How can purpose reveal a path through disruption?
Mapping the journey from rhetoric to reality
About the EY Beacon Institute

The EY Beacon Institute is a community of business leaders, board members and academics helping organizations create long-term value and navigate the disruptive forces shaping the 21st century.

We provide research, insights and advice to inspire and amplify the growing movement of purpose-led businesses. We also bring together early adopters and leading thinkers who have embraced purpose as a means to drive real change in the working world.

Visit ey.com/beacon to see more of our latest insights.
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreword</td>
<td>4</td>
</tr>
<tr>
<td>Executive summary</td>
<td>6</td>
</tr>
<tr>
<td>Section I: purpose and the 21st century company</td>
<td>8</td>
</tr>
<tr>
<td>Section II: the journey from rhetoric to reality</td>
<td>18</td>
</tr>
<tr>
<td>Section III: conclusion</td>
<td>26</td>
</tr>
<tr>
<td>Methodology</td>
<td>27</td>
</tr>
<tr>
<td>Contacts</td>
<td>28</td>
</tr>
</tbody>
</table>
In a world that’s changing faster than ever, and that is more uncertain than ever, purpose acts as a “North Star” – a fixed point that can help organizations navigate through any change and uncertainty they face.

While many leading organizations understand the power of purpose, they find that integrating purpose into their strategy and realizing its full value is much more challenging.

At EY we have a strong sense of purpose – everything we do contributes to Building a better working world. We believe that in a better working world, a number of positive things happen: trust increases, capital flows smoothly, investors make informed decisions, businesses grow sustainably, employment rises, consumers spend and governments invest in their citizens.

We’ve found that being explicit about our purpose and building it into our strategy has given us great momentum both inside and outside the organization. It has helped us engage with our clients and guide our work on their complex issues; helped us attract, retain and motivate our people, leading to record-high people-engagement scores; helped drive growth across all areas of our services; and has elevated our brand.

We know, however, that we can’t build a better working world on our own.

In How can purpose reveal a path through disruption? Mapping the journey from rhetoric to reality, we identify what it means to be a purposeful organization, amplify what we are hearing in the market – and share our advice on how to turn words into sustainable action. In doing so, our wish is that even more organizations can reap the benefits of purpose. And, together, we can leave a lasting legacy.

Mark A. Weinberger
EY Global Chairman and CEO
The human story as it’s unfolding now is a bit of a cliff-hanger. Everywhere we look, we see the “Fourth Industrial Revolution” taking root, with artificial intelligence (AI) breaking through and the automation and digitalization of ... well, just about everything. The volatile global economy has triggered widespread unease among the C-suite as they witness political backlashes from people feeling left behind, whose identities and jobs feel insecure and whose faith in institutions has all but vanished.

For some business executives, this offers exciting opportunities; for others, frightening new threats. But one thing is clear: this new normal has inspired a great searching of the corporate soul. And it has firmly established a new idea – and new ideal – of the successful 21st century business.

This study reveals a picture of the type of agile organizations that are evolving to thrive in this disruption. Without giving away the findings, these are purposeful organizations that are human-centric and playing a bigger game.

Today’s leading companies stand out by standing for something greater than themselves; transcending paradoxes of shareholder vs. stakeholder, efficiency vs. experiences, profits vs. purpose. In short, a new breed of business is evolving.

This should not be surprising. The human capacity to imagine new possibilities is seemingly boundless – the purposeful quest gives our lives meaning, fills us with hope and pulls us forward.

Will humanity’s next chapter be one where business collectively harnesses all the technological power we’re unleashing to create a just and sustainable world? Or one where self-centeredness and short-termism beat out the better angels of our nature?

If the strong trend you are going to read about here holds out, I have hope for humanity. In a time when the world most needs light, we see beacons.

Valerie Keller

EY Global Leader, Beacon Institute and Executive Director, Markets, Ernst & Young LLP
Executive summary

It is relatively easy for a company to adopt the rhetoric of a feel-good purpose that articulates an aspirational reason for being. Actually living, breathing and effectively demonstrating a commitment to that purpose is an infinitely larger task – but one that pays off substantially in our disrupted world.

Just one decade ago, executives rarely spoke of “purpose,” and when they did it was typically focused on maximizing shareholder value. Today a company’s declaration that it has a purpose beyond profit is eagerly trumpeted in response to demands from employees for work that is meaningful; from customers for brands that inspire; and from society for companies to be responsible. This change is also driven by an increase in global uncertainty and volatility – which has significantly altered how companies see themselves and their future.

