



# Purpose- Aligned Leadership:

**From Purpose Driven  
to Driving Purpose**

**KARRIKINS**  
GROUP





# Calling all courageous leaders.

## Preface

**One particular two-week period in 2018 may well be remembered as the ‘fortnight of peak purpose.’**

Over the span of thirteen days:

- Larry Fink, CEO of BlackRock (the world’s largest asset manager), in his annual letter to CEOs wrote that “without a sense of purpose, no company, either public or private, can achieve its full potential. It will ultimately lose the license to operate from key stakeholders.”<sup>1</sup>
- In a move to align their business to their purpose of “enhancing quality of life and contributing to a healthier future,” Nestlé sold its US confectionary business to Ferrero for US\$2.8 billion and announced it would be selling the Australian chocolate bar Violet Crumble.<sup>2</sup>
- The World Economic Forum began its annual meeting with the theme of “Creating a Shared Future in a Fractured World,” which aimed to “rededicate leaders from all walks of life to developing a shared narrative to improve the state of the world.”<sup>3</sup>
- Following intense backlash for the way its product had been used to spread misinformation and gather data on its users, Facebook founder and CEO, Mark Zuckerberg, admitted that recent controversies had forced the question “What are we really here to do?” He committed to delivering a service that is “good for people” and that fosters “meaningful interactions” over “passive content.”<sup>4</sup>

Shortly after these events, in a presentation to senior business leaders at the 2018 Shared Value Summit, internationally renowned Harvard academic Mark Kramer argued that the best defense against corporate malpractice is a strong purpose.

Whether as a force for driving improved performance, or a defense against behaviors that erode the public trust, there is a growing acceptance that purpose plays a pivotal role in building sustainable, high-performing organizations.

Purpose-aligned companies outperform their competitors, in some cases beating their counterparts in stock price performance by a factor of twelve;<sup>5</sup> 91% of consumers would switch brands if a comparable brand was aligned behind purpose;<sup>6</sup> and employees are three times as likely to stay with a company that elevates purpose.<sup>7</sup>

But, despite near universal agreement that purpose is important, and despite the ubiquity of pithy purpose or mission statements on almost every corporate website, many leaders struggle to align the behavior of their organization with the aspirations of their purpose statements.

Perhaps you, yourself, have had a moment of realization, or a building sense of discomfort, that some of your products, employee behaviors or investments are not aligned to your organization’s purpose. Perhaps you have even asked yourself about your own contributions and the legacy you will leave behind.

If so, you are in good company. Globally, leaders are shifting strategies as they recognize that companies have a role to play beyond short-term shareholder return. These leaders recognize that their highest obligation is to align their organization to a clear purpose. In a world addicted to quarterly reporting cycles, this shift is nothing short of an act of courage and conviction.

This paper is designed to support courageous leaders in bringing purpose to life inside their companies. We hope to share some of the knowledge, insights and experience that we have gathered over thirteen years working to help companies align to their purpose. It feels like there’s never been a more critical time to do so. We hope that anyone working in roles where alignment to purpose is relevant finds these perspectives and provocations useful.



“Without a sense of purpose, no company, either public or private, can achieve its full potential. It will ultimately lose the license to operate from key stakeholders. It will succumb to short-term pressures to distribute earnings, and, in the process, sacrifice investments in employee development, innovation, and capital expenditures that are necessary for long-term growth.”

Laurence Fink, CEO Blackrock<sup>1</sup>

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A person in a starting crouch on a track, wearing a white long-sleeved shirt and dark shorts, with their hands on the ground and feet in starting blocks.

# 01 On Purpose

**“It can’t be just a set of words. It has to in some sense capture the very essence of who we are in all of the decisions we make, in the products we create and how we show up with our customers.”**

Satya Nadella, CEO of Microsoft<sup>8</sup>

## What is Purpose?

**Purpose is the answer to the question: “Over and above making money, why does our organization exist?” The answer to this question should be informed by the unique contribution that your organization aspires to make.**

But although this is a simple question, many companies and leaders struggle to answer it in a way that is truly valuable.

One reason for this is that many leaders confuse definition with process. Although purpose answers “why?”, simply asking this question is typically not sufficient to generate a useful answer.

A good answer must be more than a nice sounding platitude, or an abstract goal. It should exist as a filter for all organizational decisions and practices; and should be embedded into the way that you and your employees do business every day. If not, you may have a marketing slogan that you call ‘your purpose,’ but it won’t contribute any value to your organization beyond some nice copy.

## All purposes are not created equal

Sounding good is not enough. For a purpose to be of true value to a company it must, for example, be:

- **Inspirational.**  
A good purpose should be inspiring enough to motivate people to action by giving them a clear sense of the impact that your organization aspires to make.
- **Specific.**  
A good purpose is explicit enough to enable judgements about whether certain actions, decisions and business practices are in line with it or not.
- **Relevant across stakeholders.**  
A good purpose applies to all the stakeholders your business affects such as shareholders, employees, customers, and communities.
- **Aligned to your business.**  
A good purpose should influence your core business practices as much as your activities in the community. It should manifest across your business, not be siloed into a corporate social responsibility (CSR) or sustainability team.



## Finding your purpose starts with asking the right questions

The quality of an answer will never exceed the quality of the question. That’s why asking the right questions is imperative to defining your company’s purpose.

Your ability to enact real behavior change that is representative of your purpose is directly influenced by the relevance, subject, and level of detail of the questions you ask.

Companies that ask only “Why do we exist?” tend to be satisfied when they come up with a nice-enough sounding response that they think will resonate in above-the-line campaigns. As a result, while their answer to the question might be beautiful, it is normally not a purpose that the business will, or even can, use in a way that creates value.

Ironically, this makes it easier for leaders of such companies to talk about purpose in a way that sounds superficially meaningful. They never have to back up the claims they make, apply purpose as a filter or add qualifying sentences that demonstrate the way the business will manifest the purpose day-to-day.

To define purpose in a meaningful way, leaders must not stop at the question “Why do we exist?” Instead, they ask a further set of more important questions that help them clarify their highest-order impact, not just on the community but on all stakeholders.

In getting to their statement of purpose, leaders should ask the following kinds of questions:

- What is the value we are uniquely positioned to create, and the contribution we want to have? Why is this important to us?
- What do our customers, employees, and communities expect and deserve from our company as a social actor?
- When and why is it going to be hard to stay aligned to delivering on our purpose?

These questions help create clarity, drive priorities, and shift decision making for leaders as they think about how to bring purpose to life. Once leaders are clear about where they want to be as a company, they can focus on closing the gap between where they are today and where they want to be tomorrow.

# The Purpose of Purpose

There is an increasing body of evidence that demonstrates the value of purpose to your business. When purpose is brought to life, it can build value across stakeholder groups in authentic and impactful ways that support long-term growth.

