

THE POWER (AND PITFALLS) OF PURPOSE

By **Matt Carter**, founder, Message House



A BRIEF WORD ON METHODOLOGY

In April 2017, we interviewed 1,050 members of the UK population aged 18+, exploring their attitudes to the purpose or mission statements of six high profile companies – Barclays, BT, The Coca-Cola Company, HSBC, Microsoft and Tesco. The six were chosen to highlight differences in stated purpose. The statements for each company were taken from their websites.

Corporate purpose remains a hot topic. As we heard at January's *Corporate Reputation* Summit, the idea of purpose is growing in importance and is now being widely applied in organisations.

The UK Government estimates there are now around 123,000 UK mission-led businesses, which have a combined turnover of £165 billion and employ 1.4 million people. There is already a legal type of purpose-driven corporation ('B Corps') and in the UK, there's a new campaign led by UnLtd to make it easy for founders to embed purpose into the DNA of their businesses.

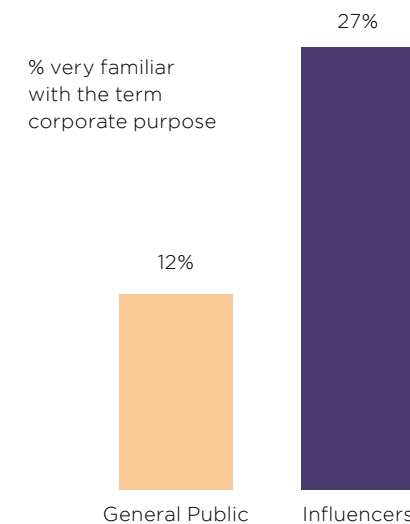
However, despite its growing appeal, purpose remains an elusive and confused concept.

The purpose of purpose is varied, with some seeing it as a way of focusing the strategy of the

business, while others point to the benefits in brand reputation and consumer preference. The focus of purpose is sometimes customer-orientated, sometimes socially-skewed, sometimes just fanciful. Reading many corporate purpose statements, you'd be forgiven for thinking they were written by benevolent philanthropists rather than shareholder-obsessed multinationals.

Part of our work involves helping organisations to define a better purpose, using research to explore their DNA and the best way to express it in a credible and effective purpose statement.

To try and provide some greater clarity on the concept, we have conducted a survey exclusively for *Corporate Reputation* magazine, looking at the idea of purpose and the way it is expressed by six leading companies.



For the advocates for corporate purpose, let's start with some good news.

Intuitively, most people think the idea of a corporate purpose is a good one. When asked how important it is for a company to have a clearly defined corporate purpose, 74 per cent of respondents in our survey said they think it's very important.

However, there's also a reality check in the results.

What does purpose actually mean?

The answer is simple: most people don't know.

In our research, only 12 per cent of the public said they were very familiar with the term. Thinking about the group we have called Influencers – higher educated, higher earning, community-engaged public, a proxy for actual stakeholders – this increased to just 27 per cent.

When asked unprompted to give examples of companies with a purpose, they struggled to suggest names – Apple, Virgin, the BBC and John Lewis each received around two to three per cent of mentions.

Even when prompted with a list of companies and asked if, in their opinion, each had a corporate purpose, 'don't know' ruled the day. Taking the average across the six companies

in our survey (Barclays, BT, The Coca-Cola Company, HSBC, Microsoft and Tesco), 38 per cent said yes, they thought they had a purpose; 18 per cent said no; and 45 per cent said they didn't know.

Moreover, when we asked them to explain what the idea meant, some answers revealed a degree of cynicism about the purpose behind purpose, with many seeing it as a communications exercise or a cynical way of distracting from the pursuit of profits.

What then should be the focus of a corporate purpose? Should it be an internal rallying-cry or a consumer call-to-action?

The answers to these questions depend a lot on the nature of the organisation itself. However our research provided some evidence of the right areas to focus.

First, there's a clear correlation in the data between consumers who believe a company has a corporate purpose and those who say they trust and are likely to recommend a company.

For example, in our survey, of those who thought The Coca-Cola Company has a corporate purpose beyond making money, 40 per cent were very trusting of the company and 46 per cent very likely to recommend it to friends and family, compared to only 15 per cent and 22 per cent amongst those who didn't. Indeed, it is true for all six companies we tested that the more likely you were to see them acting with a corporate purpose, the better you felt about them reputationally.

Purpose has a benefit with consumers but it seems to be even more important to employees when thinking about where they work.

In general, the idea of a company having a purpose beyond making money is appealing to employees.

Our survey revealed that 55 per cent of employees strongly agreed that they would be much more likely to consider working for a company with a clearly defined corporate purpose.

CORPORATE PURPOSE

What do you think the term 'corporate purpose' means?