EY is pleased to present *How can purpose reveal a path through disruption? Mapping the journey from rhetoric to reality*, the findings from a survey of 1,470 business leaders from a wide range of industries around the world (see Methodology on p. 27 for details). They explain how volatile, uncertain conditions have redefined the relevance of being purposeful, and how having the right kind of purpose, integrated deeply into their organizations, can translate into business success.

This research yields new insight into how best-in-class purposeful companies are using their purpose as a beacon to navigate turbulent times, as well as how they are embedding their purpose in decisions and daily actions throughout the organization.

- **Not all purposes are created equal.**
  
  Almost all leaders (95% in our survey) say that their organization has a purpose, but this can mean different things. For many organizations it’s about serving a single stakeholder group, such as shareholders, employees or customers. But our research has revealed a significant new group that defines purpose as something greater: a human-centered, socially-engaged conception of purpose that seeks to create value for a broad set of stakeholders. We have labelled this definition as capital P “Purpose.”

- **Purpose helps companies navigate today’s volatile world.**
  
  The current disruptive environment is changing how people see their purpose and the value that it provides. Two-thirds of executives (66%) are profoundly rethinking their purpose as a result of disruption, and most of those (52%) are moving toward our definition of Purpose. Seventy-three percent of business leaders say that having a well-integrated purpose will help their company navigate disruption.

- **Having a Purpose doesn’t necessarily make you Purposeful.**
  
  Having a capital P Purpose is important, but the other key to deriving value from it is how well integrated it is within an organization. We identify a group of best-in-class “Purposeful companies” that both:
  - Articulate a Purpose
  - Have made significant progress in integrating their Purpose into their corporate DNA
Integrating Purpose brings benefits, but only talking about Purpose exposes a company to risk.

Our research identified numerous benefits that Purposeful companies enjoy. It also shows that Purpose drives value in both the short- and long-term. However, if Purpose is merely words that are not matched by deeds, companies can face negative reputational risk and loss of trust.

Purposeful companies provide insight on how to turn rhetoric into reality.

Purposeful companies articulate a Purpose that responds to the needs of their stakeholders and is grounded in the heart of what they do. They align their strategy and decision-making with this Purpose, taking concrete steps to make that happen. They constantly evaluate where they are in their journey and what needs to change, and they place Purpose at the center of their culture.

In an age where organizations are being destabilized by seismic technological, economic and political shifts, a commitment to becoming Purposeful is not something management boards can afford to move to the back burner. On the contrary, the imperatives become greater and more urgent. As the rapid pace of change makes it harder to foresee the future, a framework that provides meaning and long-term vision to empower the organization to navigate the unknown becomes one of the most important strategic levers.

Undertaking this process is a long-term commitment, and there will be challenges along the way. At the early stages, when talk about Purpose outpaces actions or results, companies may fall short of rising stakeholder expectations. Our research shows that the best strategy to avoid this risk and begin reaping the benefits of Purpose is to engage in the process of integration as quickly and as authentically as possible.

Learning from Purposeful companies, we provide concrete recommendations that can help leaders understand how to do this.

We believe that this report provides valuable new lessons, both practical and inspiring, about what it takes to be the sort of company that will win in today's turbulent global economy, and seize whatever opportunities await tomorrow.

An expansive definition of purpose creates most value

While there can be significant differences in its meaning from one company to the next, an expansive, human-centered, socially engaged definition of capital P Purpose has emerged. Today’s most admired companies, increasingly, are those that have made Purpose their animating, motivating raison d’être. This broad understanding of corporate Purpose is now more widely held than other definitions, including bringing value to customers and benefiting employees, both of which also speak of a company with broader human-centric concerns than simply maximizing shareholder value.
Section I: purpose and the 21st century company

Our research shows that there is a type of company that is doing better than the rest in surviving and thriving in today’s volatile and unpredictable global economy. They are the Purposeful companies that fully embrace Purpose and fully align all that they do in order to pursue it. There are exceptions, of course: thriving companies with a narrower purpose, the occasional faltering Purposeful firm. Yet we have found that companies that embrace and embed a stakeholder- and society-oriented Purpose are better positioned to cope in a disrupted world and are more able to see both the opportunities and the challenges. They see Purpose as driving value in areas that business leaders we surveyed identify as critical to success in today’s rapidly changing business environment.