	Demand	Reward
Customers	According to the 2015 Nielsen Global Corporate Sustainability Report, “[s]ixty-six percent of global respondents say they are willing to pay more for sustainable goods, up from 55% in 2014 (and 50% in 2013).” <sup>9</sup>	The highest scoring companies on the CR RepTrak index have more than 70% higher purchase intent and trust scores than the lowest performing companies. <sup>10</sup>  Purpose can drive innovation for customers. According to the Economist Intelligence Unit (EIU) and EY, “[a] 63.4% majority of executives believed that having a sense of purpose and aspiration beyond their day-to-day commercial mission made their company more innovative.” <sup>11</sup>
Employees	According to a 2016 LinkedIn study, “74% of members place a high value on finding work that delivers on a sense of purpose.” <sup>12</sup>	An inspired employee is more than twice as productive as a satisfied employee and more than three times as productive as a dissatisfied one, according to Bain and Company. <sup>13</sup>
Shareholders and investors	ESG (Environmental, Social and Governance) funds have gone from niche financial products to representing more than a quarter of assets under management globally. <sup>14</sup>  A 5-point increase in community responsibility reputation yields a 7.7% willingness to invest in the company. <sup>10</sup>	According to the EY Beacon Institute, 97% of purposeful companies see good or great incremental value from purpose. <sup>15</sup>
Communities	Communities are losing faith in business. In 2017, the Edelman Trust Barometer found that credibility of CEOs dropped 12 points that year, and only 52% of respondents trust businesses to do what is right. <sup>16</sup>	According to a study by the Reputation Institute, 54% of those surveyed would give high reputation companies the benefit of the doubt in a crisis compared to 20% who would for lower reputation companies. <sup>17</sup>



## Aligning to Purpose



**Leaders can no longer afford to be just purpose-driven; they must do the hard work of alignment to create lasting value.**

Having an organizational purpose is easy and uncontroversial. What is much harder is aligning the organization to deliver on that purpose.

An organization cannot deliver on its purpose without alignment. Alignment occurs when all elements and systems in a business – from HR to leadership to product development to community investment – work together to drive progress towards a shared goal. Without alignment, no matter how invested or committed one person or business unit is to an outcome, other elements of the business will pull them off-track.

An example of a lack of alignment to purpose can often be seen in what a business chooses to incentivize. A business might claim to have the best interests of the community at heart, but at the same time incentivize profit at all costs, regardless of the impact on the community. More subtly, it can be seen in how and what the business invests in. For instance, a business might claim to value sustainability or human rights but take no steps to meaningfully improve their supply chain (say by harnessing blockchain technology to track inputs) and ensure that products are sourced ethically and sustainably.

Getting and staying aligned is hard, and misalignment occurs for many reasons. Commonly it occurs because there is tension between making decisions that deliver short-term results and making decisions that support longer-term, purpose-aligned value creation. In these moments, often the only way to resist the temptation of short-termism is to have prepared for it, and to have an intentional and visible approach to staying purpose-aligned.

The next section of this paper will unpack four drivers of alignment that can help leaders get aligned to purpose and stay that way.

**Alignment is closing the gap between what you say and what you do.**

## Purpose-hawking

**Purpose-hawking** companies claim to be driven by purpose, but in reality are interested only in good PR and marketing copy. Their purpose does not engage all stakeholders or meaningfully direct behavior across the company. They lack the commitment to authentically embed purpose deep in the organization. They exploit purpose to manipulate the external narrative about their organization without any real attempt to change the way they do business. Instead they prioritize short-term financial results and are unwilling to do the hard work of alignment.

## Purpose-aligned

**Purpose-aligned** companies materially align products, operations, R&D, brand, employee value propositions, investment strategies, and corporate social responsibility initiatives to a clear and compelling purpose. Their employees have a clear line of sight between purpose and their day jobs. Their leaders are willing to do the hard work to drive purpose, despite pressures to do otherwise. They role model alignment every day, dedicate time and money to activities that support it, and hold others accountable to do the same.

Staying purpose-aligned is not easy, especially when faced with the challenges of quarterly reporting cycles, financial incentives, and digital disruption. The aim of this paper is to give you tools to treat purpose as more than good marketing copy and stay fiercely purpose-aligned. It is a worthy ask, and we are here to help you on the journey.



# 02 Driving Alignment

Before a company can be purpose-driven, leaders must drive purpose.

## Delivering True Value

Aligning to purpose is an act of behavior not an act of articulation. Creating alignment requires doing the hard work of changing decisions, priorities, resources, and processes to shift organizational behavior.

Because alignment is hard, leaders must actively drive alignment across their organizations. Before a company can be purpose-driven, leaders must drive purpose. This is not a passive process. It requires deliberate, disciplined leadership, and an active and continued focus over time.

There are four drivers that help leaders create alignment to purpose: clarity, commitment, confidence, and amplification. They help you to hold yourself and others accountable to the value your shared purpose promises to deliver.



### Clarity of Expression

Ensuring that your purpose is articulated in a way that is sufficiently meaningful, directive, and compelling.



### Commitment to alignment

Making the hard decision to stay aligned to purpose, even when faced with competing priorities, PR crises, or slow progress towards goals.



### Confidence in Ambition

Setting ambitious goals and having the courage to act in service of them, including truthfully acknowledging limitations.



### Amplification of Value

Ensuring that your purpose creates value for all your key stakeholders, engaging them collectively and individually through the lens of a single purpose.





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## Clarity of Expression

Ensuring that your purpose is articulated in a way that is sufficiently meaningful, directive, and compelling.

**You cannot align people to a purpose that they do not understand. This is why a clearly articulated and meaningful purpose that sits at the right level of abstraction is a hallmark of purpose-aligned companies.**

In fact, clarity seems to be required for purpose to deliver value – research has found that purpose only drives superior accounting and stock market performance if companies also score highly on “management clarity.”<sup>18</sup>

Google’s purpose “to organize the world’s information and make it universally accessible and useful” is an example of clear articulation. It is immediately understandable, inspirational, and testable.

But, despite the importance of clarity, a recent survey of 474 executives found that only 39% of companies have a purpose that is clearly articulated and understood.<sup>19</sup> Further, companies that have not successfully embedded purpose cite “poor communication from leadership” as the most significant challenge to activating purpose in their organization.<sup>19</sup>

**Clarity drives alignment because it allows leaders to:**

1. Use purpose to direct strategy, product development, and market focus.
2. Not only select, but also deselect courses of action that do not align to purpose, and to use purpose to justify those decisions.
3. Use purpose as a filter for their own behaviors, decisions, and practices.
4. Inspire and excite people around a shared purpose that they all understand.



## Making meaning

The path to clarity requires that you walk the fine line between two common approaches: creating an inspirational purpose that captivates stakeholders and creating a detailed purpose that defines how people across the organization should behave. The balance between these two is delicate.

When a purpose is too abstract it lacks the specificity to define behavior. It puts no pressure on leadership decisions or strategy, forces no deselection or focus, and requires no urgency, sacrifice, courage, or effort. In the worst case, it can allow individuals to justify bad behavior, because it is so broad that any action, good or bad, can be spun as “in line” with purpose.

A purpose that is too abstract is also often uninspiring, with stakeholders unable to see how their actions or decisions can contribute to the broader aspirations of the company. These types of purpose are typically expressed as lofty statements about changing the world, without clearly defining how or in what ways the company will do so.



When a purpose is too narrow or “deep in the weeds,” it cannot apply across all areas of the organization. This may arise when leaders claim a very specific cause-related purpose which, while worthy, then becomes the responsibility of a leader or specific group rather than the responsibility of everyone. The result? Purpose is put safely “over there,” and often becomes the responsibility of just the CSR or marketing teams.

A narrowly-defined purpose does not paint an inspirational vision of the future. It sits so deep in detail that stakeholders are unable to get excited or inspired by its scope.

**Purpose-aligned** companies find a balance between abstraction and specificity by developing a purpose that is both directive and compelling. This purpose leaves space for leadership agency and aspirational goals, with little room for misaligned decisions and actions.

