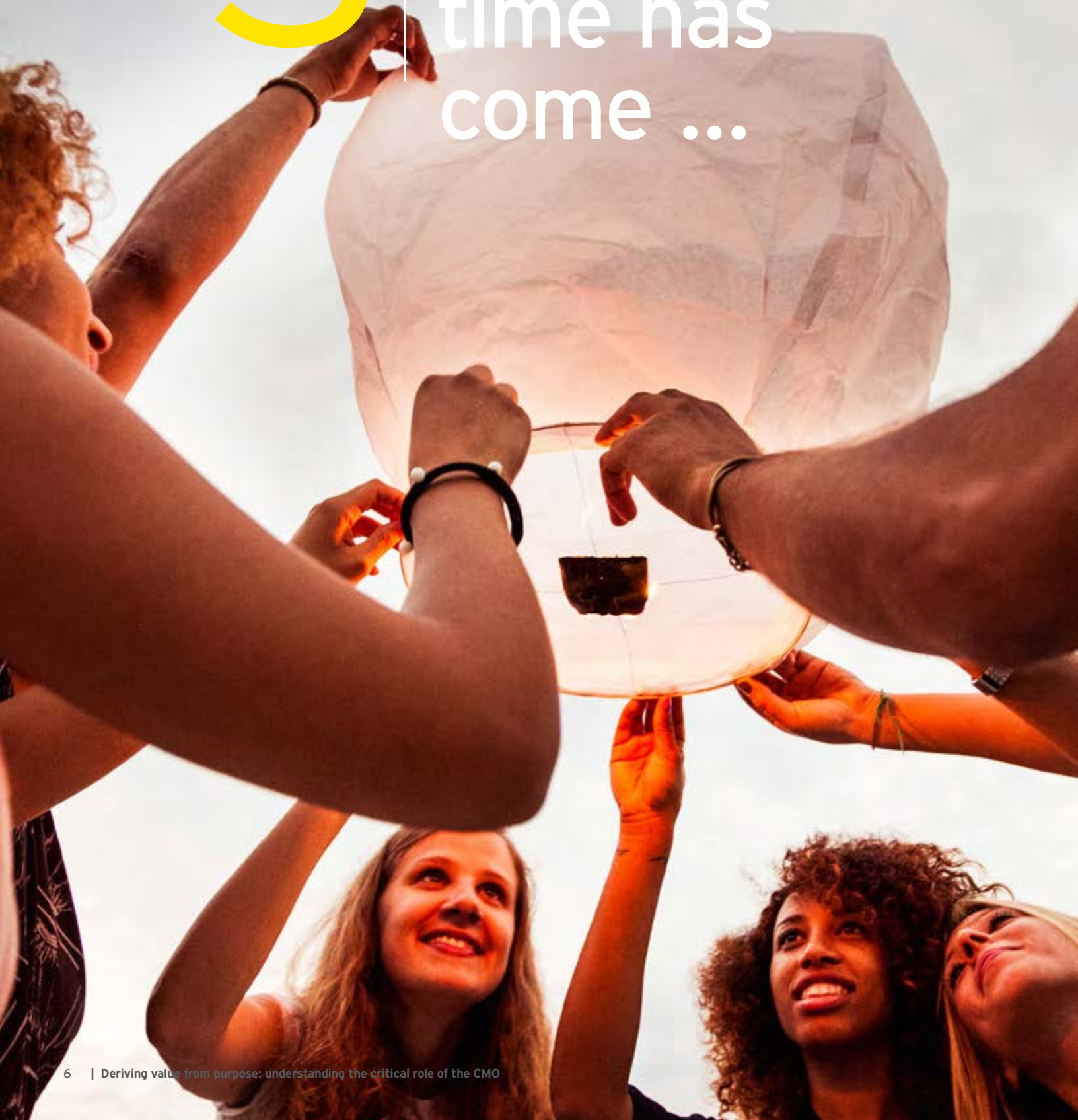
- ▶ **Joey Bergstein**
General Manager and CMO
Seventh Generation
- ▶ **Andy Burtis**
SVP Corporate Marketing and Communications
McKesson
- ▶ **Christine McGrath**
VP Well-Being
Mondelēz International

Forbes Insights extends its gratitude to our survey respondents and interviewees.



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Purpose: an idea whose time has come ...





Purpose:

“It’s our North Star – guiding us through every aspect of strategy formation and execution.”

– Joey Bergstein
General Manager and CMO
Seventh Generation

Purpose is taking hold. Consider:

- ▶ **Consumer products:** Think about purpose-driven enterprises, in consumer goods or otherwise, and Seventh Generation lands on the lion’s share of informed short lists. Specifically, says general manager and CMO Joey Bergstein, the company’s purpose is to “inspire a consumer revolution that nurtures the health of the next seven generations,” a reference to the great law of the Iroquois. Commitment to these ideas, says Bergstein, “is not only good for consumers and the planet as a whole, it’s a very sound and sustainable business model.”
- ▶ **Food and beverage:** Springing from the 2012 split of Kraft Foods into two independent companies, the Mondelēz International website proclaims its intention to create “delicious moments of joy” for consumers around the globe. “We call that ‘the dream,’” says VP external affairs Christine McGrath, a purpose that eventually cascades into five core strategies, one of which is the pursuit “of global well-being” (where McGrath leads the charge). No mere lip-service to the cause, the company embeds purpose throughout its business practices. Overall, says McGrath, “our dream drives all the moving parts in our company to focus on well-being as a core business strategy. Purpose, for us, is very real.”
- ▶ **Health care:** At the nexus of technology and health care, McKesson “has been living its purpose since its founding – we do it all for better health,” says SVP corporate marketing and communications Andy Burtis. Upon close inspection, having engaged a wide range of stakeholders including customers and investors, “we came to the conclusion that McKesson has essentially been operating from this sense of purpose for 185 years.” Still, the process of clearly articulating and rigorously activating – infusing purpose into the core culture and business processes – is proving well worth the effort. Today, says Burtis, “we’re working hard to get this right – and when you get it right, everything you do as an organization becomes that much more effective.”