Nearly all of the almost 1,500 business leaders who we surveyed claim that their company has a purpose of some sort. That is as true for an executive in India or South Africa as for one in Britain or the United States; for one in banking or consumer products as for one in transportation or health care.

This is a welcome step forward from the sterile language of the profit-maximize-come-what-may era around the turn of the century, when corporate chiefs parroted Milton Friedman’s claim that “the business of business is business.” Yet while the word purpose is heard increasingly often when senior executives speak, it is used to mean very different things – and not all purposes are created equal.

For our research, we have gone beyond previous studies by analyzing the extent and impact of different characterizations of purpose. We focused on five definitions of purpose: maximizing shareholder value; primarily creating value for customers; primarily benefiting employees; serving all stakeholders and improving society; and having an aspirational, human-centric mission designed to inspire a call to action. Combining the last two, which both speak to a broad, socially engaged Purpose, produced the top ranking answer, given by 40% of the business leaders we asked (Figure 1).

Figure 1. The definition of capital P Purpose focuses creating value for a broad set of stakeholders.

- 15% Maximizing shareholder value
- 33% Bringing value to customers
- 11% Creating value for employees
- 34% Creating value for a broad set of stakeholders, including society and the environment
- 6% Having an aspirational reason for being that is grounded in humanity and that inspires a call to action

Source question: Which of these best characterizes your organization’s purpose? (Select one)
Note: Numbers do not total 100% due to rounding.
Some industries seem more disposed than others to this broader Purpose. Executives from the life sciences and government and publicly owned industries most frequently claim a Purpose that seeks to create value for multiple stakeholders, while health companies most frequently cite an aspirational reason for being. By contrast, the industry with the lowest embrace of Purpose is oil and gas.

While it is true that some 60% of executives described their company’s purpose as focused on serving the interests of a single stakeholder, only 15% say that this stakeholder is the shareholder. This seems to be a clear rejection of what was perceived as the dominant paradigm in business until the 2008 financial crash. What should we make of the other two purposes, focused respectively on creating value for customers (34%) and on benefiting employees (11%)? Both arguably sit on a continuum between the typically narrow approach of shareholder value maximization and broader Purpose. How far they are along that continuum will vary from one company to the next. Given that no business exists without customers, we assume that customer-centricity is inherent in Purpose. With the growing concern of customers about corporate ethics and values (especially at firms selling branded consumer products), a customer-centric purpose increasingly may require companies to go beyond traditional conceptions of customer experience to consider and manage their impact on other stakeholders and society. Likewise, there is growing evidence that employees, especially the youngest and most talented, want to work for companies that have values and impact they admire. Thus even an employee-centric purpose may often in practice drive broader social engagement by the company.

Our research makes clear which way things are headed in the C-suite. More than half of the executives who are reconsidering their purpose, including many who currently describe their company as having a purpose focused on a single category of stakeholder, say that their company is moving in the direction of serving multiple stakeholders and society, from purpose to a Purpose (Figure 2).

**Figure 2. The disrupted world is causing a rethink of purpose …**

| Purpose has completely changed | 13% |
| Purpose has almost completely changed | 53% |
| Purpose has somewhat changed | 18% |
| Purpose has changed a little | 10% |
| Purpose has not changed at all | 3% |

Source question: To what extent has your organization’s purpose changed as a result of the VUCA world?

**… and most companies are shifting toward capital P Purpose**

- Capital P Purpose: 52%
- Bringing value to customers: 25%
- Maximizing shareholder value: 12%
- Creating value for employees: 11%

Source question: Which of these best characterizes how your organization’s purpose has changed as a result of the VUCA world? (Select one)
Section I: purpose and the 21st century company

The only constant is change

It may not be surprising to learn that business leaders are largely in agreement that the current world is characterized by volatility, uncertainty, ambiguity and complexity. This broad consensus cuts across gender, company size, industry and job title, though executives from Asia and Australia perceive volatility more than their peers elsewhere. The CEOs among our respondents (10% of those we surveyed) see the world as more volatile than do their less senior counterparts.

Perhaps more of a surprise is that the change in the economic landscape has prompted a fundamental rethinking within many companies about the how and the why of their business. Remarkably, more than two out of three of the business leaders we asked say that the onset of this new era of heightened economic volatility has led their company to make significant changes in its corporate purpose – in many cases, toward a higher Purpose (see Figure 2, page 9).

