

In Defence of Purpose

Attacks on corporate purpose show its growing strength, not its weakness

James Baldwin famously argued, “Not everything that is faced can be changed, but nothing can be changed until it is faced”. This quote is as poignant today as it was in the sixties. Currently, society must confront challenges such as health inequity and the very visible threat of a heating planet. We must challenge a financial system that still excludes too many and build an education system where demography doesn’t shape destiny. Over the past year, however, a new type of challenge has emerged that has complicated this work - a vocal and powerful minority of individuals undermining the fight to make our world better and the businesses attempting to be part of that effort.



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At Purpose Union, our central thesis is that businesses that stand for something are more likely to create financial value. The companies embracing this movement understand that this agenda drives their business goals rather than distracting from their core functions. It has led to business leaders referencing their company’s purpose when announcing significant business decisions. It has also encouraged them to focus on how to make their workplaces, products, and services more diverse, equitable, and inclusive. Above all, it has aided their employees in understanding the social impact of their work.

This movement (the support for purpose-driven businesses and adjacent agendas such as diversity, equity and inclusion) was always going to generate a reaction. A deadly global pandemic forced many of us to ask, “What are we here to do and why does it matter?” Companies started to ask similar questions. This collective introspection ushered in a new pace, new paradigms, a new lexicon that was bound to produce dissent.

The pushback has ranged from weaponising the term “woke” to dismantling socially inclusive initiatives, even ousting purpose-inclined chief executives. Even more worryingly, it has manifested in the use of executive power to block or remove the rights and protections of marginalised groups - minimising structural racism in the UK Government’s 2021 Race Report, erasing the work of minorities from schools, the pushback against affirmative action and attacking the freedoms of the LGBTQ+ community, as we’re seeing play out in parts of the US.

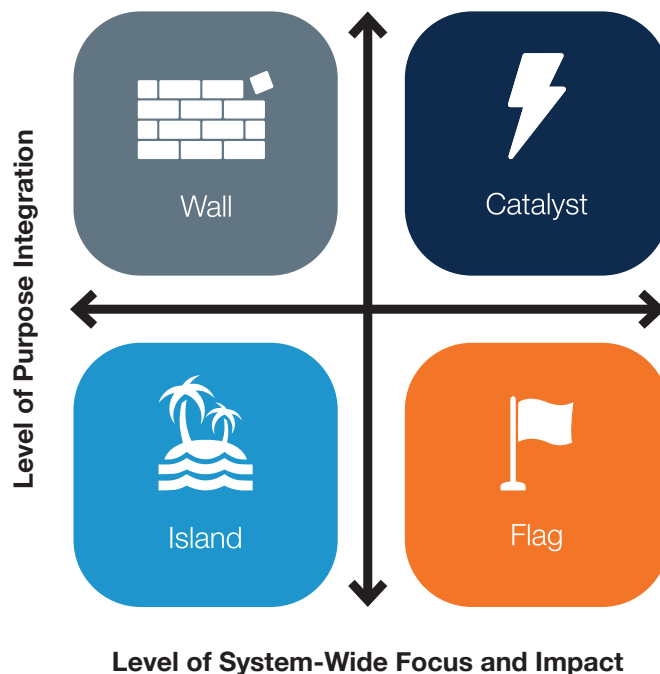
It’s time to face up to this specific challenge. With polarising elections next year in the US and the UK, where the role of business in society will feature, organisations must be more context-aware in this evolving environment. I was fortunate enough to be part of the team that founded Purpose Union almost half a decade ago. We’ve had the pleasure of working with hundreds of changemakers, leaders, activists, and responsible investors worldwide. We’ve also spoken to sceptics. Those relationships and conversations help us to evolve our thinking. Here, I explain my thoughts on what must happen next.

The Purpose Grid

It’s helpful to start with a framework that allows us to analyse why many businesses have struggled to balance competing agendas when engaging with social issues. We’ve made the case for why purpose matters in previous articles and our landmark multi-market research piece, the Purpose Pulse. As a reminder, our core belief is that businesses are more successful if they have a reason for existing that is linked to societal benefit. Such purpose-driven businesses excel at enabling their people to use the company’s purpose as a decision-making guide (we call this purpose integration). They also use that purpose to build products, services, agendas, and relationships that address the day’s big system-wide challenges (we refer to this as system-wide impact and integration), driving financial performance. At Purpose Union, we use our Purpose Matrix as a way of helping clients identify where they are on this journey (see below).

An organisation's position in this grid presents them with different levels of risk and opportunity. **'Islands'**, in the bottom left quadrant, are organisations with limited or no integration of purpose. Their levels of innovation in response to social and environmental challenges are minimal, as is their advocacy and involvement in broader social debates and agenda-setting. At one point, maintaining this position was tenable. However, occupying this zone today represents a risk - failing to attract, motivate and retain talent, losing the competitive edge, and being caught off-guard when issues like the Russian invasion of Ukraine or Roe v Wade pose questions that the leadership must answer.

Then there are the **'Walls'**. These are companies with a robust internal understanding and integration of their role in society. The leadership supports the adoption of a purpose-driven mindset, and business functions understand how this shapes the strategy of the business. However, they fall short when it comes to using their purpose-driven culture to shape the world around them. Their engagement with societal issues like homelessness or water insecurity is tactical rather than strategic, sporadic rather than sustained. They also participate passively in wider conversations about social progress. They are often slow and reactive, rather than proactive, missing opportunities to effect change and be a wider force for good. Many companies in this zone found it challenging to respond to the murder of George Floyd in a sustained and impactful way because that event demanded that organisations embrace anti-racism - the proactive identification and elimination of racism by changing systems, organisational structures, policies, and practices. It is enlightening to see businesses with a strong culture of purpose realise the potential gains from being bolder.