## Case study

# Lego

Lego Group, founded in 1932 and still majority family owned, embeds its purpose into all its practices. Its leaders have taken care that its moving mission (their purpose, as we define it), “to inspire and develop the builders of tomorrow,” is understood across the company and is more than just words on a page.

Lego Vice President Peter Kim articulated the way that Lego’s mission and vision act to inspire and direct behavior across the company at a presentation in London in March 2018: “Anyone can tell you what the mission and vision are ... these are the things that people who come to [work at Lego] understand and know ... We can really kind of stick to [the mission], even when times are not so good, and when times are good, it gives us a north star to focus on.”<sup>20</sup>

Before leaders had articulated Lego’s compelling and directive purpose, the company was struggling. In 1998 it faced its first ever deficit,<sup>20</sup> and by 2004, when current CEO, Jorgen Vig Knudstorp, assumed his leadership role, Lego was US\$800 million in debt and on the verge of bankruptcy.<sup>21</sup> The toymaker had over-diversified and a number of its new innovations such as computer games, theme parks, and action figures were unprofitable or failing.<sup>22, 23</sup>

In order to save the company, Knudstorp recognized the importance of articulating their purpose: “the management team set out to optimize the firm’s value. In order to do that, we had to ask, Why does Lego Group exist?”<sup>24</sup> Indeed, Knudstorp recognized that defining and embedding a compelling and directive purpose throughout the company was key to doing the hard work to deselect products, sell off large areas of the business such as the theme parks, and return the company to what made it so successful – toys that allowed people to construct and build.<sup>25, 26</sup> He described the phases that he went through to turn Lego around as “survive, purpose, let growth loose, step up, leap.”<sup>27</sup>

Today, Lego’s purpose can be seen across a number of products and practices: from an educational product line that allows students to develop skills integral to building in the modern world such as coding, creativity, analytical thinking and collaboration, to architecture sets that “celebrate the past, present, and future of architecture through the Lego Brick,” which have engaged a large community of adult users called Adult fans of Lego; to running a foundation focused on childhood education and learning through play; to opening the “Lego House” in Denmark, an immersive playground full of Lego that allows children to “learn through play” and teaches children five “crucial” competencies including creativity, emotional development, and social skills.<sup>28</sup>

## Clarity of purpose has created alignment

Lego’s clarity of purpose has created alignment that has driven innovation and new products, and enhanced its reputation. In 2018, Lego ranked number two in the world for its overall reputation,<sup>29</sup> and number three for its CSR reputation.<sup>10</sup> In discussing the company’s strong reputation, the Reputation Institute attributed Lego’s success to its alignment, stating “The LEGO Group is an example of a company whose products are in complete alignment with its values on societal contribution and business transparency.”<sup>29</sup>

In 2018, the Brand Finance Toys 25 report named Lego as the world’s most valuable toy brand. It valued Lego Group’s worth at US\$7.57 billion, over seven times the value of the next largest brand, Bandai Namco.<sup>30</sup> This calculation was based on factors including business performance and the value of the brand if it were to be licensed.



### A purpose that captures hearts

A purpose is compelling when it speaks to the hearts and souls of stakeholders. It inspires them to rally behind you and invites them to consider the contribution they can make to a grander narrative. An inspiring purpose should sit at the heart of the stories you tell, the positions you take, and your core value proposition.

### A purpose that directs behavior

A purpose is directive when it is specific and meaningful enough to inform strategic plans, product development, partner relationships, brand, and measures of value and impact. It allows leaders to assess possibilities and approaches through the lens of alignment. A directive purpose can challenge the status quo, push innovation, and inspire a stretch for excellence.

By ensuring that their purpose is directive, leaders take responsibility for making sure that purpose drives behavior throughout the organization. They ensure that business units, teams, and individuals are able to clearly understand how to manifest purpose in what they do.

### Case study

## Tesla

Despite a series of recent controversies and PR issues, few companies have captured the planet’s collective imagination as much as Tesla. Their undeniable success (shares have appreciated over 2,000% since their 2010 IPO) is built on the profound purpose that sits at their heart: “to accelerate the world’s transition to renewable energy.”

Firstly, their purpose is deeply compelling. There is an increasing consensus that climate change represents an existential threat to our species.<sup>31</sup> And people want change. Up to 70% of people agree that “in the near future, we should produce 100% of our electricity from renewable energy.”<sup>32</sup>

But with many governments bogged down in a seemingly intractable political impasse on the issue (and with a growing anti-intellectual rejection of climate science infecting many political parties), there is too little action. At Tesla’s launch, the market was primed for a visionary company, led by an inspiring individual, to paint a picture of a better future. In this way, Tesla was founded as a company with “a purpose for our times,” grounded in an issue people cared about. And so it remains today.

For instance, some commentators have criticized Tesla for an unwillingness to sacrifice their long-term vision for the more lucrative manufacturing practice of “make something, sell it, book profits,” and even called them arrogant or lacking discipline.<sup>33</sup> But Tesla “considers this formula to be short-sighted and stupid, a roadmap to limited ambition and blameworthy for generated [sic] the very threats to the planet that Musk and his employees are trying to defeat.”<sup>33</sup>

Even more remarkable was their decision to share their IP and patents for electric car technology, a decision true to their purpose of “accelerating the world’s transition to renewable energy,” not just accelerating Tesla’s path to profitability. In 2014, Elon Musk announced that Tesla would “not initiate patent lawsuits against anyone who, in good faith, wants to use our technology.”<sup>34</sup> His justification spoke directly to Tesla’s purpose: “Tesla Motors was created to accelerate the advent of sustainable transport. If we clear a path to the creation of compelling electric vehicles, but then lay intellectual property landmines behind us to inhibit others, we are acting in a manner contrary to that goal.”<sup>34</sup>

The results of this compelling and directive purpose are clear for all to see. Tesla is the only US automaker in the world’s top 10 brands,<sup>35</sup> and in early 2017 was a more valuable company than Ford, despite Ford selling over two million vehicles to Tesla’s 76,000. This “shows the impact that having a clear purpose and people who believe in it can have.”<sup>36</sup>

At the time of writing this paper, Tesla is facing arguably its largest challenge to purpose-alignment: the actions and decisions of its visionary founder are beginning to impede its ability to function effectively or to focus on purpose rather than on responding to crises.<sup>37</sup> Time will tell whether Tesla will be able to stay aligned to its purpose, even if that means prioritizing purpose-alignment over aligning to the personal vision and desires of its founder. We suspect that Tesla’s long-term success will be dependent on its ability to do just that.

Where would you place yourself on the **Clarity of Expression** continuum?



### A purpose for our times

Secondly, their purpose is highly directive. It acts as a filter that allows Tesla to assess opportunities for expansion and innovation squarely through the lens of purpose-alignment. Their recent investments in bringing to the market solar roof panels and wall-mounted batteries show their determination to expand and grow “on purpose.”

It is similarly directive about what not to do, helping them resist the temptation to make decisions that prioritize short-term returns over delivering on their purpose.





“Our aspiration of creating a good company — good ethically and good commercially — is now coming to fruition, yielding a broader, more lasting impact than we ever imagined.”

Indira Nooyi, CEO of PepsiCo<sup>40</sup>

## Commitment to Alignment

Making the hard decision to stay aligned to purpose, even when faced with competing priorities, PR crises, or slow progress towards goals.

