Purpose-led brands
Ready to deliver on their value-creation promise
Survey insights
August 2017
Sustainable Brands introduction

Sustainable Brands was founded on a few key principles – one being the belief that Purpose-led companies will outperform their competitors in the long run.

That was more than a decade ago. And in today’s business environment, where a growing set of complex social and environmental challenges are increasingly top of mind for stakeholders – and trust in the world’s institutions, including business, is at an all-time low – the importance of understanding the connection between Purpose and sustainable profitability is more important than ever.

Sustainable Brands’ Purpose is to shift the world to a sustainably flourishing future by enabling brands to succeed by leading the way there. Over the years, Sustainable Brands has called on business leaders to think beyond the historically limited definition of brand as simply a signifier or mark of a unique product or service.

Today, a company’s brand is defined by who you are, what you do and how you do it across your business. This also includes a company’s supply chain activities, your presence in the communities you serve and the actions you take to influence government policy.

Aligning your business and product brand value propositions, and all of your organization’s activities, with a brand Purpose that matters is a way to generate the internal alignment that reads as integrity to the outside world. And choosing a Purpose that matters, and delivering it with integrity, is a way for companies that wish to succeed and lead in the 21st century.

By teaming with organizations like EY, which are committed to leading business into the future by providing insights and key practices companies can use to achieve long-term success, we generate our own brand credibility and trust. For Sustainable Brands, that credibility has resulted in explosive growth of our community of business change makers who are creating the future of commerce worldwide.

More than 1 million business leaders around the world are looking to Sustainable Brands to connect with insights and research from thought and practice leaders. They seek case studies and tools to help them on their journey to becoming a sustainable brand leader of the future. Thousands are meeting up at Sustainable Brands events around the world – in more than 13 cities from Tokyo and Bangkok to São Paulo and Buenos Aires, to Cape Town and Copenhagen and beyond.

We are delighted to work with EY on this study, as well as on many of our presented events around the world. We encourage you to use this study as an enabler to begin or accelerate the work in your organization to find your Purpose. The study also serves as a tool for generating the competitive advantage that comes from delivering real, meaningful value with integrity to your customers today and in the future.

KoAnn Vikoren Skrzyniarz
Founder and Chief Executive Officer
Sustainable Brands
EY introduction

Over the past few years, discussion in corporate circles on the topic of Purpose has centered on a single key question: “Why do we, as an organization, exist?”

EY has been at the forefront of driving this discussion through the EY Beacon Institute, a community of executives, entrepreneurs and luminaries exchanging leading practices, research and ideas to redefine what it means to be a successful company. The results so far are compelling; research from the Harvard Business Review and EY Beacon Institute revealed that Purpose-led companies significantly outperform their peers.¹

We are also helping organizations capitalize on putting these ideas into practice through the launch of our new platform, the Why Effect. Developed by EY and Simon Sinek, the Why Effect combines Sinek’s theories and teachings around Purpose – the “Why” – with EY’s experience in performance consulting, to help achieve innovation, growth and operational excellence. It underpins our Purpose-Led Transformation™ methodology that supports organizations with an end-to-end approach for executing organization-wide strategic transformation.

Our “Why” as an organization is our commitment to building a better working world. Enabling more organizations to define, activate, and lead through Purpose helps us to deliver on our own Purpose promise. We define Purpose as an aspirational reason for being, grounded in humanity, which galvanizes stakeholders to drive innovation and growth.

However, it is important to recognize that not all Purpose statements are created equal. Not all Purpose statements address operating in a manner that respects the limits of the environment or protects the floors of social impact. Said another way, a company may have a defined Purpose, yet not be “sustainable.” To truly be sustainable, companies should consciously, and ethically, balance their financial, social and environmental resources and impacts against their desire to operate indefinitely. Likewise, a company can be sustainable but not Purpose-led, thereby missing out on the call to action that an aspirational reason for being elicits.