Our research suggests several reasons why this might be happening now. One is the realization that a more intense focus on Purpose can increase a company’s strength, resilience and competence in precisely the areas needed most in a disrupted world. This is especially true of Purposeful companies that not only embrace broader Purpose but also fully embed it in all their activities.

Business leaders can also point to changing stakeholder expectations in an era of trial by social media that requires companies to take ownership of their purpose before others do, and to make sure that they are serious, rigorous and effective in their pursuit of that purpose.

Purposeful companies outperform the rest

While 40% of executives say that their company has a broad Purpose, about one-fifth of these companies – 9% of the companies in our research – say that their Purpose is fully embedded into their business activities. These are the truly Purposeful companies, the best in class (Figure 3).

Companies that have embedded Purpose most thoroughly report the highest incremental value creation from that integration. While 97% of companies with a very well-integrated Purpose see a good or great deal of incremental value from that Purpose, only 56% of those with a somewhat well-integrated Purpose achieve the same level of value (Figure 4).

84%

of executives say that their business operates in an environment that is volatile, uncertain, complex and ambiguous.
Figure 3. Purposeful companies have integrated capital P Purpose deeply in their organization.

- Maximizing shareholder value
- Bringing value to customers
- Creating value for employees
- Capital P Purpose

21% of capital P companies say that Purpose is "very well" integrated into their business. These are "Purposeful companies."

Source questions: Which of these best characterizes your organization’s purpose? (Select one) On a scale of 1 to 5, how well integrated is purpose into your organization?

Critical = >75% available score of criticality

Purposeful companies N = 120
Main chart N = 1391

Figure 4. The more you integrate, the more value you create.

Source questions: On a scale of 1 to 5, how well integrated is purpose into your organization? On a scale of 1 to 5, to what extent does integrating purpose help create incremental value for your organization?
Section I: purpose and the 21st century company

“Organizations that have a clearly defined purpose generally offer far better value for investors, for shareholders, for employees ... and all stakeholders.”

Katherine Garrett-Cox
Member of the Supervisory Board of Deutsche Bank AG
This is not merely an expression of faith that their actions will pay off sometime in the future. A strong majority of executives of Purposeful companies – 75% – tell us that the integration of Purpose creates value in the short term, as well as over the long run (Figure 5).

More specifically, executives from Purposeful companies identified several overarching ways in which the pursuit of Purpose drives value (Figure 6). The top two are of obvious benefit in today’s volatile, uncertain economy: giving companies the agility to innovate in times of disruption and the ability to drive transformational change. In fact, 73% of executives agree that having a well-integrated purpose helps their company navigate today’s turbulent environment.

Figure 5. Capital P Purpose creates value in the short term and the long term.

Source question: Does the integration of purpose create short-term value, long-term value, or both? (Select one)

Figure 6. Purpose drives value where business leaders say it’s most needed to succeed in a disrupted world

- Agility to innovate in times of disruption: 68%
- Ability to drive transformational change: 59%
- Strong links between values, visions, strategy and decision-making: 58%
- Clarity and understanding of the organization’s long-term goals: 53%
- Risk awareness, management and mitigation: 47%

% of Purposeful companies agreeing that Purpose is extremely critical to each of these areas

Source question: To what extent is purpose critical to driving value in each of these areas?
Section I: purpose and the 21st century company

At a more granular level, the executives identified several specific ways in which embedding the pursuit of Purpose in all that they do creates value. At the top of the list is building greater customer loyalty (52%), followed by preserving brand value and reputation (51%), attracting and retaining top talent (42%) and developing innovative new products and services (40%) (Figure 7).

Our research also suggests that Purposeful companies' more balanced, sophisticated understanding of Purpose goes hand in hand with a superior ability to manage risks. That in turn contributes to building a strong, long-term culture that is savvy but not fearful and optimistic without being naive.

This is reflected in a more even-handed view than is taken by executives at other companies of the opportunities and risks created by today's disrupted economy. Sixty-one percent of executives at those companies committed to a broader Purpose say that today's economy is a source of opportunity and risk in equal measure, compared with only 33% of those whose purpose is to serve a single stakeholder (the latter tend to see the new economic context as either mostly good or mostly bad) (Figure 8).

Done well, pursuing Purpose means better performance and higher profits.

Executives from different industries say that their pursuit of Purpose delivers the greatest value in areas that arguably are most critical to them. Those in the life sciences and diversified industrial products industries, for example, state that Purpose drives value by helping to develop innovative new products. Consumer products organizations see Purpose as most fundamental in building greater customer loyalty. In oil and gas and in mining and metals, Purpose provides most value in helping companies identify and mitigate risks.

