

C-suite insights

How **purpose** delivers
value in every function
and for the enterprise

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Five takeaways for C-suite leaders

1

A company's purpose—its “why” in the eyes of its stakeholders—is the best framework to keep focused on long-term value and to navigate complex risks. It makes the company more valuable, focused, and resilient.

2

Each C-suite leader has a distinct role to play in delivering on a company's purpose. Their effectiveness in their function and on the leadership team increases through the subject-matter expertise they gain.

3

Since purpose is a new leadership muscle for many C-suite leaders, collaboration and information sharing across the C-suite is key. Creation of a Chief Purpose or Sustainability Officer role, regular purpose-focused Executive Committee sessions, and a Board subcommittee responsible for ESG oversight can facilitate success.

4

The expected returns on purpose should be defined for each function, as well as for the enterprise, and measurable indicators should be reinforced through strategic planning, investment planning, performance management, and other processes.

5

While only a third of C-suite leaders report that their compensation is tied to measurable progress against purpose priorities, expect this and other accountability measures to become standard practice—if only because shareholders will demand it.



Introduction

Companies are increasingly **called upon** by the public, employees, policymakers, investors, and other stakeholders to **play a role** in **addressing societal issues.**

While corporate responsibility, advocacy, and sustainability have been priorities for many companies for decades, they have often been managed in silos and peripherally to core business activities. **Today, stakeholders expect companies to drive consistent impact through all aspects of their operations.** In response, we are seeing more and more organizations reevaluating their purpose—the North Star that drives strategy and impact in the eyes of stakeholders.

A clear and integrated purpose creates differentiation and value and helps an organization manage increasingly complex risks. First and foremost, purpose is demonstrated through responsible day-to-day management of the core business processes and systems in line with the organization's values and ethics. Increasingly, purpose is also demonstrated through aligned management of brand and reputation; transparent commitments to and disclosure of environmental, social, and governance (ESG) impacts; the company's stances expressed through policy and advocacy; and corporate social responsibility (CSR) programs and community investments. **Companies have a valuable opportunity to powerfully demonstrate purpose to their stakeholders by coordinating and aligning these efforts across the C-suite, facilitated by a purpose or sustainability function.**

Purpose has become a strategic imperative and a catalyst in defining an organization's reputation and building value with stakeholders. Consider that 78% of consumers are more likely to remember a

company that exhibits a strong purpose,¹ and 86% of employees expect their CEOs to speak out publicly on important issues.² Purpose is also critical in capital markets—within the next five years, 65% of institutional investors believe that evaluation of ESG criteria will become standard practice,³ and global ESG assets are projected to grow to a third (\$53 trillion) of total assets under management.⁴

At best, attempting to meet these shifting stakeholder expectations without a clear and authentic purpose will be ineffective. At worst, it will do harm, causing reputational and other costs associated with actions that are inconsistent with stated values or commitments.

Purpose provides an organizational framework for consistently and proactively making strategic choices and investments that impact a company's key stakeholders. For example, a clear and authentic purpose can help a company identify and manage its most material ESG issues through initiatives that drive competitive advantage and premium returns.⁵ It can help focus corporate responsibility efforts on those issues that most closely align to the core business and that the company has the most credibility and strongest capabilities to address. In addition, purpose serves as a compass to help business leaders navigate complex risks or crises.

Although many companies recognize the importance of purpose, including those that signed on to the Business Roundtable's statement redefining the purpose of a corporation in 2019,⁶ skeptics have argued that related operational changes and measurable impact have been limited.⁷ In fact, a recent study found that 86% of B2B companies believe that purpose is important to their business, but only 24% have activated it to the extent that it impacts culture, innovation, operations, or societal engagement.⁸ **Our research underscores the strong desire among companies of all types and sizes across industries to prioritize and integrate purpose, though implementation remains a challenge.** There is significant opportunity to mature approaches through cross-functional collaboration and accountability to drive purpose across an organization. The emerging role of the Chief Purpose or Sustainability Officer can help steward these efforts, in collaboration with the rest of the C-suite.

As business leaders seek to heed the call from their stakeholders, they face risks associated with inconsistency of action and perceived purpose-washing.



So, how can business leaders authentically define and implement purpose?