One way an organization can demonstrate its commitment to operating in a sustainable manner is by aligning its actions to the United Nations Sustainable Development Goals (SDGs), which were adopted by more than 190 countries in December 2015.² These 17 goals represent the world’s biggest challenges, but also provide a road map to pursuing the United Nations Brundtland Commission 1987 objective to “meet the needs of the present without compromising the ability of future generations to meet their own needs.”³

Sustainability can be part of the “how” an organization activates its Purpose, with the SDGs informing the definition of targets and indicators of success. Our EY Climate Change and Sustainability Services team supports organizations around the world in linking these strategic ambitions to credible, measurable and reportable outcomes. Ultimately, we believe that companies able to successfully activate their corporate Purpose, particularly where it aligns to one or more of the SDGs, will likely be the long-term winners.

We are grateful to Sustainable Brands and the Sustainable Brands community for teaming with us on this survey, which further explores the relationship among Purpose, sustainability performance and adoption of the SDGs. As the results demonstrate, though the value-creation promise of a Purpose-led brand or organization is well-recognized, effectively leveraging its value continues to prove challenging.

Brendan LeBlanc
Partner, Ernst & Young LLP
Climate Change and Sustainability Services

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Executive summary

Defining Purpose is just one piece of the puzzle. Engaging management, employees, consumers and investors in a shared vision that resonates and motivates is the challenge.

Purpose represents the “why” an organization or brand is in business, and Purpose-led organizations are increasingly cited as having the formula for cultural and financial success. As the prevalence of Purpose-led companies and brands increases, to what degree are these organizations really ready to deliver on their Purpose promise?

To provide further insight, EY and Sustainable Brands conducted a survey in 2016 among the Sustainable Brands community (SB16 Survey). The goal was to understand how leading organizations are bringing Purpose to life and delivering meaningful benefits, including, but also beyond, profit.

Although the language of Purpose is embedded in the corporate culture, challenges remain in the activation of Purpose, particularly in aligning Purpose with business strategy, developing internal acumen and obtaining executive support and resources. Organizations that recognize that environmental and sustainability performance can impact their brand value are more likely to align supporting resources.

There are also opportunities to leverage the potential benefits of a Purpose-led brand or organization – for example, through increased employee engagement and demonstrating an interest in contributing to global goals, such as the SDGs. The sustainability function is already tasked with advancing the activation of Purpose, yet a clear call remains for it to play an even greater role across the organization as a key integrator and activator of Purpose.

Key themes

A total of 420 respondents from small, medium and large organizations were surveyed. All respondents are part of the Sustainable Brands community and represent 22 countries and 25 industries.

Five key themes emerged from the survey results:

1. Defining a Purpose is not enough; successful activation continues to be a challenge.
2. The perceived impact of sustainability performance on brand value varies by industry and correlates to the adequacy of resources for achieving organizational Purpose.
3. The reasons for Purpose differ between small and large companies.
4. The sustainability function is primarily leveraged to support Purpose-activation and brand-strengthening activities versus cost-reduction and revenue-creation activities.
5. The potential connection between organizational Purpose and the United Nations SDGs is not well-understood or utilized.

Each theme is explored in further detail within this report.

Survey questions were designed to evoke responses regarding:

- Whether a defined corporate Purpose exists at the company
- The degree to which that Purpose has been activated
- The alignment between corporate sustainability initiatives and Purpose
- How sustainability professionals’ perspectives align or differ from other business functions with respect to Purpose
- If and how the United Nations SDGs have been considered

420 total respondents  22 represented countries  25 represented industries
Survey results

1: Defining a Purpose is not enough; successful activation continues to be a challenge.

The concept of organizational Purpose was widely accepted and adopted among the SB16 survey respondents. Most medium and large companies surveyed articulated that both a corporate Purpose (88%) and a brand Purpose (86%) had been defined by their organization. However, aligning stakeholder behavior and decision-making around these definitions – termed “activation” – is proving more challenging. Of those who have a stated organizational Purpose, fewer than half consider it to be “well activated.”