**Commitment is a primary discipline of purpose-aligned leaders. It is easy to commit to purpose when things are going well or when alignment to purpose does not require sacrifice.**

The true test of a leader's commitment to purpose comes during times of stress or crisis. In these times, purpose can feel like a hindrance. It can get in the way of easy or feel-good responses to problems and seem like yet another drain on a leader's purse strings and time.

**Commitment drives alignment because it ensures that leaders:**

1. Make (often) hard decisions to prioritize purpose, including deselecting popular or profitable activities or practices and holding people accountable for a lack of alignment to purpose.
2. Take a long-term approach to strategy and decision making rather than prioritizing short-termism or knee-jerk reactions.
3. Have clear guardrails to restrict and direct their own behavior and decisions and their business practices.
4. Align to purpose no matter what the market conditions, and resist the urge to use it only as a PR tool in times of crisis.

**Purpose-hawking** companies often have lofty-sounding purpose statements that they use to build their brands or that they roll out as part of an effort to fend off a reputational crisis. But without the activities, practices, and investments that demonstrate commitment to their purpose, the public very quickly sees through these efforts. They end up with a cynical public who distrust them, demotivated and disengaged employees, and organizational apathy towards the purpose, which can be incredibly hard to shake.

**Purpose-aligned** leaders know that a purpose statement that is unsupported by actions and behavior is meaningless. They avoid short-term, reactionary responses and stay true to their purpose during periods of growth as well as periods of crisis and disruption. It is this commitment that validates the firm's reputation in the market and that keeps the brand relevant in the hearts and minds of all stakeholders.



## Commitment has a cost

Commitment to purpose is hard. It can cost time, money and effort, and force leaders to set aspirational and long-term goals that are at odds with quarterly reporting cycles. But it is the willingness to bear this cost and do the hard work that builds trust and buy-in from stakeholders. Indeed, appearing “genuine about what a company says and stands for” is the company persona trait that has the highest impact on a company’s reputation.<sup>29</sup> Without commitment, claims of purpose are not credible or authentic, and attempts to leverage purpose for PR reasons often backfire. Authentic commitment to purpose can also direct day-to-day decisions and behavior, creating guardrails against poor practices that create PR disasters for companies.

Commitment to a purpose means that leaders make hard and sometimes unpopular decisions. By changing business practices, incentive schemes or investments, commitment may drive a short-term reduction in profitability or employee remuneration. But purpose-aligned leaders stay the course, even in the face of these costs.

One recent example of commitment to purpose despite short-term costs has come as Facebook redefined their purpose from “making the world more open and connected” to “giv[ing] people the power to build community and bring the world closer together.” This shift has followed privacy scandals, the revelation that Facebook had become a conduit for misinformation and “fake news,” and growing consumer backlash against Facebook’s lack of transparency about its policies for data collection and use. It signals a recognition that Facebook’s previous mission statement prioritized creating connections but failed to consider the quality and impact of those connections.<sup>38</sup>

As part of his commitment to this new purpose, Mark Zuckerberg announced that posts from media outlets would now be deprioritized compared to posts from friends. This announcement had an immediate financial impact, wiping around US\$27 billion from Facebook’s market value and personally costing Zuckerberg around US\$2 billion.<sup>39</sup> Zuckerberg’s willingness to bear this cost is an indication of his serious commitment to the company’s purpose, and may go a long way to rebuilding community trust in the Facebook brand.

## Case study

# Nike

As the world’s largest producer of sneakers, Nike don’t just “walk the talk” on purpose – they run it! Nike’s purpose is “to bring inspiration and innovation to every athlete.” Their success is built on unwavering commitment to this purpose.

**This includes commitment even against a backdrop of controversy.**

After a year that saw the firing of many senior executives for sexual harassment, Nike nonetheless chose to throw their support behind a controversial, but purpose-aligned figure.

To celebrate the 30<sup>th</sup> anniversary of their iconic “Just Do It” slogan, Nike leant into a predictable (and infuriating) controversy by featuring NFL quarterback Colin Kaepernick as the face of the campaign. Kaepernick was (in)famous for kneeling during the national anthem before NFL games in protest against racial injustice.

Nike’s support of Kaepernick shows solidarity with an athlete strongly aligned to their purpose, who himself is bringing inspiration to other athletes. Their commitment to Kaepernick reflects real commitment to their purpose, even in the face of marketplace resistance. Kaepernick’s involvement was met with short-term ire from some people – YouTube videos showed people burning Nike’s shoes in protest, and shares dipped 3% in a day.<sup>42</sup> But commitment to their purpose ultimately paid dividends – the campaign generated over US\$40 million in free media in the first 24 hours, most of it neutral or positive, which “far outweighs the risk of alienating some customers.”<sup>43</sup>

Nike’s commitment to purpose has been inferred by EY as one of the differentiators that explains their superior performance (US\$116 billion market cap) to direct competitor Adidas (US\$47 billion market cap).\*

\*Figures accurate as of COB 23 October, 2018.

In their analysis, while both companies may make great shoes, only Nike has an aspirational purpose that resonates with internal and external stakeholders, and that is simple, long-term and outwardly-focused.<sup>44</sup>

It is useful to note that the few times in Nike’s history where performance has faltered have generally been characterized by a wavering in their commitment to purpose.

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**Nike has an aspirational purpose that resonates with internal and external stakeholders**

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Legendary former Nike CEO Phil Knight explained to the Harvard Business Review that in the 1980s, Nike attempted to cash in on the trend of wearing sneakers as everyday footwear by bringing a casual, non-athletic shoe to the market – but it was a spectacular failure. He noted that “people got confused, and Nike began to lose its magic. Retailers were unenthusiastic, athletes were looking at the alternatives, and sales slowed.”<sup>45</sup> Simply bringing an off-purpose product to the market was enough to dilute their position and drive stakeholders away.



# CVS Health

CVS Health’s commitment to their purpose “helping people on their path to better health” was demonstrated when they made the difficult acknowledgement that a hugely profitable part of their business – the sale of tobacco products – was not purpose-aligned. In the words of their Senior Vice President/Chief Marketing Officer, Norman de Greve, “When your purpose is helping people on their path to better health, how can you sell lifesaving medications at the pharmacy counter and cigarettes at the checkout counter? ... when that’s your purpose, selling cigarettes and antibiotics in the same store moves from being ironic to cynical.”<sup>46</sup>

Rather than ignoring this inconsistency, in 2014 they made the decision to stop selling tobacco products in their stores. In the words of their CEO, Larry Merlo, “we used that purpose as our guidepost.”<sup>47</sup> In doing so, analysts estimated that the company forfeited around US\$2 billion in revenue.<sup>48</sup>

The community impact of this decision was immediate and profound. CVS Health found that in the US states where their market share was greater than 15%, in the eight months following the tobacco removal the average smoker had purchased five fewer packs of cigarettes; there were an estimated 95.2 million fewer cigarettes sold; and there was a 1% reduction in cigarette sales across all retailers.<sup>49</sup> There was also a 4% jump in nicotine patch sales, indicating an increase in smokers attempting to quit.<sup>49</sup> Customers who bought cigarettes exclusively at CVS stores were 38% more likely to quit cigarettes after the tobacco removal.<sup>50</sup>