Like the above three companies, 92% of the executives participating in our survey say their organizations have a purpose. But finding true purpose requires looking well beneath the surface. Probing more deeply, it is apparent that many – if not most – of those willing to tick this box have not considered what it means for a company to say, accurately: “We have a purpose.”

As this report will demonstrate, in truth, there is a vast gulf between being able to state “some” purpose “somewhere” in the company and using purpose to define a set of guiding principles that in turn drive all aspects of strategy and operation for the entire enterprise.

Defining purpose

Purpose is not a mission statement or a marketing slogan – which are both in evidence at nearly all companies. Rather, purpose is an aspirational “reason for being,” grounded in humanity, which in turn inspires leaders, the employees, customers, investors and other key stakeholders. More than a tagline, an effective purpose becomes a clarion call to action, captivating not only the workforce but the marketplace. Companies pursue their purpose through:

- ▶ **Articulation:** It begins with explicit articulation – the clear expression of why this business is in business. What is the essence of this company? What fundamental goal drives the whole of its reason for being; what is the pool from which all of its value-creation flows? As Burtis of McKesson explains, “when you’re clear on your mission, on your purpose, everything else falls into place.”
- ▶ **Activation:** Once articulated – defined, universally accepted by the management team, and communicated and shared organization-wide – purpose must then cascade into a company’s strategy and tangible, supporting business practices. Truly purpose-focused companies “activate” purpose by making it real for decision-makers, the workforce, customers and all related stakeholders.

At Seventh Generation, for example, “we put our money where our mouth is,” says Bergstein. Companies have to ask themselves: does our purpose really matter to our people? At Seventh Generation, purpose figures prominently in the company’s bonus system, with 20% “based on delivering on our sustainability goals.”

In practice, some companies are more “purposeful” (or purpose-driven) than others. Three out of ten – 29% – believe that purpose is of primary importance (a 7 on a 1-7 scale where 1 = no importance and 7 = primary importance) to their organizations. Another 41% rate purpose a 6 on the same scale.

So while it may be true that 92% of companies say that they have a purpose, only 29% indicate that purpose is of primary importance to their organizations, with another 41% just a step behind. Note that CMOs and the largest companies in the survey are significantly more likely to say purpose is of primary importance (see table).

Note also that these 29% articulate and activate their purpose to a significantly greater degree than others – and are referred to as “primary” companies at key points in the analysis.

How important is purpose to your company?

Just 3 out of 10 companies say purpose is of primary importance to their companies ...

	Overall	CMO	\$5b+
Primary importance 7	29%	40%	39%
6	41%	34%	39%
5	20%	13%	9%
4	6%	6%	9%
3	4%	4%	2%
2	0%	0%	0%
No importance 1	1%	2%	2%

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Why now? The drivers and returns



Many of the forces behind the surge in purpose-driven business models are readily observable.

But at its most fundamental level, the leading driver of purpose today is the perceived need to pursue continuous transformation, cited by 60% overall and 77% of respondents who view purpose as a primary focus (see table).

Other issues, such as consumer desires for greater product purity or corporate citizenship concerns surrounding global workforce working conditions or compensation can also play a key role. No question, says Mondelēz International's McGrath, "consumers are engaged and want to see progress against these [sorts] of objectives."

At Seventh Generation, Bergstein cites the values of the founders and leadership around environmental stewardship as the initial catalysts (and indeed, the survey rates such issues as a key driver). Still, the company's purpose continues moving rapidly forward today, propelled by "consumers, employees" and other stakeholders "who share the same values," says Bergstein. Other drivers require taking a more in-depth view within businesses themselves. Many, 55%, cite regulatory developments or risks as a motivation to find deeper purpose. The rise of social media is also on the radar for 44% of executives – rising to 60% at primary companies.

When reviewing the drivers, note that in every instance, primary companies – those for whom purpose is of primary importance to their organizations – rate each driver significantly higher than others. What cannot be determined is the cause and effect: are these companies more purpose-focused owing to these forces driving their businesses harder than others? Or do they rate these drivers more heavily because as a purpose driven organization, they are simply more attuned to such forces? Regardless, all executives need to be open to the idea that they may be overlooking risks and opportunities.

Which of the following are driving you to develop and activate purpose?¹

Purpose is based in values, but ultimately driven by the need for continuous transformation ...