Together, these factors highlight why executives at Purposeful companies find that their pursuit of Purpose is not a costly distraction but a value creator, with clear benefits for the bottom line. Done well, pursuing Purpose means better performance and higher profits.
Figure 7. How purpose creates value.

Purpose helps companies:

- Build greater customer loyalty: 52%
- Preserve brand value and reputation: 51%
- Attract and retain top talent: 42%
- Develop innovative new services/products: 40%
- Identify and mitigate risks: 25%
- Identify ways to reduce our cost base: 25%

Source question: How does integrating purpose into your organization help it to create value? (Select up to three)

Figure 8. Purpose influences how leaders see the world.

Capital P Purpose vs. Single-stakeholder purpose

- Opportunity and risk in equal measure: 61% vs. 33%
- Predominantly opportunity: 23% vs. 41%
- Predominantly risk: 15% vs. 25%

Source question: On balance, do you see the VUCA world as a source of opportunity or risk? (Select one)
“In an external world where there is so much volatility, you’ve got employees as well as different stakeholders who want to make sure that you know where you’re taking the ship and the direction that it’s being navigated for the long term. That conviction has to come through in the purpose."

Lorenzo Simonelli
President & CEO, GE Oil & Gas
Purpose is personal

Nearly all business leaders tell us that purpose is important to their own personal job satisfaction (Figure 9).

**Figure 9. Purpose matters to job satisfaction.**

Source question: How important is your organization’s purpose to your personal job satisfaction? (Select one)

But once again, a narrowly focused purpose is not sufficient. For example, less than 10% say that they would like to work for a company that focuses solely on bringing value to shareholders, whereas 54% say they would ideally work at company with a broader Purpose (Figure 10).

**Figure 10. People prefer to work for capital P Purpose companies.**

Source question: In an ideal world, would you rather work for an organization whose purpose is focused on. (Select one)

Business leaders may be viewing their own company’s commitment to Purpose overly optimistically, however, as a direct result of their seniority. A companion survey we conducted of the working population as a whole suggests that regular employees are far less convinced that companies are pursuing Purpose than are the senior executives we asked (Figure 11).

**Figure 11. Senior leaders overestimate employee experience of purpose.**

Source question: To what extent does your/your employees’ everyday experience meet the expectations created by your organization’s purpose?
Section II: the journey from rhetoric to reality

Our research shows that being a Purposeful company is a key to success in today’s economy. That involves embedding the pursuit of Purpose in everything that a company does, from strategy and business model to the management of human resources. Yet though there is a sharp increase in the number of executives talking about Purpose, relatively few think their company has gone far enough in its Purpose journey to create significant value. Huge opportunities remain for companies willing to set off on this road less traveled.

Executives at most companies have much to learn from their peers at Purposeful companies, who have a much deeper and broader understanding of the actions needed for Purpose to become part of the corporate DNA. We asked business leaders to rate the criticality of 37 different factors for integrating purpose into their organization. Purposeful companies identified almost twice as many of these factors as critical compared with companies that are serving a single stakeholder. They tell us that the more that they embed the pursuit of Purpose, the more areas they see that require Purpose alignment (Figure 12).

When asked which were the most critical factors when integrating Purpose throughout their business, 93% of executives at Purposeful companies cite the need to embed Purpose in “our culture and behaviors, especially our leaders;” 93% also say Purpose should be “clearly embedded into our goals, strategies and objectives;” and 92% say it should be “embedded in our governance and decision-making processes and systems.”

Figure 12. Companies further along the purpose journey know it must be integrated across their organizations.

<table>
<thead>
<tr>
<th>Capital P Purpose</th>
<th>Single stakeholder purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Maximizing shareholder value</td>
</tr>
<tr>
<td>Resonates with market</td>
<td><img src="#" alt="Green" /></td>
</tr>
<tr>
<td>Is embedded in strategy</td>
<td><img src="#" alt="Green" /></td>
</tr>
<tr>
<td>Is part of culture</td>
<td><img src="#" alt="Green" /></td>
</tr>
<tr>
<td>Informs decision-making</td>
<td><img src="#" alt="Green" /></td>
</tr>
<tr>
<td>Has defined metrics</td>
<td><img src="#" alt="Yellow" /></td>
</tr>
<tr>
<td>Articulates value for stakeholders</td>
<td><img src="#" alt="Yellow" /></td>
</tr>
</tbody>
</table>

Source question: How critical is the following factor to the successful integration of purpose?
Comparing responses from “best-in-class” Purposeful companies with responses from all other companies, even those that espouse a broad purpose but have not fully embedded it, paints a powerful picture of what needs to be done. Purposeful companies are more integrated than their peers across all of the factors deemed critical, including embedding their pursuit of Purpose in strategy, metrics and decision-making and having a Purpose that resonates with the market (Figure 13).