CVS Health has followed up on their commitment to purpose by investing in a number of other initiatives designed to get people to stop (or never start) smoking. They invested in Be the First, a five-year US\$50 million initiative designed to deliver the first tobacco-free generation.<sup>51</sup> They also announced a smoking cessation program for their employees and their dependents, allowing them to earn up to \$700 if they commit to being tobacco-free and succeed, while also directing them to programs to support their quitting attempts.<sup>52</sup>

CVS Health has continued their commitment to purpose in areas other than tobacco sales. In 2017, three CVS executives published an article in Health Affairs announcing their intention to provide a “thoughtful, responsible, evidence-based treatment of pain” to their patients in response to opioid abuse – the “leading public health emergency ... the United States faces today.”<sup>53</sup> CVS Health now limits the supply of opioids for acute conditions to seven days.<sup>54</sup>

## Commitment to purpose has had a strong impact

This obvious display of commitment to purpose has had a strong impact on CVS Health’s reputation. After announcing their decision to stop selling tobacco products, they were called out directly by President Obama, who endorsed the company saying “today’s decision will help advance my administration’s efforts to reduce tobacco-related deaths, cancer, and heart disease, as well as bring down health care costs – ultimately saving lives and protecting untold numbers of families from pain and heartbreak for years to come.”<sup>55</sup> Between 2014 and 2015, 40% more influencers saw CVS Health as a leader in helping to improve overall health.<sup>56</sup> Since the tobacco removal, CVS Health has been listed every year as one of the World’s Most Admired Companies on Fortune’s Global Top 50 list.<sup>57</sup>

CVS Health’s commitment to their purpose has also paid business dividends by positioning the company as a leader in health care. This has helped them to create profitable partnerships with hospital systems, insurers, and employers, and to legitimately provide onsite health care through their CVS MinuteClinics.<sup>46, 58, 59</sup> Such activities have become increasingly lucrative since the introduction of the Affordable Care Act.

# Taking the long view

Commitment also requires a willingness to prioritize long-term goals over short-termism. This is because a compelling purpose drives lofty aspirations that cannot be achieved overnight. Committed leaders must continuously work towards progress and stay motivated even when success is far away. While elevating one’s focus away from quarterly reporting cycles may feel difficult, commitment to purpose promotes long-term thinking, allowing leaders to innovate and direct their energy to achieving aspirational goals that drive value to many stakeholders.

In 2006, PepsiCo’s CEO, Indra Nooyi, committed to a plan that she called Performance with Purpose. This initiative aims to deliver strong financial performance while leaving a positive imprint on society and the environment. It prioritizes “offering healthier options while making our food system more sustainable and communities more prosperous.”<sup>40</sup> In 2016, PepsiCo announced ambitious 2025 goals in line with Performance with Purpose, and in a 2017


letter, Nooyi acknowledged that Performance with Purpose required “managing PepsiCo with an eye toward not only short-term priorities, but long-term priorities [and decisions] ... that could help us deliver on the vision of making our growth, our operations and our impact more sustainable.”<sup>40</sup>

This long-term focus has paid large dividends. Over the past five years, PepsiCo’s shares have gained 30.64%, compared to 9.25% for Coca-Cola.<sup>41</sup> PepsiCo’s growth has been partially driven by innovation and growth in their line of healthier and nutritious products. Better for You and Good for You products now make up 50% of PepsiCo’s total portfolio. In 2017, 27.5% of their net revenue came from their healthy Everyday Nutrition portfolio, and it is projected that sales growth of the Everyday Nutrition products will outpace the rate of sales growth in the balance of PepsiCo’s product portfolio.<sup>40</sup>

## Where would you place yourself on the **Commitment to Alignment** continuum?





A person is walking away from the viewer on a light-colored, winding path that leads towards a large, snow-covered mountain. The scene is set during sunset or sunrise, with a warm, golden light illuminating the sky and the mountain. The person is silhouetted against the bright light. The foreground is dark and rocky, with some low-lying vegetation. The overall mood is one of journey and purpose.

**“We have come a long way, and we are driven by a strong belief that our purpose of helping people on their path to better health is not just about social and environmental responsibility, but also a way to align with our long-term growth plans and key business objectives.”**

Eileen Howard — Senior Vice President of Corporate Social Responsibility and Philanthropy for CVS Health and President of the CVS Health Foundation



A close-up of a Spider-Man hand, wearing the iconic red and blue suit with white webbing, reaching upwards. The background is a soft, out-of-focus sunset or sunrise with warm orange and yellow light. The hand is positioned diagonally across the frame, with the fingers slightly curled.

# Great companies have grand aspirations.

## Confidence in Ambition

Setting ambitious goals and having courage to act in service of them, including truthfully acknowledging limitations.

**Great companies have grand aspirations. An aspirational purpose that is grounded in the highest-order contribution a company can make will generate ambitious, hard-to-reach goals.**

Starbucks doesn't exist to sell coffee; their purpose is to "inspire and nurture the human spirit – one person, one cup, one neighborhood at a time." Microsoft doesn't exist to sell software; their purpose is to "empower every person and every organization on the planet to achieve more." Every person. On the planet.

Aligning to purpose, therefore, requires real confidence in that purpose.


**Confidence drives alignment because it enables leaders to do three things:**

1. Be truthful, both to themselves and others.
2. Be optimistic about the possibility to have an impact.
3. Stick to their purpose even when others are cynical about their motivations or ability to have an impact.

**Purpose-aligned** leaders have confidence in their ability to have a significant impact, confidence to tell the truth about both their successes and failures, and confidence to stay aligned to purpose even when outsiders or naysayers are cynical.

**Purpose-hawking** companies are willing to jump on fads that sound good and to pressure their marketing teams to create strong messages and content, but they can't honestly tell their story of impact because there is no substance behind it. Their leaders claim lofty aspirations but lack the confidence to dig in when the environment does not support that purposeful ambition. This lack of consistency often erodes buy-in from stakeholders.





**Purpose-hawking  
leaders don't truly  
believe it is possible to  
achieve their purpose.  
Purpose-aligned  
leaders do.**

## Looking on the bright side

Leading a company towards ambitious purpose-aligned goals requires optimism and a deep confidence that it is possible to have an extraordinary impact. Purpose-hawking leaders don't truly believe it is possible to achieve their purpose. Purpose-aligned leaders do.

Confidence in your purpose can become a self-fulfilling prophecy, for better or for worse. High levels of confidence and optimism can stimulate solutions-focused, goal-oriented thinking. This in turn improves performance, which leads to greater optimism amongst all stakeholders. Conversely, a lack of confidence and optimism can reduce the energy invested in achieving goals, which lowers performance and in turn reduces optimism further.

The relationship between purpose, confidence and performance was highlighted in *Deloitte's 2014 Core Beliefs & Culture Survey*. It found that respondents who work for companies with a strong sense of

purpose report higher levels of company investment in many activities, particularly investing in new technologies and in employee development and training. Those same respondents were much more confident in their company's short-term and long-term prospects compared to respondents from companies without a strong sense of purpose; and these respondents also felt that stakeholders (clients, communities, employees, investors, and regulators) had much more confidence in their company and its leadership.<sup>60</sup>

The hard but necessary step for the purpose-aligned leader is to choose optimism. Or at least to choose more optimism. While this is not easy, it is key in enabling the confidence required for alignment.

Take a moment and test your optimism. Do you truly believe your organization can deliver value to all your stakeholders, not just investors? Are you willing to talk about that belief openly and consistently?