'The overall idea behind the company, what drives it forward. What it stands for and its goals are.'

'Business speak for making as much money as possible'

'I assume it means the purpose that is good for the relevant company or business, not particularly for its customers or environment'

Looking at BT, for example, 31 per cent of those who thought BT had a corporate purpose said they would be proud to work at BT, compared to only 18 per cent who thought it didn't have a purpose.

Moreover, for the group that saw their own organisation as having a purpose, they were far more likely to recommend it to others.

Almost three quarters of employees who believe their company has a purpose beyond making money said they were very likely to recommend the organisation to friends and family; that number drops to only half amongst those who said the place they work didn't have a purpose.

That's a sizeable 24 point increase in employee endorsement for purpose-driven organisations.

% very likely to recommend employer to friends and family



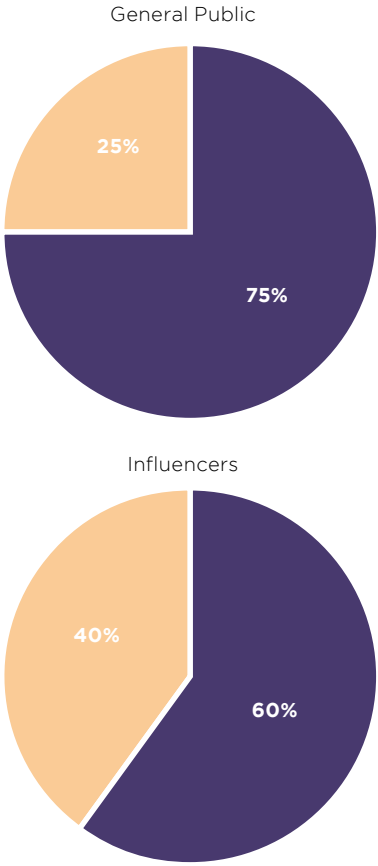
'THERE'S A CLEAR CORRELATION IN THE DATA BETWEEN CONSUMERS WHO BELIEVE A COMPANY HAS A CORPORATE PURPOSE AND THOSE WHO SAY THEY TRUST AND ARE LIKELY TO RECOMMEND A COMPANY'

What about making the focus of purpose a social or a customer benefit?

If forced to choose, there is a general bias towards customer-focused goals, tempered by a big demographic split.

When asked to choose whether corporate purpose is more about meeting customer needs or helping tackle challenges faced by the world, the general public split 75/25 for a customer focus.

However, when you dig into the numbers, there are some sizeable differences in responses, with advocates for a more social focus higher amongst the young and the influential. More than four in ten (42 per cent) of 18-24 year olds prioritise addressing the challenges facing the world, as compared to only 16 per cent of those aged 65 and over. Similarly, 40 per cent of Influencers prioritise social goals.



■ Meeting its customers' needs
■ Addressing the challenges facing the world

It's a valuable reminder that while the majority of the public see the benefit of a purpose-driven organisation to be primarily its ability to serve their needs better, the wider social benefit of business is a big deal for key audiences.

So what makes an effective corporate purpose?

The answer is complex but in our work with a range of companies on their corporate purpose, we've distilled it down to four elements:

- **Appeal** – it needs to be a purpose that attracts and engages people
- **Distinctiveness** – it has to speak to something distinctive in the organisation that makes it identifiably their purpose
- **Good Fit** – it must reflect what the organisation or brand does and how it works
- **Experience** – it must be lived and experienced by people in their everyday interactions with the organisation

Our survey showed that while many are getting it right, some companies have purpose statements that are generic, in conflict with their brand or something that isn't lived and experienced by their customers.

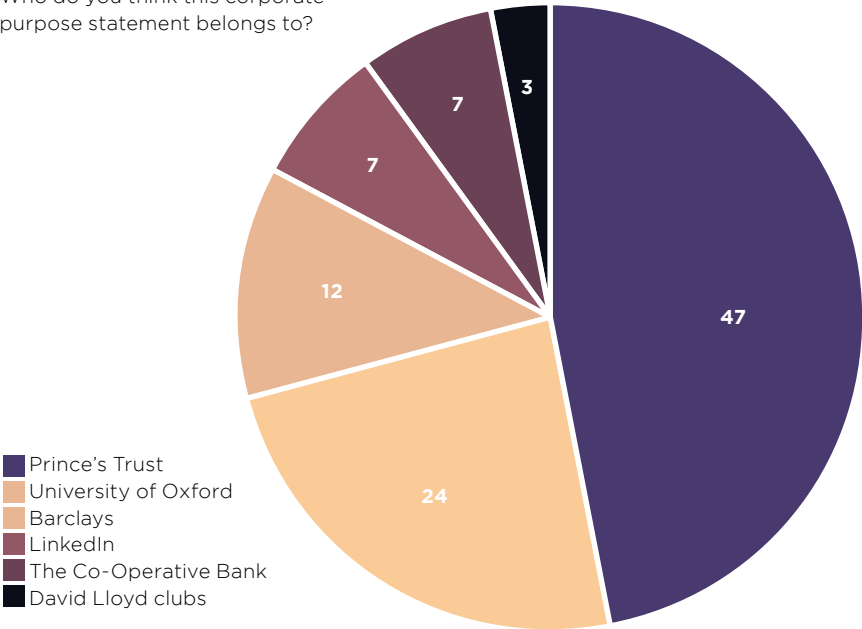
To establish how distinctive the purpose statements were for each brand, we conducted a blind test where respondents were shown a purpose statement and asked to match it to one of six similar organisations displayed. Done at random, you would expect around 17 per cent of respondents to match the statement correctly. Our hypothesis was that the more the purpose statements spoke to a distinctive quality in the organisation, the higher the match rate.