Yet even they admit to falling short on some of these crucial issues, saying they still have a way to go in integrating purpose into decision-making and putting it at the heart of the corporate culture.

Executives at companies that have embraced but not yet integrated Purpose claimed only modest progress in general and identified a smaller number of areas as critical than did their peers at Purposeful companies. This suggests that these companies may be at risk of one of the greatest pitfalls along the purpose journey: treating their purpose as a marketing-led activity (Figure 14).

**Figure 13. Purposeful companies lead the way in purpose integration, but can go further.**

**Figure 14. Purposeful companies see more factors as critical to integration and are closing the gap between need and reality.**
Section II: the journey from rhetoric to reality

The Purpose Integration Curve shown on the next page is inferred from the answers given to us by the executives we surveyed. It suggests that the moment of greatest danger for a company, when the most value is at risk, is when there is a big gap between what stakeholders expect of the firm and its reality. This is especially likely to occur in the early phase of articulating a Purpose, when the expectations of stakeholders, inside and outside the company, have been raised, but the process of embedding the pursuit of Purpose in all that it does has barely started. And whether or not they are articulating a Purpose, some companies may find themselves challenged by heightened stakeholder expectations. Companies may find themselves on a Purpose journey even if their leaders have not explicitly chosen it (Figure 15).

Companies must demonstrate commitment through a willingness to transform aspects of their business and even sacrifice parts of their operations that are not aligned with being Purposeful. Until Purpose is embedded, they risk falling short of stakeholder expectations.

Each company must take its own distinct path. There is no single starting point and no ideal route to follow. Yet our research has identified four distinct phases that best-in-class companies typically cross on their journey to becoming Purposeful.

1. **Articulating Purpose:** the company needs to decide what specifically is its human-centric Purpose and communicate it effectively to its stakeholders. It is important that this Purpose makes sense to stakeholders and is credibly value creating, aligning with the company’s core business activities. Ninety percent of Purposeful companies say that it is fairly or extremely critical that Purpose is articulated in terms of value created for key stakeholders, and 86% say that it is fairly or extremely critical that Purpose is linked to a business’s most material long-term value drivers. Ideally it will quickly strengthen the company’s brand and inspire greater trust and higher expectations in its stakeholders. Purposeful companies say that employees and customers need to be engaged the most by their Purpose, but also see the engagement of other groups, such as their shareholders and finance providers, as important to unlocking the value of that Purpose (Figure 16).

2. **Embedding the pursuit of Purpose:** a fully embedded Purpose doesn’t simply materialize. It is the result of detailed strategic planning and a commitment to delivery. After leadership buy-in, specific strategic initiatives are the second most critical factors in the pursuit of Purpose. Ninety percent say that it is fairly or extremely critical for Purpose to be built

---

**The Purpose journey is not linear**

Our research suggests that, whether they recognize it or not, most companies are already on the Purpose journey, not least because that increasingly is what the people they engage with expect of them. Rising stakeholder expectations aren’t merely a condition of purpose – increasingly they are defining the Purpose.

Rather than assume a linear journey or a single entry point to becoming a Purposeful company, our experience shows that businesses can embark on the journey from different entry points, and we recognize the possibility that Purpose integration can be an emergent change. The strategies that we identify can be useful for companies at every stage of this journey – from articulating Purpose to fully embedding it in every part of the business.
Figure 15. Walking the purpose talk creates value — and reduces the risk of unmet stakeholder expectations.

Figure 16. Purposeful companies know they need to engage their stakeholders to drive value.