## Confidence, truth and purpose

Confidence in your ambition also makes you confident to tell the truth. If you believe that you can make a difference, you hold yourself accountable to the impact that you're having.

In the era that has birthed terms like 'fake news' and 'alternative facts,' truth seems at a premium. But despite some segments of the population deciding their relationship to the truth is one of convenience, having the confidence to tell the truth is critical to drive alignment.

If you are unwilling to tell the truth about your performance and progress, then you cannot make evidence-based decisions about how and where to improve. Further, lying, half-truths or misrepresentations is enough to turn today's increasingly discerning stakeholder off entirely. In a study of consumers spanning 12 markets, the quality identified as most desirable in a brand was "communicating honestly about products

and services."<sup>61</sup> 78% of consumers consider brand transparency to be very important, and 73% would spend more on products that offer complete transparency.<sup>62</sup>

Indeed, some brands have made a reputation out of their radical honesty. For example, the Hans Brinker Budget Hotel in Amsterdam has run an ongoing campaign advertising itself as "the worst hotel in the world." With signs in the lobby arguing that the hotel will improve guests' immune systems, advertising recommending nicer hotels in the area to guests, and ensuring that its sign reads 'HELL' at night instead of 'HOTEL,' the hotel has found a humorous and honest way to target low-budget backpackers who may be distrustful of more traditional advertising and to reduce the number of complaints they received.<sup>63</sup> One year after launching the strategy, paid nights at the hotel have more than doubled.<sup>64</sup> The hostel has become so successful that a second Hans Brinker hostel has now been opened in Lisbon.



# Patagonia

Patagonia is a company that is strongly aligned to its purpose to “build the best product, cause no unnecessary harm, use business to inspire, and implement solutions to the environmental crisis.”<sup>66</sup> Founded in 1973 by a passionate mountaineer Yvon Chouinard, the company’s purpose is embedded in its DNA.

Since 2012, the company has committed to donating 1% of their sales to environmental not-for-profit groups.<sup>66</sup> They also work to reduce the environmental footprint of their business, for instance by making many of their clothes from recycled polyester or using organic rather than pesticide-intensive cotton.<sup>66</sup> To further reduce waste created by producing clothes, in 2013 they introduced the Worn Wear program designed to “keep stuff in use.” This program gave people tools and tips to repair their gear, encouraged returning used gear for resale, and recycled garments that were beyond repair. Patagonia has even helped to create a national park.<sup>67</sup>

Patagonia’s confidence and optimism in their ability to make a difference is manifest in their willingness to invest money to find ways to do business more sustainably. Patagonia is an industry leader in technological innovation – they run their own laboratory to develop more durable, environmentally-friendly materials from which to make their products. This led to them developing and patenting numerous technologies and designs, including Synchronia (polyester fleece made from recycled soft drink bottles), Capilene (moisture-wicking sustainably produced polyester fabric) and Yulex wetsuits made from plant-based biopolymers.<sup>68</sup> Even more impressively, Patagonia has made many of these technologies available to everyone to maximize the impact of their innovations.

Another key driver of Patagonia’s alignment comes from their confidence to tell the truth, even if that means acknowledging their own failings and negative impacts. In 2010, the company was criticized for the cruelty involved in sourcing their goose down. Rather than hiding this, they have made their entire collection

100% traceable, and published an animated short highlighting the cruelty in the goose down industry.<sup>69</sup>

In another example of truth-telling, in 2011 on Black Friday (one of the largest shopping days in the year) Patagonia released an ad featuring a Patagonia jacket and titled “Don’t buy this jacket.” In explaining their rationale for the ad, Patagonia acknowledged that “Everything we make takes something from the planet we can’t give back. Each piece of Patagonia clothing, whether or not it’s organic or uses recycled materials, emits several times its weight in greenhouse gases, generates at least another half garment’s worth of scrap, and draws down copious amounts of freshwater now growing scarce everywhere on the planet.”<sup>70</sup>

Patagonia takes truth-telling seriously. Their 2017 Annual Benefit Corporation Report includes a section on their commitment to transparency, even while acknowledging that “airing our dirty laundry exposes us to criticism.”<sup>71</sup> In an interview this year, Logan Duran, the manager of Patagonia’s B Corp and benefit corporation program, spoke of the company’s commitment to interrogating their own impact and progress towards their goals: “We ask, ‘What have you done in your role to deliver on this benefit purpose? Do you have actual examples and metrics that support that? What are some areas where we might have fallen short?’ ... You can’t argue with a report card that says you’ve gotten D’s for three years in a row.”<sup>72</sup>

Patagonia’s honesty and confidence in their lofty purpose has driven high returns for the company. For instance, Patagonia spends less than 1% of their sales on marketing and advertising. This is less than most apparel companies.<sup>68</sup> Instead, their purpose-aligned behavior generates marketing value for them. It was estimated that in 1994 when they announced that they had developed a fleece made from recycled soft drink bottles (Synchronia), they generated “five-million-dollars worth” of publicity.<sup>68</sup> Patagonia is currently ranked second only to Unilever on the 2017 Sustainability Leaders list.<sup>73</sup> And it has quadrupled its revenue over the last decade.<sup>74</sup>

## The whole truth

Confidence is critical to telling the truth because doing so can be complicated and uncomfortable. It is easy to become enamored with a product, service, or system (especially if we built it) and become unwilling to acknowledge it is now obsolete or non-competitive. Similarly, we can become unwilling to acknowledge that our decisions aren’t delivering the outcomes we have committed to in our purpose and that, in some cases, they are even outright destructive to communities and the planet.

When leaders tell the truth, they must tell the whole truth. This includes laying claim to both success and failures. Truly purpose-aligned companies report on progress towards their goals in ways that highlight successes while also acknowledging areas where work remains to be done. They don’t selectively edit history to focus exclusively on good-news stories.

The emerging trend to have enough confidence to be honest about your product’s potential impact is exemplified in Heineken’s latest partnership with Formula 1, promoting the message “When you Drive, Don’t Drink.” The flagship advertisement in the campaign features Formula 1 legend Jackie Stewart repeatedly refusing to drink Heineken products because he is going to drive. The company is openly acknowledging the dangers associated with consuming its product, and in doing so has built credibility with consumers.<sup>65</sup>

There is a nuanced relationship between narrative and impact. Stakeholders are surprisingly good at delineating between purpose-hawkers who are trying to divert attention from sub-optimal business practices, and purpose-aligned leaders who are genuinely trying to have a positive impact across all their stakeholders.

Where would you place yourself on the **Confidence in Ambition** continuum?



Unambitious  
and unexamined



Optimistic  
and truthful





# A single leader cannot align a company to purpose by themselves.

## Amplification of Value

Ensuring that your purpose enables value creation for all your key stakeholders, engaging them collectively and individually through the lens of a single purpose.

**Jack Welch, CEO of General Electric from 1981 to 2001, is remembered as a poster child of the shareholder value movement, which emphasizes the creation of shareholder value as the reason that companies exist.**

But even the man Forbes referred to as “the uber-hero of maximizing shareholder value”<sup>75</sup> has had his mind changed. In a Financial Times interview in 2009, he described the shareholder value paradigm as “the dumbest idea ever.”<sup>76</sup>

While we’re not sure we’d go that far, the notion that a company’s sole and exclusive focus should be maximizing returns for its shareholders at all costs must be refined. Businesses must create shareholder value. But, while there is no shame in profit, there is danger in making profit your only goal.