	Overall	Primary	CMO	\$5b+
Need for continuous transformation	60%	77%	66%	66%
Rising consumer power	58%	67%	51%	44%
Leadership/management values/concerns	56%	72%	64%	48%
Regulatory developments/risks	56%	75%	61%	59%
Shareholder/investor values/concerns	55%	73%	69%	55%
Consumer attitudes: purity/sourcing	52%	69%	60%	48%
Employee attitudes	51%	66%	59%	43%
Environmental awareness/sustainability	47%	68%	59%	39%
Rise of social media	44%	60%	51%	29%
Consumer attitudes: social issues ²	42%	56%	62%	34%

¹ % = those indicating a 6 or 7 on a 7-point scale (where 7 = very significant driver)

² e.g., workforce compensation, working conditions

Gauging the “return on purpose”

Executives are measuring – and finding value – in purpose. Over half of survey respondents, 53%, say purpose delivers significant tangible value to their enterprises (see table). Meanwhile, the figure rises to 75% of those for whom purpose is of primary value. Note that senior executives are particularly attuned to the value of purpose, with those at the top rungs most likely to see significant tangible returns.

At the same time, over half (51%) say purpose delivers significant intangible value to their enterprises. In this instance, the figure rises to 66% among CMOs, to 78% among primary respondents and to 62% among companies with \$5 billion or more in sales.

“Return on purpose” is significant

Purpose delivers significant¹

	“Tangible value”	“Intangible value”
Overall	53%	60%
Primary	75%	78%

	“Tangible value”	“Intangible value”
CEO	72%	49%
CMO	59%	66%
“Other” C-suite	51%	47%
EVP, SVP, VP	40%	46%

¹ = those indicating a 6 or a 7 on a scale from 1-7 where 1 = no value and 7 = significant value

Asked to express specific areas in which an activated purpose delivers significant value, the five most frequently cited drivers of value from purpose are primarily intangible. These include: brand enhancement, promotion of trust in the company, a clearer sense of shared purpose, and improvements in customer satisfaction and employee satisfaction. The value of purpose in driving sales does not appear until seventh place among primary firms in terms of frequency. (See table.)

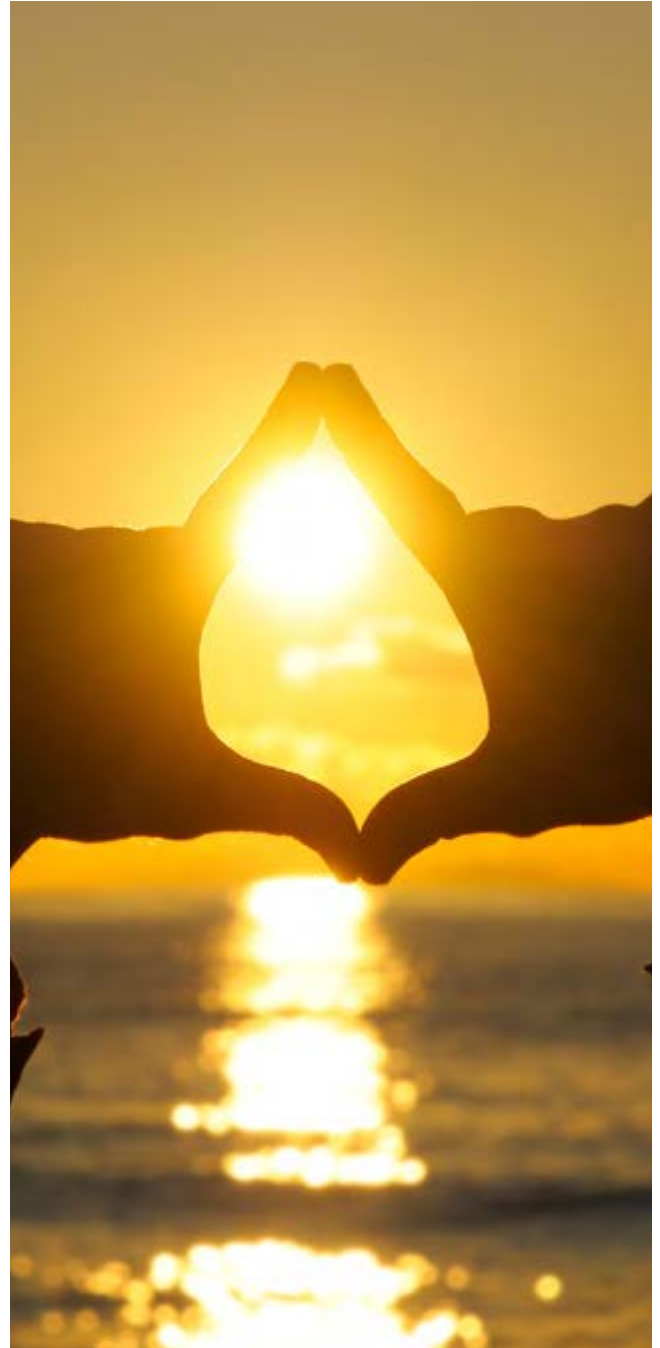
It is also important to note those areas of greatest divergence between primary companies and those for whom purpose is relatively less important (not-primary) companies. For example, just over one in three primary companies (36%) see value from purpose in reducing risks with special interest groups compared to just under one in six among not-primary companies (16%) – a nominal difference of 20%. Other areas where primary companies are significantly more likely than others to perceive value include empowering employee decision-making, turning customers into promoters and creating a better relationship with regulators.

Where does purpose contribute value?

Primary companies are significantly more likely than others to find more sources of value ...