<table>
<thead>
<tr>
<th>Employees</th>
<th>Business partners</th>
<th>Customers</th>
<th>Shareholder and finance providers</th>
<th>Communities where we operate</th>
<th>Suppliers</th>
<th>Regulators and government</th>
</tr>
</thead>
<tbody>
<tr>
<td>68%</td>
<td>53%</td>
<td>51%</td>
<td>51%</td>
<td>43%</td>
<td>43%</td>
<td>43%</td>
</tr>
<tr>
<td>53%</td>
<td>32%</td>
<td>39%</td>
<td>35%</td>
<td>28%</td>
<td>23%</td>
<td>23%</td>
</tr>
</tbody>
</table>

Source question: How important is it that each of the following stakeholder groups understands your organization’s purpose?
(1 = Not at all critical 5 = Extremely critical)
Purposeful companies N = 120 Other capital P Purpose companies N = 440
integrate strategic planning processes at all levels of the company and see purpose as key in informing decisions regarding transformational change. For companies succeeding in the journey, there is a lot to be done. Executives at Purposeful companies tell us that the more they embed purpose, the more areas they see that require attention. Purposeful companies identify more areas of the business where it is critical to embed purpose – 37 compared with 26 for other organizations that have not yet embedded purpose.

3. **Evaluating progress:** Purposeful companies take stock along the way. Ninety-three percent of Purposeful companies measure performance against their purpose. They are realistic about where they are on their journey, continually evaluate how far they have come, and seek feedback from customers, employees, and investors along the way. They make significant use of key performance indicators (KPIs) and metrics related to purpose, and they embed those in business incentives. Our research shows that Purposeful companies outperform other (non-embedded) capital P companies in their use of purpose-related KPIs, though they still have some distance to go. While measuring performance, they are open about how they are doing.

4. **Accelerating the journey:** Once they have started on their journey, the best companies understand that they need to accelerate the process of embedding it in all that they do as rapidly as possible. The more thoroughly purpose is embedded in the company’s DNA, the sooner it will generate value. Ultimately, this means ensuring that purpose is lived and owned by a company’s people. Leadership is needed from the very top, but it is crucial that middle management’s behavior demonstrates commitment to the purpose and that purpose is integral to employees’ day-to-day experiences. In a companion survey of employees, those who say they work in companies with purpose cite the three greatest barriers to personally acting on that purpose as: performance measurement is not linked to the Purpose; middle management does not behave consistently with purpose; and there is a lack of conviction in communication of purpose by leadership. (Figure 17).

**Figure 17. Companies can accelerate purpose integration through employee experience.**

<table>
<thead>
<tr>
<th>Employees of capital P companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>How my performance is measured is not linked to our purpose</td>
</tr>
<tr>
<td>Middle management doesn’t act in line with our purpose</td>
</tr>
<tr>
<td>Lack of conviction of communication from leadership</td>
</tr>
<tr>
<td>Remuneration and incentives not linked to our purpose</td>
</tr>
<tr>
<td>I do not feel empowered to make decisions inline with my organization’s purpose</td>
</tr>
<tr>
<td>Disconnect between purpose and the business actions</td>
</tr>
<tr>
<td>Unclear how purpose relates to my day-to-day role</td>
</tr>
</tbody>
</table>

Source question: What are the greatest barriers to you acting on your organization’s purpose? (Select three)
“How do you integrate it day to day? We all take the time to think about it from a big picture standpoint. But how do you carry that through day to day? Not only myself as a leader, but how do you get it to resonate with all of your employees?”

Robin Washington
Executive Vice President and Chief Financial Officer, Gilead
“I use our purpose in every talk I give. I give town halls around the world, a couple each month. I always talk about our purpose and our values as the fundamentals for what our business strategy is.”

**John Haley**
CEO, Willis Towers Watson
Purposeful companies: what good looks like

Clearly articulate and communicate their purpose
Act strategically as they integrate purpose into their DNA
Use purpose as a lens for decision-making
Treat purpose as a commitment to stakeholders
Actively accelerate the integration of purpose

Top recommended actions to turn purpose rhetoric into reality

- Define a clear purpose for your organization, before others do it for you
- Be ambitious and inspiring, yet grounded in the reality of what you can deliver
- Convey your purpose in terms of the long-term value created for the people you serve
- Communicate success stories to key constituents
- Develop an integration plan and commit to deliver on it
- Focus where it matters most – at the commercial front line
- Use purpose as a lens for making decisions
- Close the gap between what the company says and does
- Practice radical candor, challenging the extent to which purpose governs strategic decisions and daily actions
- Take stock of setbacks as well as acknowledging successes
- Have senior leadership champion purpose and demonstrate their commitment through their words and actions
- Liberate and incentivize middle managers to act in the interest of purpose
- Make employees purpose owners, especially at the front line
- Measure and reward decisions and behaviors that align to purpose
Section III. Conclusion

Our research shows that being a Purposeful company is the key to succeeding in the turbulent, disrupted, unpredictable economy of the 21st century.