A single leader cannot align a company to purpose by themselves, so aligning to purpose requires that all your major stakeholders buy into, and are vested in, that purpose. If your stakeholders cannot see how purpose is relevant or valuable to them, or worse, if they believe that purpose is costly to them, then they will not be motivated to modify their own decisions, behaviors and practices to support your purpose. Conversely, if your stakeholders see that purpose-alignment amplifies the value your company is creating for them, they will be invested in bringing your purpose to life.

Purpose-aligned companies balance the needs of all stakeholders – customers, employees, regulators, communities, shareholders, etc. – in a way that creates value for them. In doing so, they find ways to amplify the value they create by engaging all stakeholders in future-focused conversations about creating value. In some sectors, this has come to be characterized as “shared value-driven” innovation. Purpose-hawking companies spin everything they do as best they can, but do not do the hard work to find innovative models that enable real value creation for multiple stakeholder groups simultaneously.

### Amplification drives alignment because:

1. It prevents the needs of a single stakeholder group pulling the entire organization off purpose, or from becoming disenfranchised by purpose-alignment.
2. It ensures all stakeholders who can influence the business buy in to what the company is trying to achieve.
3. It ensures activities will generate compelling stories that are relevant and exciting for all key stakeholders.



## The dangers of imbalance

Often, companies inadvertently privilege a single stakeholder group above others in a way that destroys balance and causes problems, and frequently that group is shareholders. It manifests as an over-focus on profit at the expense of other things. There are countless examples of this. For instance, in the wake of the 2018 Wells Fargo scandal, the Federal Reserve concluded that they “pursued a business strategy that prioritized its overall growth without ensuring appropriate management of all key risks.”<sup>77</sup>

But it is equally easy to oscillate too far towards other stakeholder groups, such as rewarding and incentivizing employees regardless of their impact on others; adding more value to customers in ways that hurt the environment; or forming large and expensive community partnerships that don’t support the core business.

These approaches create the perception that purpose-alignment is zero sum, and that for one stakeholder group to benefit, it must come at the cost of another. This is the antithesis of amplifying value.

## Case study

# Volkswagon: Imbalance in Action

Volkswagen (VW) is a company with a deep-rooted history of purpose. Founded literally as “the people’s car” (the German word *volk* translates to people in English), the manufacturer was created to make “a car that’s accessible to anyone.”<sup>85</sup> In the early 1930s, only one in fifty Germans could afford a car, and Volkswagen aimed to change that with an innovative, cheap vehicle, available for the price of a small motorcycle.<sup>86</sup>

And thus, one of the world’s most iconic automakers was born.

They were successful ... in a manner of speaking. They achieved their aim two years ahead of schedule when, in 2016, they overtook Toyota as the largest car company in the world.<sup>87</sup>

Unfortunately, this single-minded obsession with a one-dimensional, growth-focused purpose led VW to lose sight of other important aspects of running a successful, sustainable business: namely telling the truth, caring about customers, respecting government stakeholders, and behaving ethically.

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By moving their exclusive focus onto financial returns at the expense of other stakeholders, their long-term financial performance was put at risk

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From 2005, to circumvent carbon emissions regulation in pursuit of their single-minded goal to be the biggest automaker, Volkswagen deliberately fitted over 11 million cars around the world with “defeat devices” that would help them cheat on emissions tests.<sup>88</sup> The scandal was so bad that some responsible senior executives were sentenced to prison, and the company incurred over “\$30 billion in fines, settlements and remediation, making it by far the biggest business crisis in its 80-year history.”<sup>89</sup> The scandal even cost lives, with almost 60 deaths attributable to the excess pollution created by the cars.<sup>90</sup>

Experts agree this was not a simple leadership failure, rather a failure of purpose. It stemmed from “[framing] Volkswagen’s goal as an internally focused financial objective (bigger) versus an externally-focused [metric].”<sup>91</sup> By moving their exclusive focus onto financial returns at the expense of other stakeholders, their long-term financial performance was put at risk.

And they suffered for it. In 2017, in the wake of the scandal, Nissan overtook Volkswagen as the largest automaker in the world.<sup>92</sup>

Fast forward to 2007, and Volkswagen’s purpose took a backseat (pardon the pun) to a new goal the organization rallied around: to be the largest automaker by 2018. Their focus moved exclusively to a shareholder-oriented goal about size and scale. Any sense of a higher calling, or concerns for stakeholders other than shareholders was lost.



**Purpose-aligned** companies look for opportunities for amplification. They identify innovative approaches that increase outcomes for all stakeholder groups, and in doing so, increase the size of their impact – for everyone.

**Purpose-hawking** companies tend to have an unbalanced recognition and consideration of their stakeholder groups, making them appear unreliable. They may meet financial expectations for a while, but encounter issues, loss of trust and lower profits in the long run when it becomes apparent that their financial goals are out of step with broader stakeholder expectations. When that happens, they can only hope that the money they’ve spent on cause marketing or checkbook charity will spare them in the court of public opinion, though time and again we’ve seen that this simply doesn’t happen.

**Purpose-aligned companies:**

1. Invest time in identifying their most important stakeholders, and articulate well-defined, purpose-aligned outcomes for each. Everything has an easy-to-see link to purpose, creating consistency and coherence across strategies in all areas of the business.
2. Create solutions that build shared value across stakeholder groups. By insisting on alignment to a single purpose that is relevant to all stakeholders, they create value for all.
3. Place humans at the center of everything they do, because they recognize that stakeholders are ultimately people. This is true even when they show up as big institutional investors, unionized groups of employees, or community groups. Purpose-aligned companies talk to the hearts and minds of diverse stakeholders and use human-centered design and engagement strategies to confront their most wicked problems.

## Amplification creates a virtuous cycle of purpose alignment

The seminal example of using amplification to drive purpose comes from Unilever – a pioneer and leader in creating shared value. On his first day as CEO of Unilever, Paul Polman announced that they would stop quarterly reporting in favor of focusing on more long-term strategies to achieve their purpose “To make sustainable living commonplace.” When making this decision (which initially dropped Unilever share prices by 8%)<sup>78</sup>, he put two arguments to his shareholders. The first was that Unilever had “obligations towards multiple stakeholders.” The second was that taking a long-term approach would create value for all stakeholders (including shareholders) in the long run, as a focus only on quarterly profits was “driving the company, over time, downwards.”<sup>78</sup>

In other words, he clearly explained that purpose-alignment would amplify value for everyone in the long term.

Polman’s pursuit of purpose is characterized by a philosophy that purpose should create value for all stakeholders, and a belief that finding solutions that benefit everyone drive better outcomes than focusing on a single stakeholder group.

In 2010 Unilever announced a bold plan to both double sales, and halve the environmental impact of its program by 2020.<sup>79</sup> Their Sustainable Living Plan includes a four-point framework that describes how the plan will generate value for business.<sup>80</sup>

This focus on amplification has clearly engaged and created value for all stakeholders. Consumers want to buy Unilever’s products – this year, the company reported that its most sustainable brands grew 46% faster than the rest of the business and delivered 70% of its turnover growth.<sup>81</sup> Shareholders are happy – in 2015, while the average holding period for a US stock was seventeen weeks, Unilever’s top fifty shareholders had an average holding period of seven or more years.<sup>82</sup> Employees are engaged – employee engagement scores grew by 12% in the first six years of Polman’s leadership.<sup>83</sup> And communities are better off – by the end of 2017, 601 million people had been reached through Unilever’s programs on handwashing, sanitation, oral health, self-esteem, and safe drinking water.<sup>81</sup>

By creating value for all stakeholders, Polman has created a “virtuous cycle of growth.”<sup>84</sup>

Where would you place yourself on the **Amplification of Value** continuum?