	Primary	Not-primary ¹	Difference (nominal variance)
Enhances the brand	59%	50%	9%
Promotes trust in company	53%	47%	6%
Creates clearer sense of shared purpose	53%	41%	12%
Engenders customer loyalty	48%	41%	7%
Guides/empowers employee decision-making	47%	30%	17%
Improves employee satisfaction	45%	45%	0%
Drives sales	45%	37%	8%
Links customer and shareholder value	42%	31%	11%
Creates a closer bond with the community	42%	29%	13%
Serves as a competitive differentiator	42%	28%	14%
Turns customers into promoters	42%	25%	17%
Enhances employee retention/recruitment	39%	39%	0%
Reduces risks with special interest groups	36%	16%	20%
Creates a better relationship with regulators	33%	18%	15%

% = those agreeing that purpose delivers each individually stated benefit ¹Overall, excluding primary respondents



McKesson: Q&A with SVP Corporate Marketing and Communications Andy Burtis

McKesson is an over-\$100-billion provider of health care information systems and platforms, medical and pharmaceutical supplies.

What does purpose mean to McKesson?

When I came here seven years ago, a big part of my focus was to assess the “state of the state” regarding purpose. So we went through detailed discussions with stakeholders, customers and employees.

And as it turns out, though we hadn’t exactly put words to it, McKesson had been operating with a very clear sense of purpose for 185 years. We do it all for better health. We’ve been living this virtuous circle where if we do the very best we can do, then we improve the effectiveness of a hospital, or an independent pharmacy or a physician. That makes a difference for patients and that leads to a healthier world. Now we own our purpose and say it.

How do you articulate purpose?

You have to make it real for everyone in the organization. It has to be clearly communicated, well understood and meaningful. We think of our overall cultural fabric as a pyramid. Better health, our purpose, is at the top of the pyramid, but forming the base are two really important dimensions.

The first is our shared core principles and the acronym we use is “ICARE.” That stands for integrity, customer first, accountability, respect and excellence. The second is our shared leadership principles, “ILEAD.” That stands for inspire; leverage – taking full advantage of all skills and capabilities across the company; execute – get it done well and efficiently; advance with courage and resiliency; then develop – yourself and all of those around you.

How do you activate purpose?

We have many different mechanisms for making ICARE and ILEAD real. They are both woven into performance evaluations, leadership evaluations, customer account reviews and employee opinion surveys. There are also annual awards programs in almost every business unit, where employees, often working behind the scenes, get recognition for their great work. ICARE and now ILEAD are baked into everything we do.

What’s the return on purpose?

It can be difficult to measure, but one measure is employee engagement, which we approach with just as much science as we do for services and products. There’s a regression model that we use in our employee engagement survey that tests factors contributing to engagement. We’re able to use the analysis to categorize employees into four [states] of engagement and to track movement from the [least engaged] to fully engaged. It’s something we manage every bit as carefully as we do our profits and losses.

I recently saw a video that came from one of our distribution centers that I thought really brings it all together. It’s a team getting ready to start their shift, and they’re in a circle, chanting, not unlike a football team in a huddle, reciting our ICARE principles to prepare for their day and what they’re going to do for [customers such as] physicians, pharmacies, hospitals and patients. They’re getting connected to our purpose, each morning, and it shows the commitment you can achieve when purpose gets deeply infused.

What is next in this journey?

Employees in North America are extremely familiar with our company purpose and values. The next dimension will be taking this globally. We acquired a European company two years ago, Celesio, and we are using our shared purpose to help unify the organization – make us better as a whole than two separate parts. When we think about M&A, we consider alignment of purpose and culture. And when looking at Celesio, all of their purpose statements, though not articulated in the same way, were very similar to ours. So purpose will help us integrate the two organizations.



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There's work to be done

Respondents indicate that deriving benefits from purpose requires authenticity: that is, purpose must be real. Achieving authenticity requires clear articulation and activation. But while none of this is complicated in theory, in practice, purpose requires significant commitment in terms of organizational focus and resources.

Gauging articulation and activation

Key goals in terms of articulation include not only getting purpose “right,” but communicating purpose throughout the organization and to customers and other stakeholders in ways that are meaningful and actionable. Key goals in activation include integrating purpose into strategy formation as well as implementing processes that embed purpose in day-to-day operations, decision-making and ongoing performance evaluation.

Here, the survey shows that companies indicating that purpose is of primary importance to their organizations consistently indicate greater focus, effort and investment. Primary firms, in general, tend to report significantly greater purpose-related articulation and activation outcomes relative to the rest of the sample.

For example, 79% of companies overall say they agree (66%) or strongly agree (13%) that their organizations apply purpose ideals consistently in their interactions with customers. However, among primary companies, these figures rise to 89%: 64% who agree and 25% who strongly agree.

A similar pattern continues with other questions relating to levels of articulation and activation, including the degree to which purpose drives supplier, partner and other stakeholder relations and the selection/use of purpose-related metrics. In each case, those companies that view purpose to be of primary importance tend to score significantly higher in various measures of articulation and activation. In doing so, primary companies report achieving significantly greater relative benefit driven by purpose (see table). Note also: CMOs are significantly more likely than the mean to confer high marks to their organizations (the final section of this report highlights the role of the CMO).

Gauging the effectiveness of articulation and activation

Primary companies outscore the rest on a range of objectives and outcomes that highlight the effectiveness of purpose activation and articulation

	Overall			Primary
	Strongly Agree	Agree	Mean	Mean
Our organization understands our purpose and applies these ideals consistently in its interactions with customers	13%	66%	5.3	5.7
Our organization understands our purpose and applies these ideals consistently in its interactions with suppliers/partners and other external stakeholders	14% ¹	63%	5.2	5.7
We are confident we are using the right metrics to measure and analyze the effectiveness of our purpose related efforts	18% ²	52%	5.1	5.7
Our purpose-related efforts are having a strongly positive effect on our performance	18% ²	60%	5.3	5.9

¹ 21% of CMOs ² 34% of CMOs ³ 36% of CMOs

Results are based on a scale from 1-7 where 1 = not at all significant and 7 = very significant. Very significant is a 7; significant is a 5 or 6. Means are provided to show differential.