Yet while many executives are happy nowadays to use the word purpose, the great majority have yet to move from rhetoric to the reality of what it takes to be truly Purposeful. Purposeful companies have a Purpose that represents the company’s energizing, inspirational story. It describes its aspirations and inspires its people to pursue them. It seeks to serve all its stakeholders and aspire to build a better world. It is what we call capital P Purpose.

Purposeful companies recognize that they are on a journey to embed Purpose in all that they do, from their strategy and business model to how they manage and incentivize their employees and engage with other stakeholders. Our research suggests that only when a company does all of this is its pursuit of Purpose likely to deliver the sort of short- and long-term value creation reported by executives at those companies that are further along on the Purpose journey.

Our research suggests that today’s volatile and unpredictable world both increases the potential upside for those firms that do embed Purpose in all of their activities, and the danger for those companies that do not. Today’s increasingly powerful disruptions, especially those driven by technology, automation and digitalization of the Fourth Industrial Revolution, accelerate the need for organizations to be more human, making it even more advantageous to be a Purposeful company. As we enter into an increasingly “human age,” we expect that the Purposeful company will come to define what it is to be a successful 21st century business.

There are many reasons why being Purposeful helps a company better navigate today’s economy. Serving all stakeholders, and aspiring to improve society, gives a company a broader vision – a bigger game to play – making it more likely to spot the unexpected opportunities and new risks that are emblematic of disruptive and volatile times. Having the buy-in of employees and other stakeholders makes a Purposeful company fundamentally more agile, able to respond quickly and effectively when opportunities arise or danger threatens. It enjoys higher levels of trust and loyalty, making it more resilient when the going gets tough and more able to hold on to its customers, employees and shareholders during the often-painful periods of transition that may be the new normal in the 21st century economy.

Our research indicates what needs to be done to become a Purposeful company. The benefits are evident, and the path is becoming clearer, thanks to the pioneering companies who are disrupting paradigms, embracing paradoxes and redefining success for the 21st century.

For business leaders looking for the best way to survive and thrive in the face of today’s forces of disruption, the message is clear: begin your Purpose journey without delay.
Methodology

Our research sought the opinions of 1,470 business leaders across 12 locations (Australia, the United Kingdom, the United States, China, India, Brazil, Japan, Singapore, Hong Kong SAR, South Africa, France, Germany) and 10 industries (automotive and transportation, banking and capital markets, consumer products and retail, diversified industrial products, government and public sector, health, life sciences, mining and metals, oil and gas, professional services). The survey focused on business leaders (C-suite, director, etc.) of large companies. More than 600 respondents were senior-level respondents (43%), and more than 500 organizations had an annual revenue of US$2.5 billion or more (36%).

The survey was administered by an independent, third-party research company – Survey Sample International (SSI) – using the SSI B2B inSSItes™ panel, which utilizes phone verification, leading practice profiling and quality control, sources that are 90% proprietary, and diverse, blue-chip sources to achieve the best representation. The survey was open for responses between November 2016 and January 2017. All responses were strictly anonymous.

Our primary survey was supplemented by an employee questionnaire, run in the first week of January 2017 and administered by SSI using the same B2B inSSItes™ panel, which sought the opinions of 250 non-management level employees in India, South Africa, the United Kingdom and the United States and in automotive and transportation, banking and capital markets, consumer products and retail and health industries.

Other insights from the EY Beacon Institute

- The business case for purpose
- The state of the debate on purpose in business
- The People of purpose series

Visit ey.com/beacon for these and other insights on purposeful business.
About the EY Beacon Institute

The EY Beacon Institute is a community of business leaders, board members and academics helping organizations create long-term value and navigate the disruptive forces shaping the 21st century.

We provide research, insights and advice to inspire and amplify the growing movement of purpose-led businesses. We also bring together early adopters and leading thinkers who have embraced purpose as a means to drive real change in the working world.

Visit ey.com/beacon to see more of our latest insights.

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2017 EYGM Limited. All Rights Reserved.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.

The views of third parties set out in this publication are not necessarily the views of the global EY organization or its member firms. Moreover, they should be seen in the context of the time they were made.

ey.com/beacon