We interviewed five C-suite leaders from organizations across industries that are focused on doing just that, including:

- **Fran Katsoudas** Chief People, Policy & Purpose Officer, Cisco
- **Chris Kuehn** Chief Financial Officer, Trane Technologies
- **Leena Nair** Global Chief Executive Officer, Chanel*
- **Jim Swanson** Chief Information Officer, Johnson & Johnson
- **Brian Tippens** Chief Sustainability Officer, HPE

We also surveyed 212 C-suite leaders⁹ across functions and industries to understand the extent to which purpose is a priority for their role and their organization, as well as key challenges and opportunities they face.



* At the time this interview was conducted, Leena Nair was the Chief Human Resources Officer at Unilever.

Key insights from the research include:

Strategy: While 79% of surveyed C-suite leaders said their company has a clear and defined purpose strategy that is integrated with core business strategy, **22% in this group indicated that their company does not make it a priority to collect and report on purpose-related data**, suggesting that purpose is not as well integrated as they believe.

C-suite roles: Each member of the C-suite has an important role to play in defining and implementing purpose (see Appendix); **the Chief Executive Officer's role as champion is most critical to success**, and the emerging role of the Chief Purpose or Sustainability Officer can enhance outcomes by providing shared infrastructure, subject-matter expertise, and function-specific guidance to drive accountability.

Governance and collaboration: Formal and informal collaboration across the C-suite should be strengthened to effectively implement enterprisewide purpose. **Collaboration with purpose or sustainability functions is especially low**, indicating that the 44% of surveyed companies with C-suite leaders in these functions could be leaving value on the table. Formal governance at the board and executive levels, such as committees focused on purpose, enhance collaboration and enterprisewide implementation.

Value creation: C-suite leaders viewed talent impacts as the greatest driver of value by far, with 79% agreeing that purpose supports talent recruitment, engagement, and retention. **Only 17% agreed that purpose enhances access to capital, despite growing investor expectations related to ESG.** This finding signals that companies may not recognize that a clear purpose can help them identify and manage the most material ESG issues for their business and/or that investors are providing mixed signals on the impact of purpose on capital access.

Accountability: Although most surveyed C-suite leaders (70%) indicated that their role is highly impacted by their company's purpose priorities, **only a third said that their compensation is tied to their performance against those priorities.** This link to executive compensation should be stronger to drive accountability.

What advice do you have for C-suite leaders seeking to drive purpose at their organization?

Own it, don't look at purpose as someone else's responsibility, and drive it with your team.

—Chris Kuehn



Fran Katsoudas Chief People, Policy & Purpose Officer, Cisco:

There's no one right way to drive purpose. Every company has an amazing opportunity in front of it to identify their own purpose, lean into experimentation, and build their own purpose playbook.

Chris Kuehn Chief Financial Officer, Trane Technologies:

Own it, don't look at purpose as someone else's responsibility, and drive it with your team. It starts with how you create your team and how you partner with your other C-suite executives and leaders across the organization to make sure you know what they're doing to advance your purpose, and vice versa.

Leena Nair Global Chief Executive Officer, Chanel:

Connect purpose to business—consumers want it, employees want it, customers want it. Start from the outside-in to get the leadership team on board. Also, put it in compensation. It provides legitimacy and transparency to everyone.

Jim Swanson Chief Information Officer, Johnson & Johnson:

If your company has a meaningful purpose, as Johnson & Johnson does in the Credo, this shouldn't feel like a heavy lift. In our company, we speak with admiration about those who are "Credo-based leaders," because they are the ones who keep the organization grounded in what matters. For some people, getting a steady paycheck is good enough. But we are seeing more and more employees looking for meaning and purpose behind their work. They want to feel like they are contributing to something bigger than themselves. If you want motivated, inspired, and fulfilled employees, give them something real to believe in.

Brian Tippens Chief Sustainability Officer, HPE: You need a senior leader who has credibility to get the big rocks moved and say, "we need to invest more in this space." It is easier when you've been around the company and know the Executive Committee and Board of Directors. As you're trying to elevate purpose, find somebody with that breadth of experience and credibility inside the enterprise.



What is purpose, and why is it a C-suite priority?