Senior executives may be overconfident

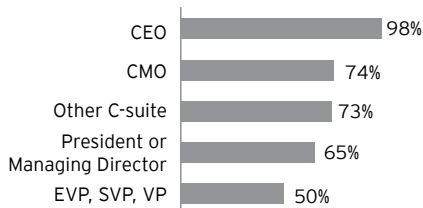
A particularly noteworthy finding – evident throughout the statistics – is that the more senior the executive, the more optimistic the outlook on a company's performance against purpose.

For example, one question asks how capably the company has articulated and communicated its purpose. Overall, 74% agree. But the figure rises to 98% for CEOs before falling to 65% for president/managing director respondents and then 50% for more mid-level managers with the titles EVP, SVP or VP. Similarly, the survey asks whether or not purpose is better understood by some parts of the organization than others. Here, only 2% of CEOs see purpose as anything other than well understood, whereas 50% of EVP/SVP/VP titles see less consistency (see tables).

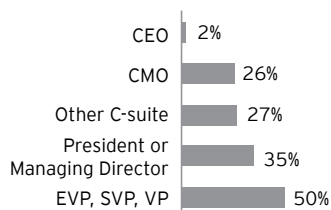
The more senior the executive, the more optimistic the view of articulation

Articulation of purpose

Our purpose is central to our organization and is well understood by all



Our purpose is understood by some parts of the organization better than others



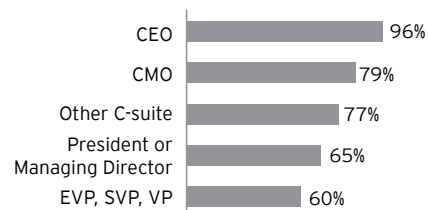
In a similar vein, the next question asks how many agree with the statement: Our purpose informs all of our strategic and operational decision-making and activities? This is followed by another question tests whether or not purpose is a consideration in strategic and operational decision-making in only "some" cases.

Both provide indication of the degree to which executives believe purpose is activated within their organizations. In the first instance, in the case of those who believe purpose is central to the organization and well understood by all, while the overall mean is 77%, the figure rises to 96% for CEOs before falling to 65% for president/managing director and then 60% for EVP/SVP/VP. In the second instance, only 4% of CEOs see purpose as a focal point of decision-making in only "some" areas of the business, whereas the figure climbs to 38% among mid-level managers.

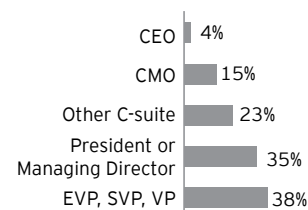
The more senior the executive, the more optimistic the view of activation

Articulation of purpose

Our purpose informs all our strategic and operational decision-making and activities



Our purpose is consideration in our strategic and operational decision-making in some areas

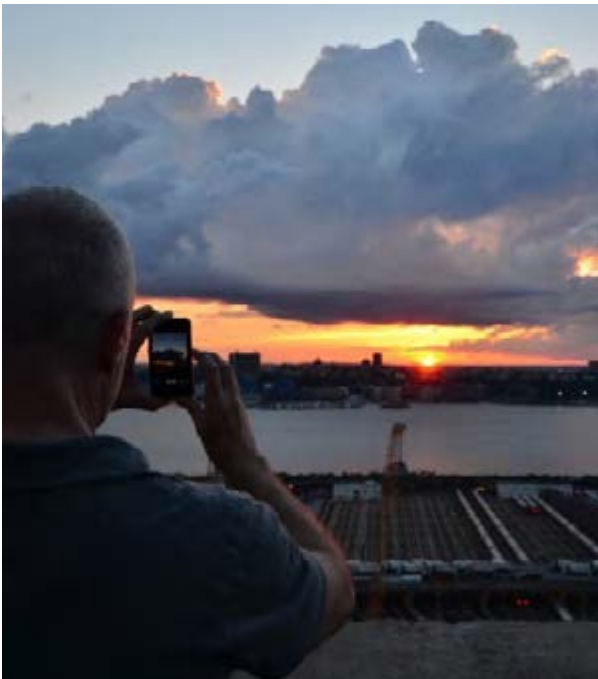


These findings suggest that the most senior executives within many organizations are likely overstating the degree of activation. Those closer to actual operations are less likely to perceive complete success, which raises the question: how capable, in reality, is the articulation and activation at most companies?

Improvement requires focus

Leading companies use purpose to help guide strategy and from there, turn purpose-driven objectives and insights into meaningful business action. For example, over three quarters of executives, 78%, say their companies take meaningful steps to evaluate the degree to which purpose is reflected in managerial and employee behaviors. Among companies where purpose is a primary focus, the figure climbs to 89% – and to 100% among telecommunications companies.

The most successful companies take a range of steps to build organizational buy-in, change behaviors and in general, help to clearly articulate and fully activate their purpose (see table). The end game results in employees who feel empowered to make decisions based on purpose and training programs that fully incorporate purpose-driven ideals. Customers and other stakeholders quickly realize that for this company, purpose is genuine. Ultimately, internally and externally, purpose becomes meaningful.