Over-focus on  
a single stakeholder



Value amplified across  
multiple stakeholders



# Dow Chemical

Dow Chemical has been able to balance their purpose “to passionately create innovation for our stakeholders at the intersection of chemistry, biology, and physics”<sup>93</sup> effectively across stakeholder groups by linking their employee-led innovations and new products for customers to their sustainability goals, leading to significant value creation and shareholder return.

## Customers

Nexera canola and sunflower seeds, which have higher yields and longer shelf-lives than traditional cooking oils and are non-GMO,<sup>94</sup> has become one of Dow’s best-selling product lines with production increasing 250% in five years.<sup>94</sup> The product was also tied to the UN Sustainable Development Goals.<sup>95</sup> By balancing the higher order needs of the customer with what’s best for the environment and the broader community, Dow creates best-in-class products for customers that also have an immediate positive impact on the environment.

## Shareholders

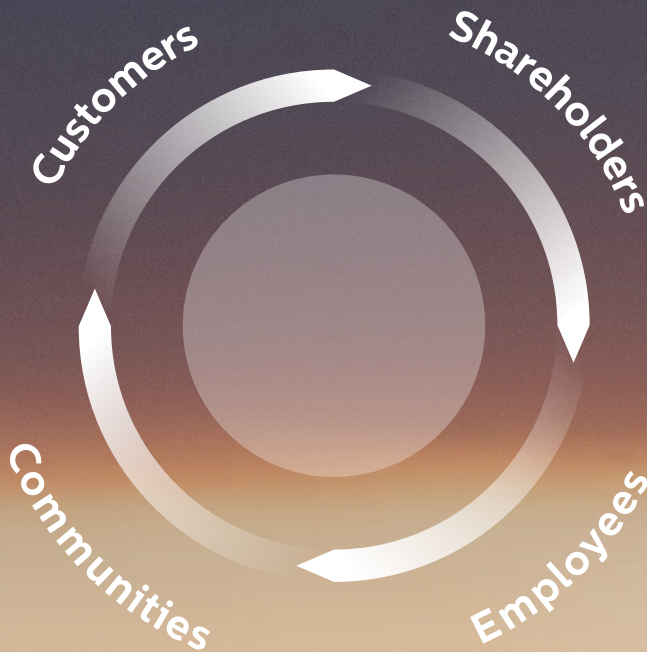
Dow experienced a five-times return on its initial US\$1 billion investment in environmentally beneficial products.<sup>96</sup> Additionally, in 2015, Dow earned US\$12.4 billion in revenue from products benefiting from sustainable chemistry, creating shared value across all groups.<sup>97</sup> Additionally, the stock of DowDuPont reached an all-time high in December 2017.<sup>98</sup>

## Communities

In 2015, Dow Chemical was setting its sustainability goals for the next ten years. During the previous ten-year period they had achieved dramatic improvements in waste management and water and energy conservation. Rather than carry forward these goals, Dow’s 2025 goals elevated its ambition to “redefine the role of business in society.”<sup>100</sup> By placing humans (both local and global communities) at the heart of its operations, Dow has been able to pursue goals that will benefit all stakeholder groups in alignment with a single purpose rather than have their community investments be a way to compensate for the negative impact of their products.

## Employees

Dow has used their Business Impact Fund, which is designed to “advance [Dow’s] business objectives by improving the lives of communities around the world”<sup>99</sup> to encourage proposals for funding from Dow employees. Dow recognizes that their team members have the expertise and passion needed to self-disrupt. Each of the projects chosen for funding is led by Dow team members who operate at the intersection of building market-specific solutions and improving the lives of global communities. This initiative has generated amazing results. For instance, Dow employees partnered with the Thai Red Cross to deploy Dow’s proprietary water filtration technology to over 50 schools, providing children access to clean water, while cultivating lasting “brand love” towards the chemical company.<sup>99</sup>



By amplifying value for all stakeholders, Dow Chemical has created a virtuous cycle of growth.





# 03 Our Worthy Ask

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## The Choice is Yours

**The journey to becoming purpose-aligned is not easy. It is confronting, challenging, and iterative. As a leader in the organization, you must be willing to ask difficult questions, be ruthlessly honest and do the hard work of deselecting, focusing investments, and saying “no” when “yes” feels easier.**

You must have clarity, commitment, confidence, and balance. You will have to confront hard truths and make asks of all your stakeholders to help you create the impact you know you can have. It will be exhausting sometimes, but you must constantly test for alignment. You will have to change your own behavior.

Do it. Changing the beliefs, behaviors, and expectations of suppliers, distributors, investors, and customers is what it means to truly lead.

It is a worthy ask, and it will create sustainable growth and impact that far exceeds any quarterly report. Doing this will help your organization manifest a future of increased impact and value creation, that grows exponentially rather than incrementally.

The work is hard, but the ask is simple: be a purpose-aligned leader.

Build your company into a purpose-aligned organization, positioned at the intersection of commercial gain, social good, and brand. You can change the world while making a profit and delivering to your investors.

**Don't settle for anything less.**  
The Karrikins Team.



# About the Authors



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Group CEO

Founder and Group CEO of Karrikins Group, Peter Sheahan is internationally known for his innovative business thinking and thought leadership. With over 120 staff, in 24 cities, across nine countries, Sheahan knows firsthand the challenges of growing a business in the rapidly-changing marketplace.

Peter and Karrikins Group have worked with some of the world’s leading brands, including Apple, Goldman Sachs, Microsoft, Hyundai, IBM, Pfizer, Wells Fargo, and Cardinal Health. He is the author of seven books including business best-sellers ‘Flip,’ ‘Generation Y,’ ‘Making it Happen,’ and ‘Matter.’



**Julie Williamson, PhD**  
Chief Growth Enabler

Julie has worked around the world with some of the largest companies, helping them set and execute on strategy and transformation. At the same time, she has worked with small, local organizations (for profit, non-profit, and government) to drive success as they seek to grow their revenue and impact their communities.

She is an educator and a professional, teaching undergraduate and graduate level courses on organizational strategy, behavior, and change, helping students connect the theoretical concepts to real-world applications.

Her work with knowledge management and leadership development has been put to the test with a wide range of Fortune 100 companies and stretches well beyond the classroom deep into the boardrooms of leading global executive teams.



**Dom Thurbon**  
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Dom is Founder and Chief Creative Officer at Karrikins Group and an internationally engaged thought leader in the fields of innovation, change and disruption. His global clients include organizations such as IBM, Apple, Commonwealth Bank, and Lexus.

Dom has authored and led research on best-sellers published in over 15 countries, and been architect of award-winning behavior change programs around the world. His latest book, ‘Matter,’ examines the changing nature of competitive advantage in increasingly disrupted and commoditized markets.

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Dr Heath has been architect of multiple award-winning behavior change programs on behalf of large purpose-driven enterprises, and has led research and consulting projects across diverse public and private sector clients including New Zealand’s Ministry of Education, VicRoads and Singtel. She is co-author of the white paper ‘Game On: How Video Games are Changing Education,’ ‘10 Principles: How to really build financial capability,’ as well as several peer-reviewed articles in academic journals.



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