This finding aligns with the results of a 2015 survey conducted by the Harvard Business Review (HBR) and although 90% of executives surveyed said their company understands the importance of such Purpose, only 46% said it informs their strategic and operational decision-making. This survey suggests that Purpose is a powerful though underutilized tool.

For the SB16 Survey respondents, the key obstacles to driving greater activation at the functional level were more executional than financial. The three most common reasons cited were:

- No clear alignment between the stated Purpose and business strategy
- Insufficient executive leadership or support
- Lack of sustainability acumen within the business

This holds true at the organizational level as well. The degree to which sustainability is embedded within the company’s core values and activities influences its capability to activate its Purpose. Organizations with more mature sustainability functions are better able to achieve higher levels of Purpose activation (Figure 1).

Although opportunities to advance the activation of Purpose remain across most organizations, the majority of small (76%) and medium and large (71%) organizations perceived that they have sufficient access to resources to keep driving value toward their Purpose, suggesting that most organizations are actively investing in embedding Purpose. However, successful activation is recognized as a journey to be achieved through sustained efforts over time.

Only 6% of respondents from medium and large companies stated that they operate within a sustainable company that creates shared value and where the organizational Purpose is well-activated (Figure 1).

47% of European respondents from medium and large companies perceive that sustainability is core to the business or integrated across the entire value chain to create shared value, compared with just 21% of respondents from US companies.

Figure 1: Relationship between activation of organizational Purpose and the maturity of the sustainability function for medium and large organizations

<table>
<thead>
<tr>
<th>Level of activation of organizational Purpose</th>
<th>Total = 100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>5. We have an organizational Purpose, and it is well-activated.</td>
<td>37%</td>
</tr>
<tr>
<td>4. We created an organizational Purpose and are actively working on further activating it.</td>
<td>33%</td>
</tr>
<tr>
<td>3. We created an organizational Purpose reflecting who we are and what we’ve always done.</td>
<td>17%</td>
</tr>
<tr>
<td>2. We don’t have an organizational Purpose defined.</td>
<td>9%</td>
</tr>
<tr>
<td>1. I’m not sure if we have an organizational Purpose.</td>
<td>4%</td>
</tr>
</tbody>
</table>

Maturity of the sustainability function

5. Our sustainable company works closely within our entire value chain or business system to create shared value.

4. Our core business is sustainability, and we are in business to drive environmental and social progress.

3. Our sustainability function works closely with other functions to drive value in our organization.

2. Our sustainability function is a separate function operating as its own silo. We have a grassroots effort spearheaded by some passionate individuals.

4. The “Participant profile” section of this report for the definition of the organizational size of respondents.

2: The perceived impact of sustainability performance on brand value varies by industry and correlates to the adequacy of resources for achieving organizational Purpose.

Where environmental and social sustainability performance is perceived to have a high impact on brand value, 94% of respondents from medium and large organizations indicated that they had sufficient resources available to drive value in achieving their company’s Purpose. However, where sustainability performance was not perceived as impactful, 83% of respondents from medium and large organizations indicated that they did not have access to sufficient resources (Figure 2).

This result suggests that when a company’s brand and Purpose align and there is a focus on environmental and social issues, then greater resources will likely be invested in achieving a favorable sustainability performance in order to grow brand value. Yet the degree to which sustainability performance is perceived to impact brand value was noticeably different by industry.

There are similarities in the growing interests and disclosure expectations of external stakeholders, which may account for a greater perceived impact in the consumer goods, agriculture, and energy and natural resources industries.

For example, the rise of digitally connected professional consumers – or “prosumers” – is reshaping how brand stories are formed and maintained, and by whom. A recent Havas Worldwide survey of more than 10,000 global prosumers and mainstream consumers found that people are drawing a distinction between beneficial and damaging forms of personal and household spending. For most, consuming better means being more discerning and less wasteful. It’s about making choices that are more closely aligned with one’s personal values and self-perceptions – about replacing guilt with Purpose, heedless excess with measured decision-making.6

To make these values-based purchasing decisions, customers seek real-time information on the source and composition of the products and the energy utilized in their homes. They expect companies to provide transparency, and often justification, on the use of natural and social resources for the products and services being delivered.

