

Pursuit of purpose

From aspiration
to value creation



Executive summary: *The State of the Debate on Purpose in Business*. This report is built upon a deep-dive review of more than 150 books and articles, as well as a series of interviews with leading experts and practitioners.

This executive summary draws upon this report and our ongoing thought leadership collaboration with the University of Oxford's Saïd Business School. It also includes insights from our collaboration with Harvard Business Review Analytic Services, published as *The Business Case for Purpose*.

The full report will be released following the World Economic Forum annual meeting in January 2016.



Purpose, performance and value. In EY Beacon Institute's new research report, *The State of the Debate on Purpose in Business*, we considered *why* executives see purpose as an important strategic lever and *how* it can enable the performance necessary for growth, innovation and transformation.

Purpose is (re-)emerging as a "North Star" by which business can navigate and thrive in the 21st century. Purpose – an aspirational reason for being that is grounded in humanity – is at the core of how many companies are responding to the business and societal challenges of today.

Six forces are challenging companies' old sense of identity and operating models, forcing them to rethink value creation.



The trust deficit. Evidence suggests that a lack of trust slows growth and innovation. At the societal level, the trust deficit could have far-reaching implications for businesses' license to operate.



The sustainability imperative. Executives are re-evaluating how they produce, consume and supply goods and services, in order to mitigate risks and make their operations, supply chains, products and services more socially and environmentally sustainable.



Rising social inequality. Though the world is getting richer, inequality is at historic highs: just 1% of the world's population now controls more than 50% of the planet's wealth. Within companies, too, the differences between the bottom and the top salaries are magnified – in some US organizations, that ratio is now 350 to 1.



Diminishing brand control. Technology has enabled all people to be potential newscasters. Customers are quick to use their social media power to push their own political and social agendas. Dissatisfied consumers spread the word about unfulfilled brand promises faster than any marketing campaign can manage.



Conflicting time horizons. A growing number of people believe companies have a role – and even an obligation – to address long-term global environmental and social challenges. Companies are struggling to manage for the long term despite many short-term pressures.



Digitalization threats and opportunities. Instantaneous interconnectedness and increasingly powerful, real-time data analysis create new opportunities for businesses to know and serve customers better – and new ways for customers to spot any gaps between a company's rhetoric and its actions.



How purpose drives success

Research reveals that ...

1

Purpose instills strategic clarity

Purpose is a “North Star” for short-term decisions and long-term strategy at every level of an organization, encouraging leaders to think about systems holistically, rather than by silo. Purpose guides choices about what not to do, as well as what to do.



- ▶ Use your purpose as a guiding light for daily and long-term decision-making, particularly in times of transformation and rising expectations
- ▶ Use purpose as a benchmark for how you do business and for defining what your business will and will not do
- ▶ Consider purpose a lens to see the whole picture, to manage complexity through a systemic approach, not silos

2

Purpose channels innovation

By focusing innovation on a compelling “bigger picture,” purpose encourages everyone, from R&D to customer-facing staff, to think beyond incremental product or service improvement. It empowers people to look for solutions and innovations that will deliver durable value and returns, while setting boundaries on the space the company wants to operate in, keeping innovative energy focused on what matters.



- ▶ Let purpose frame how your organization understands the bigger picture
- ▶ Use purpose as an antidote to short-termism to open up people’s creative horizons
- ▶ Let your business’ purpose empower employees to see themselves as problem solvers and value creators, guided by the boundaries of your purpose

3

Purpose is a force for and a response to transformation

Purpose motivates people through meaning, not fear. It clarifies the long-term outcome so people understand the need for change, rather than feeling it is imposed upon them. Purpose is also a response to societal pressures on business to transform, to address global challenges and to take a longer-term, more comprehensive approach of growth and value.



- ▶ Motivate with purpose (a “burning ambition”), not fear (a “burning platform”) in challenging times
- ▶ Keep purpose at the forefront of transformation, to clarify desired outcomes. This helps people understand the longer-term context of short-term changes
- ▶ Use purpose as a force to help your company to transform and respond to external pressures to grow and create value differently

4

Purpose taps a universal need

Whatever their motives – a desire to belong or altruism – most people feel a need to contribute something to a community, to feel they are part of society. Traditionally, corporate culture seeks to unite people against a common competitor or stresses the need to fit in with a group. Purpose recognizes differences and diversity, uniting people through a desire to contribute to something bigger, to work for – not against – something.



- ▶ Use purpose to tap into a basic human need to contribute to a wider group or bigger goal; it’s a powerful driver of behavior
- ▶ Explore how purpose can unite diverse global teams in new ways to work toward a common goal

5

Purpose builds bridges

Whether the goal is cross-industry collaboration on carbon reduction or an industry movement for fairer trade, companies can increase potential collaborations by finding common ground in their purposes. Internally, too, purpose helps individuals and teams to work across silos in order to pursue a single, compelling aim.