To what degree do you pursue the following steps?

Primary companies take more actions to drive purpose ...

	Extensively	To some degree	Overall mean	Primary mean
Share purpose-driven business insights across the enterprise	26%	61%	5.8	6.4
Evaluate the degree to which line employees feel empowered to engage purpose in decision-making	24%	60%	5.6	6.2
Evaluate the degree to which managers take actions in alignment with purpose	22%	62%	5.7	6.2
Evaluate the degree to which purpose is represented in performance metrics	19%	69%	5.7	6.2
Turn purpose-driven insights into specific business action	18%	62%	5.7	6.2
Evaluate the effectiveness of training for purpose	20%	60%	5.6	6.1
Search enterprise data for gauge quality/frequency of "mentions," "language," etc.	22%	59%	5.5	5.8
Search enterprise data to gauge consistency/compliance with stated purpose	20%	64%	5.5	5.9

Results are based on responses to a scale from 1-7 where 1 = not at all significant and 7 = very significant. Very significant is a 7; significant is a 5 or 6. Means are provided as an added gauge of intensity of degree.

Companies that are already purpose-driven, that are taking steps such as those just mentioned, recognize their goal is a never-ending pursuit. As such, they constantly review and refine virtually all aspects of strategy, people and process from a purpose perspective. For these companies – and for others just finding their way – inhibitors are everywhere (see table).

Which of the following are inhibiting the pursuit of greater value from purpose?

A range of issues can inhibit purpose ...

	Overall	CMO	Primary
Changing employee/organization behaviors	39%	45%	44%
Achieving alignment across all business functions	36%	23%	41%
Achieving buy-in across the enterprise	34%	34%	42%
Applying appropriate/sufficient staff/resources	33%	30%	38%
Achieving consistency with purpose in customer experience	33%	28%	31%
Embedding purpose into operational/strategic decision-making	31%	26%	33%
Providing effective training	29%	30%	33%
Determining appropriate metrics	29%	21%	25%
Obtaining appropriate data from enterprise systems	26%	32%	34%

% = those executives saying the given challenge is significant



Mondelēz international: Q&A with Christine McGrath, VP Well-Being

Mondelēz International is a \$30 billion global snacking company featuring iconic household brands such as Oreo cookies, Cadbury chocolate and Trident gum.

What does purpose mean for Mondelēz International?

Purpose is what we use to drive business strategy and from there, all related decision-making and actions.

We're a fairly new company, launched just three years ago following the spin-off of our North American grocery operations. When we started this journey, we saw an opportunity to clearly define our ambition: what should our purpose be? And after considerable [soul searching], what we determined is that our purpose, our dream we call it, was "creating delicious moments of joy." [That's] something we can use to build a bright future for our customers, our company and other stakeholders.

From our dream, we developed our manifesto, which built upon our seven core values. Such as inspire trust. Act like owners. Keep it simple. Tell it like it is. Lead from the head and heart. These are values that deliver value for the company, its people, customers and other stakeholders.

Our five core strategies, [including unleashing the power of our people, transforming snacking (into something healthful), revolutionizing selling, driving efficiency and growth] and the area where I focus, protecting the well-being of the planet, are built on our values and will help us achieve our dream. We're basically bringing a business mindset to solving some of the world's biggest challenges. So purpose helps guide our strategies, well-being being one.

What are you doing in well-being?

We've done a tremendous amount of work to understand our business through both a sustainability and health-and-wellness lens. Basically, we're trying to focus on where we can have the biggest impact, both for our business and the world. We also recognize that we don't have all the answers or the resources to address these challenges on our own, so we partner with nongovernmental organizations (NGOs), governments and our suppliers, among others.

For example, when we look at our environmental footprint – land, water, climate – our biggest impact is in growing raw materials, like cocoa or palm [for palm oil]. So our focus is in areas like

reducing deforestation while also building smallholder farmers' productivity and community livelihoods to ensure the future viability of the environment and the supply chain.

What's the return on purpose for Mondelēz International?

We are all about growth. So we are always looking ahead – to see where consumers are going. What we've noticed is that consumers are increasingly interested in health – and that's not just in the developed but also in the developing world.

Healthy alternatives are growing at twice the rate of basic snacks. And by 2020, we want half of our revenue to come from snacks that contribute to well-being. So we're giving consumers what they want, we're contributing to the well-being of the planet, and we're all benefiting as a result.

How do you activate – make purpose real?

There are a variety of ways we can make it more real. One thing we do is share the stories of our progress, showcasing the work in the sustainability and well-being areas. It inspires our employees and builds our credibility with external stakeholders.

And we push performance against metrics. Like for the well-being strategy, we have specific goals that we track: Where are we today? Where does the nutrition profile of our portfolio need to be in 2016? [The company publishes an annual report on its progress toward well-being goals.]

Another thing we do is track how our values and purpose are woven into the fabric of the organization. Our employee survey has a section on our values: Do you feel empowered? Does management live by our values? And we use this honest feedback to improve further.

Finally, we have twice-a-year performance evaluations for each of our goals, and how we are living our values is part of the conversation. Are we telling it like it is? Are we keeping things simple? Is everyone aligned to our strategy and goals?

As evidence that our purpose is real, we recently announced that we intend to be the global leader in well-being snacks. We set a business goal that 50 percent of our global revenue would come from well-being snacks by 2020, up from about a third today.