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The perceived impact of environmental and social sustainability performance on brand value also drives the degree to which a function’s performance metrics tie to the company’s Purpose. Where a high impact is perceived, the majority of medium- and large-company respondents (57%) indicated that their function’s performance metrics were tied to the company’s Purpose to a “high” extent (Figure 3). Yet as performance impact decreases, so does the extent to which functional metrics are tied to the organizational Purpose (Figure 3).

### Figure 3: Impact of sustainability performance on the extent to which functional performance metrics are tied to organizational Purpose

<table>
<thead>
<tr>
<th>Perceived impact</th>
<th>Extent to which functional performance metrics are tied to company Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>No impact</td>
<td>0% 17% 33% 17% 33%</td>
</tr>
<tr>
<td>Low impact</td>
<td>11% 18% 43% 28% 29%</td>
</tr>
<tr>
<td>Moderate impact</td>
<td>19% 46% 6% 29%</td>
</tr>
<tr>
<td>High impact</td>
<td>57% 34% 9% 6%</td>
</tr>
</tbody>
</table>

Aligning each function’s key performance metrics to the achievement of Purpose outcomes and goals can be an effective means to create a tangible link between the organization’s strategic vision and its operational decision-making. However, implementing relevant, achievable metrics that are aligned within – not in addition to – the function’s core responsibilities are important in order for these metrics to be accepted and championed.

71% of medium- and large-company respondents indicated that their function’s performance metrics tie directly to their company’s overarching Purpose to a “high” or “moderate” extent.
3: The reasons for Purpose differ between small and large companies.

When asked to evaluate how important Purpose is to certain business activities, smaller organizations see greater value in utilizing Purpose for both internal and external value creation compared to medium and large organizations. Although companies of all size leverage Purpose for providing strategic clarity, demonstrating brand authenticity, building customer loyalty and challenging innovation, small companies are 14% to 20% more likely to do this to a “great extent” than medium and large companies (Figure 4).

Surprisingly, organizations preferred leveraging their Purpose for external stakeholder communications over internal engagement activities. Both small and medium-to-large company respondents expressed they were not likely to leverage Purpose to inspire current employees or to attract potential new talent (Figure 4). However, as the Harvard Business Review study identified, the employee audience is perhaps the most critical since each individual’s actions and decisions within the organization play an important role in delivering the intent of the company’s Purpose statement.

“… employees may be the most important audience for messages around purpose. It is more important that the purpose resonates with the employees than with the customers. If it doesn’t happen there, then the customers will catch on very quickly.”

The expected roles and responsibilities of the sustainability function have expanded significantly over the last decade. From the traditional base of being compliance experts with primary accountability for managing regulatory risk and reducing cost, sustainability and corporate responsibility professionals are increasingly being called on to identify and demonstrate their company’s intangible value beyond its finances – that is, its natural, human, intellectual and social capital.

Survey respondents mirrored this trend of broadening responsibilities. The highest percentage of medium- and large-organization respondents indicated that their sustainability functions are leveraged to a “great extent” for demonstrating Purpose (24%) and strengthening their brand (21%) (Figure 5). However, sustainability functions are notably underutilized in supporting initiatives that can drive incremental revenue. Only 11% of medium- and large-organization respondents expressed that they leverage the function to a “great extent” (Figure 5). This suggests that sustainability professionals have some work to do in demonstrating their ability to drive product and service growth opportunities, stimulate innovation or quantify the return on investment from sustainability initiatives.

Effective alignment can be crucial for developing sustainability programs that resonate and influence business operations. By developing a deep understanding of the other functions’ processes and challenges the sustainability function can position itself to provide subject matter knowledge and assistance for tactical and strategic improvement initiatives that support the other functions’ objectives.