- ▶ Deploy your purpose as a guide and a force for better collaborations
- ▶ Use your purpose to look for common ground – for both the “why” and the “how” alliances could work
- ▶ Use purpose internally to help individuals work across silos in the interest of a single, compelling aim

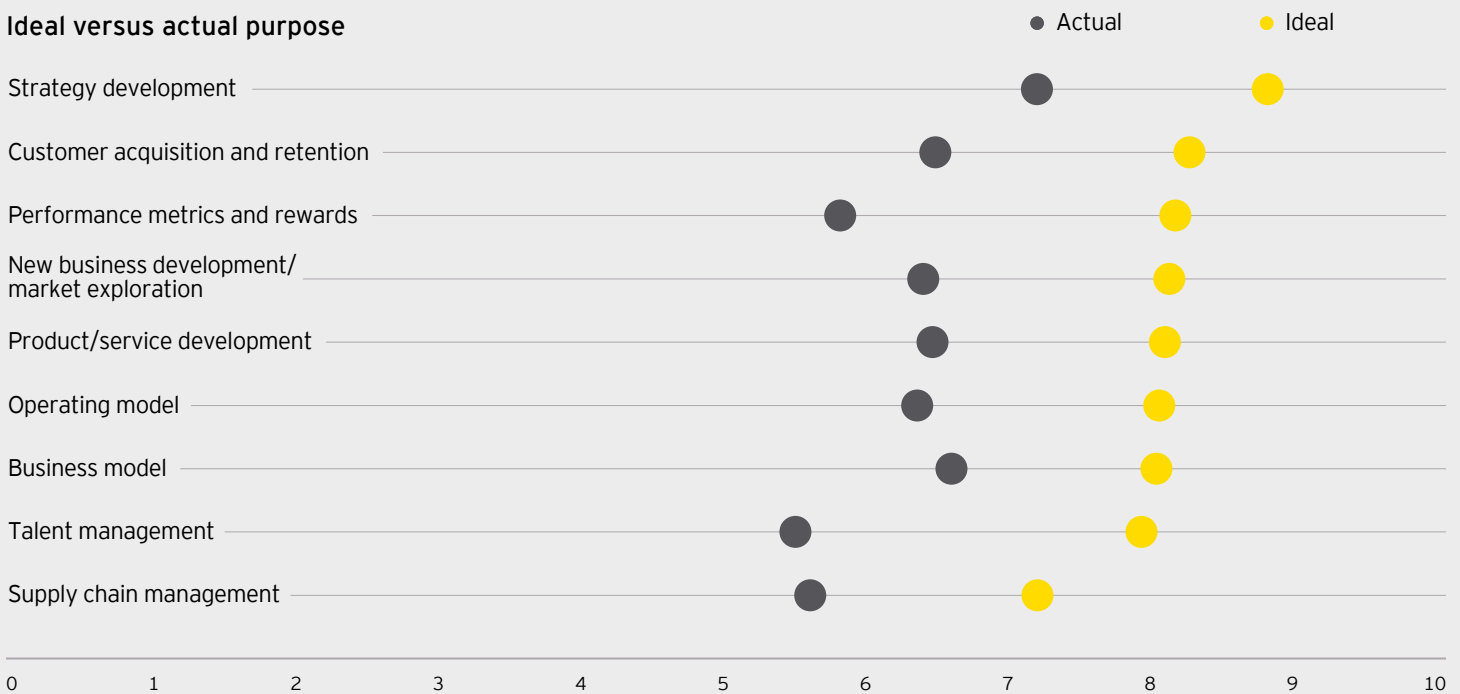


But bridging the gap between aspiration and activation of purpose is not easy

To successfully activate its purpose, a company must integrate it across the organization, aligning strategy, investments and activities and embedding accountabilities.

Research from Harvard Business Review Analytic Services and the EY Beacon Institute suggests that there is a significant gap between intention to integrate purpose (“ideal”) and the extent to which organizations actually do this (“actual”).

Ideal versus actual purpose



The “ideal” data points are based on the question: “How important is it for an organization’s purpose to be integrated into each of the following areas?” scale of 1 (not at all important) to 10 (extremely important).

The “actual” data points are based on the question: “To what extent is your organization’s purpose actually integrated into each of the following functions and activities?” scale of 1 (very poorly integrated) to 10 (extremely well integrated).

“There is an increasing awareness that the purpose of a company has to be beyond shareholder value, and that this is not something that will cost your business but something that will enhance your business.”

Michael Beer, Cahners-Rabb Professor of Business Administration, Emeritus, Harvard Business School, *The Business Case for Purpose*, Harvard Business Review Analytical Services report, 2015

EY's Beacon Institute

Transforming business. Igniting purpose.

The EY Beacon Institute is a community of executives, entrepreneurs and luminaries advancing a transformation of the working world by redefining what it means to be a successful company in the 21st century. The creation of the EY Beacon Institute was inspired by a commitment to build a better working world, the recognition that we can't accomplish this goal alone and our dedication to moving from intention to action.

We do this through:

Research

Driving new research, metrics and thought leadership that document why and how businesses are transforming to thrive into the future

Community

Convening a diverse community committed to building a better working world

Events

Hosting a series of global and regional year-round events to advance this dialogue and exchange leading practices

Building on our work to date, EY Beacon Institute continues to push the movement forward, giving companies, individuals and organizations the tools for their journey.

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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.

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