'Flags' embrace being part of the local, national, and global solution. However, their public positioning and internal practices and culture are often misaligned. Decisions about external facing activity are often not made or justified with reference to a purpose, sometimes due to few within the organisation being able to articulate why the business exists. Those external-facing initiatives are often the pet projects of a select few individuals.

This is where **'Catalysts'** enter the frame. These companies demonstrate a profound commitment to purpose, both internally and externally. They possess a clear, well-understood purpose that is embraced at every level and intrinsically linked to their business functions. Catalysts are at the forefront of innovation to address social and environmental challenges and their strategic advocacy is centred around a hero issue. They don't just participate in the national or global debate; they shape it. They recognise the need for collective effort to solve problems and, as such, adopt a coalition-based approach.

Understanding the opportunities and threats faced by **Catalysts, Islands, Walls, and Flags** provides a useful way of analysing today's landscape because this grid is dynamic rather than static. As catalysts seek to defend their position amidst higher standards from the public, they have rightly sought to fill gaps in moral and practical leadership on social issues that matter to their business. As stakeholders have grown more suspicious of purpose-washing, greenwashing, and diversity-washing, they've also recognised the need for greater consistency. This is why a bank that might champion the potential of everyone and affirms

a commitment to anti-racism may consider transacting with a customer harbouring racist views wholly inconsistent (even if the application of that principle may be debatable on specific cases). This is why companies aiming to enter or remain within the catalyst zone of opportunity will inevitably come into conflict with defenders of the status quo, both inside and outside politics.



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This grid also gives us a picture of where the sceptic of this agenda would like companies to stay in. There are renewed calls for companies to go back to being Islands. Following the resignation of Alison Rose, CEO of NatWest, several commentators quickly voiced the view that all businesses should stick to their core operations and nothing else. Unfortunately, this perspective fails to appreciate the risks of inaction and is disconnected from the shifting expectations of a growing group of core business constituencies - their people, customers, and investors.

This grid also helps to explain why we've seen brands recant in the face of criticism. We've also seen what happens when brands such as Bud Light sidestep the internal work and become Flags. An opportunity arose to include trans voices in their marketing, arguably aiding in shaping perception and improving awareness among their customer base. However, when faced with some pushback, they retreated. The brand's leadership, it seems, was not as committed to the purpose/inclusion agenda as they should have been.

Unsurprisingly, I believe that all companies should aspire to be **catalysts**. It is, and will continue to be, the zone with the most opportunities to win as a business. We've also seen that being a catalyst is hard work. Here are some practical ways catalysts can put themselves on a much steadier footing.

Purpose Resilience

First, we need more companies to step up and be willing to publicly make the case for why this agenda matters to their business. Their voices and actions can make a difference and often reassure many employees that their colleagues care. We needed more leaders to back Natwest's purpose-driven approach. Naturally, not every employee will agree with their employer engaging on relevant social and environmental issues but it is much easier to stand up for marginalised communities if you can justify your stance with reference to your stated social purpose. I've seen companies and brands much more willing to use their platform to advocate for others because their purpose has emboldened them to do so. Your employer taking a stance that conflicts with your position is likely more palatable if you can see a clear link between a public statement and what the company exists to do.



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The companies thinking ahead on this are co-creating criteria for how they respond to social issues rooted in their purpose. This allows them space to anticipate the issues and develop thoughtful responses ahead of time. Crucially, it can help build resilience when faced with vocal opposition.

Giving Leaders Space

Second, we have observed an interesting trend at Purpose Union over the years. Leaders of organisations are yearning for the space to explore these issues and collect their thoughts on how these challenges affect their people and customers. They want to practice debating the

merits of various courses of action. This is a positive development that should be embraced by more companies.

I've argued in previous articles that CEOs increasingly need to learn the art of debating social and environmental issues as a core competency of the role. The case for this today is stronger than it has ever been. Leaders who have the language and tools to engage are more likely to use their voices to drive change internally and externally. A European company I work with regularly sets aside time for senior leaders to hone their public speaking and media skills on social justice and environmental issues, and it's made a substantial difference to the company's willingness to stand up for the issues and the purpose agenda in a positive way.

A successful defence of purpose in the face of the current backlash requires corporate leadership to be in the best possible shape to confront these arguments and win in public.

Winning Hearts and Minds of Sceptics

Finally, we must get better at making the case for purpose and all it entails to groups outside of the true believers. We need to craft a compelling narrative that can win over not just the converted but more importantly, those who harbour scepticism or sit undecided on the fence about businesses playing an active role in solving society's problems.

We need to reframe the debate about purpose more aggressively. Detractors have skillfully managed to conclude that purpose, DEI and sustainability are all distractions from running a business well. Companies committed to being purpose-driven must be relentless at providing concrete examples of where this mindset has delivered results and communicate these regularly in a way that reaches audiences who are on the fence.

The methods of communication also need to adapt. It's difficult to win hearts and minds on this agenda through PowerPoint decks and emails. This agenda is all about people and our lives. How can we use personal storytelling to inspire? How can we help those who are sceptical connect this agenda to their own values and personal purpose in life? How can we combine reason as well as emotion to make this agenda real for people and worth fighting for? The next 5 years must see companies investing as much time in the why as the what and how.

A world where companies are guided by a clear social mission is not perfect. It is a world where leaders will err and where corporate scandals will still happen. It is a world where it will be difficult to come up with a common set of measurements and one where companies can still make sub-optimal decisions, even when they believe their purpose is guiding them. However, the meaningful comparison is a society where companies see themselves as distinct from society and its challenges, not key players in it. Where they feel no need to consider social impact in their operations or to help improve social mobility for working-class people. I know which world most people would prefer to live in so it's now time to defend it.

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