Achieving this visibility – and credibility – enables the sustainability function to transition from a vertically siloed entity to one integrated across the organization and the entire value chain. As demonstrated by Theme 1, the greater the maturity of the sustainability function, the higher the likelihood that an organization is able to activate and achieve its stated Purpose.
The United Nations SDGs represent 17 aspirational global goals for achievement by 2030, with the intent of stimulating transformational action in current areas of critical importance for humanity and the planet. The private sector’s local actions and investments will likely play a critical role in the world’s ability to meet these objectives.

One way companies can demonstrate they are responsible and conscientious operators is to identify the SDGs within their sphere of influence, align these SDGs to their organizational or brand Purpose, and develop strategies and targets that advance relevant goals.

The SB16 Survey was conducted approximately six months after the release of the SDGs. We are still in the early days of awareness and adoption but momentum is building. Two out of three (66%) medium- and large-organization respondents indicated that they are already leveraging the SDGs, primarily to understand global opportunities that could stimulate commercial innovation and growth (35%) and to identify the market opportunities to address these challenges (24%), see Figure 7.

The companies developing strategies to address the SDGs are doing so in alignment with their overarching Purpose. However, some companies continue to lack awareness and insight on the specific actions they can take in relation to the SDGs. Almost one in five (18%) medium- and large-organization respondents indicated that they did not know what the SDGs were, or whether their company was working on them (Figure 7). Another 16% stated that their organization was not actively working on the SDGs (Figure 7).

The potential connection between organizational Purpose and the United Nations SDGs is not well-understood or utilized.

Two in three respondents from global companies with annual revenues greater than $1b are actively reviewing or working on the SDGs (Figure 7).
Where next for the sustainability function?

When asked about the “ideal role” that the sustainability function could play in helping an organization activate its brand and organizational Purpose, respondents overwhelmingly suggested that the function should play to its core strengths as a connector and influencer.

Respondents specifically suggested that the function be:

1. The integrator of sustainability into the strategic direction, goals and decision-making of the organization
2. A two-way communicator of successes, challenges, impacts and value to internal and external stakeholders to drive greater alignment
3. An educator and empowerer that leads by example

Figure 8 highlights specific stakeholders respondents considered with whom the sustainability function should engage. Interestingly, improving the organization’s activation of its Purpose for the benefit of communication to investors was not raised by respondents.

As explored in Theme 3, when defining, refining and communicating a Purpose-led message, the organization should be clear as to who its intended audience is and what tangible outcomes it hopes to demonstrate through the communication.

Successful Purpose activation cannot be achieved purely through messaging or when championed only by a single function. The integration of Purpose into decision-making processes and performance metrics is key to achieving business value and creating an authentic story that resonates with stakeholders, both inside and outside of the organization.

“This is a perfect case for the sustainability function as ‘influencer’ — defining the strategy, educating people in virtually every group and energizing our colleagues around the company.”

— Respondent of large organization in the manufacturing industry
Participant profile

EY received a total of 420 survey responses. Respondents came primarily from the Sustainable Brands e-newsletter subscriber base. Given that these individuals are self-selected members of this community, we acknowledge that elements of respondent bias could be present in the survey results. However, respondents were not limited to the sustainability function; a range of organizational functions were also represented.

### Organization size by revenue

- **Large**: 19% (US$5b plus)
- **Medium**: 9% (US$1b/US$5b)
- **Small**: 72% (US$1b or less)

### Industry sector

- **Consumer goods**: 12%
- **Energy and natural resources**: 09%
- **Retail**: 08%
- **Manufacturing**: 07%
- **Education**: 05%
- **Financial services**: 05%
- **Other**: 54%

### Region

- **North America**: 66%
- **Europe**: 17%
- **Asia-Pacific**: 8%
- **Latin America**: 5%
- **Africa**: 2%
- **Not specified**: 2%

### Business function

- **Sustainability or corporate responsibility**: 39%
- **Marketing**: 24%
- **Strategy**: 15%
- **Other***: 22%

*Including representatives from finance/accounting, human resources, legal and information technology
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Sustainable Brands
Sustainable Brands is a learning, collaboration and commerce community of over 348,000 sustainable business leaders from around the globe. Our mission is to empower more brands to prosper by leading the way to a better world.
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