6

The CMO plays
a critical role
in purpose

The CMO plays a critical role in purpose

Most organizations say their organizations have a purpose, but only a minority demonstrate, consistently, the needed commitment in terms of articulation and activation to derive breakthrough results from purpose. For leaders – those who have clear articulation and activation of purpose – continued attention to detail and continuous evolution and improvement is essential. For everyone else, purpose represents an opportunity for significant improvement if not organizational transformation.

Shared responsibility

Whether the program is ongoing, incremental or transformational, one of the key findings is that the CEO and the CMO must work closely together on purpose. Overall, the CEO is most frequently identified as being the key driver/decision-maker in terms of the development/articulation of purpose – cited by 79% of respondents. The CMO, however, ranks second (53%), with the CFO at a more distant third (37%).

Purpose initiatives nonetheless require engagement across a wide spectrum of functions/executives. For example, in terms of influencing purpose development/articulation, companies in general indicate that they engage a wide range of functions. HR is the group most frequently cited as having strong influence (50%) followed by government relations (42%), the CFO (42%) and R&D (41% – see table). Note: primary companies confer significantly more power to each group nearly across-the-board (demonstrating deeper commitment to purpose throughout the enterprise).

In terms of composite decision-making/influence scores (adding the role of key decision-maker to strong influencer), the CMO is second only to the CEO. In other words, the CMO is the second-highest authority on purpose in most organizations.

Relative influence of executives relating to development/articulation of purpose

	CEO	CMO	CFO	Investor relations	R&D	IT	Legal	Supply chain	Production	HR	Government relations
Key decision-makers	79%	53%	37%	28%	25%	26%	21%	20%	20%	18%	20%
Strong influencer	15%	36%	42%	38%	41%	41%	39%	39%	38%	50%	42%
Composite	94%	89%	79%	66%	66%	66%	60%	59%	58%	68%	62%

% = those companies indicating this is the role for each given executive

Couple this with the fact nearly half of executives (45%) say they believe purpose is the top priority for their CMO – a figure rising to 60% at primary companies (see table). Even when considered alongside such activities as product development, pricing and marketing, 42% of CMOs themselves say purpose is the top priority. Moreover, it is a top-two or top-three priority for 36% and 16% of CMOs, respectively. **Put another way, purpose is one of the top three priorities for 94% of CMOs** (see table).

Executives believe: purpose is a key priority for their CMO

94% of CMOs say purpose is top 1, 2 or 3 priority

	CMO	Overall	Primary
Purpose is the top priority	42%	45%	60%
Purpose is a top-two priority	36%	34%	24%
Purpose is a top-three priority	16%	11%	13%
Total	94%		

For the CMO – a multifaceted role

It boils down to this: articulating and activating purpose is now a critical component of the CMO's responsibilities. Moreover, since purpose permeates the entire organization, this will require a focus beyond purely marketing-oriented activities. For example, as the survey shows, key tasks for the CMO include maintaining consistency in external communications. Here, the CMO will need to either lead (the case for 68% of respondents) or closely collaborate (27%) with groups such as investor relations or corporate communications.

Over half of companies, 55%, also suggest the CMO needs to take the lead role (37% say collaborate) in driving consistency across the whole of the customer experience. Again, this is a multifunctional task that can include intimate interaction with a wide span of functions ranging from logistics and returns to call centers, web and mobile teams to physical storefronts.

The purpose-driven roles of the CMO

Defining and activating purpose throughout the enterprise is an essential element of the new job description of the CMO.

	Lead	Collaborate
Maintaining consistency in ext. communications (PR/shareholders)	68%	27%
Driving consistency across customer experience	55%	37%
Training (across all functions, e.g., production, finance)	38%	51%
Goal setting/performance metrics/reward systems	36%	54%
Promoting/communicating to workforce	45%	47%
Tracking the impact of purpose (e.g., focus groups, social media)	45%	45%
Ongoing measurement of the value of purpose	39%	52%
Continuous evaluation and improvement of purpose group-wide	29%	60%

% = those choosing lead or collaborate for each given activity

The CMO plays a critical role in purpose

Beyond outright leadership or collaboration, the CMO's purpose-related role extends far beyond traditional boundaries. The survey shows that CMOs have significant influence in purpose issues outside of marketing, ranging from core corporate strategy to choices made in supply/procurement, product development and training.

The CMO's role extends beyond marketing

How much purpose-driven influence does the CMO exert in:

	Significant influence	Some influence	Mean
Directing business on alignment of purpose with customer experience?	21%	66%	5.5
Directing core business strategy as it relates to purpose?	20% ¹	62%	5.4
Advising business on core choices (e.g., diversity, Ingredients/sourcing)?	19%	58%	5.2
Evaluating new and existing products (for "fit" with purpose)?	15%	65%	5.2
Aligning group performance metrics with purpose?	12%	66%	5.1
Employee orientation and training?	8%	60%	4.8

¹ CMOs indicate 38% or a 5.7 mean

Results are based on a scale from 1-7 where 1 = not at all significant and 7 = very significant. Very significant is a 7; significant is a 5 or 6. Means are provided as an added gauge of degree of influence.

To accomplish the above leadership- and collaborative-oriented tasks, a CMO must interact frequently/intensively with a range of other executives. The four most frequently cited overall are the CEO (82%), the CFO or the finance function (54%), investor relations (34%) and HR (25%).