Barclays' purpose is *Helping people achieve their ambitions – in the right way*: just 12 per cent of the public and 18 per cent of Influencers correctly matched that statement to the company. In contrast, 47 per cent thought it could belong to The Prince's Trust and 24 per cent to the University of Oxford. It seems Barclays' purpose offers little that is distinctive about the company and therefore could be a statement from lots of different organisations and indeed from many sectors.

When told that the statement belongs to Barclays, the picture didn't improve. Only 34 per cent said they thought the statement was a good fit for what the company does and how it works, with 33 per cent saying they thought it was a bad fit.

'Helping people achieve their ambitions - in the right way'

Who do you think this corporate purpose statement belongs to?



Whilst we didn't conduct the research amongst Barclays' employees, from the consumer and influencer perspective their purpose statement seems to lack a solid connection with the DNA of the business.

The Coca-Cola Company's statement has a different problem. It is *To refresh the world in mind, body and spirit; to inspire moments of optimism and happiness through our brands and actions; To create value and make a difference*. A majority of respondents (51 per cent) said they found it appealing and 31 per cent correctly matched the statement to The Coca-Cola Company, just ahead of 30 per cent who thought it belonged to The Body Shop.

However, the statement isn't felt to be a good fit with what the company does, nor is it particularly lived in the experiences of their customers. Only just over a third (39 per cent) of people who had used Coca-Cola products in the last year saw this as an accurate description of the company, with almost a quarter seeing it as inaccurate.

The idea of refreshing drinks is clearly closely associated with the company, but it seems Coca-Cola's statement has gone beyond what seems credible for the company in the eyes of its own consumers.

The best performer was Microsoft's statement: *To empower every person and every organization on the planet to achieve more*. Six

in ten respondents found this very appealing, and 51 per cent correctly identified the statement to the company, ahead of 28 per cent who guessed Google. What's interesting is the extent to which the statement is felt to be a good fit with the company and also something lived by its customers. Almost two thirds (64 per cent) of those people who have used Microsoft products in the last year said it was an accurate description of the company, and even 51 per cent of non-customers thought the same.

Despite the statement not referencing products or services specifically, it taps into the essence of Microsoft so well as to be appealing, recognisable and distinctive.

Summary

Our research provides more evidence that purpose matters.

It matters to consumers, who find the concept of corporate motivation beyond profit appealing and who tend to be more trusting and recommending of those companies who they think act in this way.

It matters especially to employees, who pay more attention to the purpose of their own organisation than they do of others, are more

likely to choose to work in a purpose-driven organisation and see purpose as enhancing their pride in where they work.

Influencers too see the concept as one that matters, although they are more likely to focus on the benefits of a social purpose rather than just improving the customers' experience.

However, there are some pitfalls in dealing with purpose. In the dash to define their corporate purpose, it seems many companies have forgotten who they really are. The creation

of generic, overreaching or fanciful purpose statements does nothing to enhance the reputation of the companies involved and it provides succour to the already evident cynicism about the purpose of purpose.

Paradoxically, by creating implausible or irrelevant purpose statements, many are feeding the doubt about corporate motives that those very statements are intended to resolve.

For me, purpose works only when it reflects the true DNA of the company. Understanding that spirit or essence and then bringing it to life in an authentic way is central to the creation of a credible and powerful corporate purpose. **CR**

'SOME COMPANIES HAVE PURPOSE STATEMENTS THAT ARE GENERIC, IN CONFLICT WITH THEIR BRAND OR SOMETHING THAT ISN'T LIVED AND EXPERIENCED BY THEIR CUSTOMERS'

The percentage of people who say the purpose statement is a very accurate reflection of the company amongst those who have used the company's products in the last 12 months