Note, however, that the survey results directly from CMOs vary significantly from the larger sample. In particular, significantly greater numbers of CMOs say they interact closely with finance/ the CFO than the overall sample (64% for CMOs; 54% overall). Meanwhile, CMOs say they interact with most other executives significantly less frequently than as believed/indicated by the overall sample (see table). So the impression/expectation by non-CMOs is that CMOs are more active in this regard than they really are.

With whom does the CMO interact frequently/intensively relating to purpose?

	Overall	CMO
CEO	82%	75%
CFO/finance	54%	64%
Investor relations	34%	25%
HR	32%	25%
IT	31%	23%
Production/mfg.	31%	16%
R&D	29%	34%

% = those indicating frequent/intensive CMO interaction with the given executive

Seventh Generation: Q&A with Joey Bergstein, General Manager and CMO

Seventh Generation, established in 1988, is a private company focusing on personal care, cleaning and paper products and well-known for its pioneering work in sustainability/corporate social responsibility.

What is purpose to Seventh Generation?

We [want to] inspire a consumer revolution that nurtures the health of the next seven generations. It may have been expressed differently over our 27 years, but fundamentally, that's the core precept driving the company. It's our guiding North Star.

And it's [inescapable]. It starts on day one with the interview process. As we're recruiting, we ask people about their values. About their own purpose. And we ensure they are already aligned with the mission of the business.

Then throughout employee orientation, it's one of the biggest conversations. We help them understand how our purpose comes to life in the products we create, the marketing and activism programs we build, and the strategies we deploy. It permeates the business.

How do you activate purpose?

You have to ask: does this really power the business? Does it speak to customers? Is it a PowerPoint slide or does it really translate into the decisions you make? Is it discriminating and meaningful?

Think about the products we create. In packaged goods, most companies think in two dimensions: consumer needs/benefits and cost. If you can address consumer needs at an affordable cost, that leads to margin.

We do that too but add two components: health and planet. We make it tangible. We think about the unintended consequences. We create only products that are safe, for people and the planet. If not, we won't take it to market.

And then we make it real. People are inspired by a great mission and they want to deliver against that.

Do you have any examples of where purpose is making a difference?

[Recently,] our mission led us to making a tough call. In some 33,000 instances reported to the Centers for Disease Control (CDC), kids have ingested laundry pods, some with disastrous consequences. So our R&D team did some tremendous work developing a non-toxic liquid pod. Every ingredient they used was non-toxic. But then when we reached out to the CDC along with a third-party expert, we were told there was a chance that in concentrated liquid form, there might still be some risk. And since the only way to find out would be animal or people testing – that's a road we just would not go down.

So we made the hard choice. By every metric, this product performs well and should be safe. We could announce an improved product and [simply] add a product warning on the packaging. But I made the call: no. [The company is now reformulating the product.]

So all of your products are safe for the environment?

Overall, we've never professed that we're perfect. Not everything can achieve 100% of our goals. We realize this is an ever-improving journey where we're trying to be better and better. Sometimes we're able to take bold steps. We led the way for the industry, removing phosphates and boric acid from our products. And though each year, further progress gets harder and harder to achieve, we still make meaningful progress.

For example, we use recycled content in our bottles. But for various reasons, like stability, sometimes we can't reach 100% recycled content but perhaps only 80%. But our teams constantly striving for more. And that's our mission.

Does purpose have to be altruistic?

We very much believe in the triple bottom line: People, planet, profits. Business can be a force for good, and so much of the progress on the planet is being driven by business leaders taking a stronger stance.

That said, absolutely, there are significant returns from purpose. We ran a marketing mix study in the spring of 2015 to get a closer look at the returns from each element in our marketing [spend]. Our strongest marketing program over the course of two years wasn't a traditional ad but rather a [political] statement we took out in *The New York Times* in support of toxic chemical reforms. It was a provocative ad, getting people to raise their voices. Then, over a 30-day program, we collected 120,000 signatures [commencing] with half a dozen kids dressed as "toxin freedom fighters," little superheroes, delivering the petition to the halls of Congress.

That single [campaign] provided more return, more impact, than all of the couponing activity over [those same] two years. So we ask, where should you spend your money? Discounting? Or speaking to your mission?

Another thing, our forensic person did some really nice work trying to understand how much our mission drives trust and ultimately, purchases. What she found is that the better that people understand our mission, the more loyal they are to our brand. There's a direct correlation; there's a clear return on purpose.

7

For the CMO, a new purpose- infused role

It's not enough to claim:
"we have a purpose."



To obtain genuine value, purpose must be clearly articulated – a process that begins with engaging a wide range of stakeholders to determine the true essence of the company's raison d'être.

From there, purpose must be rigorously activated. This requires installing tangible mechanisms for making purpose an irresistible focus in all aspects of the business. Good examples of activation often begin with the development of tools like stated values and codes of conduct. But more importantly, the tenets of purpose must be supported by performance evaluation, compensation and other reward systems.

Capably implemented, purpose can be harnessed to generate a wide range of tangible and intangible benefits. Proponents provide evidence where purpose can be shown to generate sales as well as engender customer loyalty and employee engagement – to name just a few.

In practical terms, CEO leadership is essential to the pursuit of purpose. But in no uncertain terms, the survey and the interviews show that purpose is now a priority for an already large and fast-growing number of CMOs. This CMO/CEO partnership is demanding, requiring a multifunctional/multi-faceted combination of leadership and influence-building with executives from all functions across the enterprise. As the value in purpose becomes clearer, it paints a new set of priorities and in many cases a new role for the CMO.





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