Purpose strategy and growth strategy are mutually reinforcing. Every company has the potential to embrace a unique purpose that can support and enhance differentiation. A strong purpose strategy acknowledges a company’s positive impacts, establishes processes to mitigate potential harms and inconsistencies between business activities and stated values, identifies the issues where its unique capabilities can make a difference, and charts a road map for change that can differentiate the company from its peers.¹⁰ **The C-suite leaders we interviewed and surveyed emphasized the importance of a clear purpose that employees understand and can see reflected in their work. Moreover, purpose can serve as a framework for decision-making and action to inform all aspects of operations.**

A strong majority of C-suite leaders agreed that their company has a defined purpose strategy that is a priority for the C-suite and is integrated with its core business strategy. Among those companies that prioritize purpose, common reasons include talent attraction and engagement, competitive advantage, existing or anticipated

regulations, investor expectations, or customer demand. The C-suite leaders who are not prioritizing purpose referenced continued recovery from COVID-19, shareholder expectations for greater returns, and lack of emphasis on the topic from the CEO and the board.

Public companies are somewhat more likely than private ones (90% vs. 85%) and companies with more than \$1 billion in annual revenue are somewhat more likely than smaller ones (89% vs. 83%) to have clearly defined purpose strategies. The top issues companies are focused on as part of their purpose strategies are workforce development and diversity, equity, and inclusion. Global companies are significantly more likely than domestic ones (+33%) to prioritize climate and environmental sustainability, as are companies in Energy, Resources & Industrials or Consumer industries. These findings underscore that companies of all types overwhelmingly recognize the strategic importance of demonstrating purpose and addressing critical societal issues to satisfy a broad set of stakeholder expectations.

Purpose strategy importance

My company has a clear and defined purpose strategy



Purpose strategy is a priority for the C-suite at my company



My company’s purpose strategy is integrated with core enterprise strategy



Disagree
 Neutral
 Agree
 Strongly agree

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What is purpose, and why is it a C-suite priority?

Purpose is the “why” behind what we do.

—Fran Katsoudas



Fran Katsoudas Chief People, Policy & Purpose Officer, Cisco:

Purpose is the “why” behind what we do. At Cisco, our purpose is to “Power an Inclusive Future for All.” Every word has meaning and ties to our work. “Power” is about securely connecting the world and bridging the digital divide. “Inclusive” is about advancing social justice and access to opportunity. “Future” is all about building a sustainable, regenerative planet. Lastly, “for All” is about building partnerships and the ecosystems of impact we’ll need to get it all done.

Chris Kuehn Chief Financial Officer, Trane Technologies:

Our purpose at Trane Technologies is to “boldly challenge what’s possible for a sustainable world.” Mega-trends like climate change, urbanization, changing demographics, food waste, and indoor environmental quality are fundamental global challenges for our customers that drive our purpose-driven strategy. We can bend the curve on climate change by directly impacting the 25% of global emissions coming from HVAC in buildings and food waste. Through our Gigaton Challenge, we want to reduce our customers’ CO2 emissions by a billion metric tons by 2030—about 2% of annual global emissions—and achieve net carbon-neutral operations in our own footprint. And we want to build a diverse workforce reflective of the communities where we serve and operate. Our employees are passionate about solving these pressing challenges, which ties purpose to strategy.

Leena Nair Global Chief Executive Officer, Chanel: Unilever’s purpose is to “make sustainable living commonplace.” Early in our journey we proved to ourselves that this path will lead to better growth, better trust, lower risk, and lower costs. Once that is established, there is no more, “I’ve got to run my business there and do my purpose work here.” Purpose starts with integration into business strategy, it has to be central to everything you do.

Jim Swanson Chief Information Officer, Johnson & Johnson:

The Credo is core in every decision we make. The opportunity is to understand how your function contributes. That’s why we created a purpose statement within my technology organization, which ladders into J&J’s mission to “transform the trajectory of health care” and Credo to “put the needs and well-being of the people we serve first.” If you’re a CIO and you’re only focused on back-office operations, you’re keeping your company safe and keeping it running, but you’re not leaning into the full potential of what the IT organization can do for your company.

Brian Tippens Chief Sustainability Officer, HPE: HPE’s purpose is to “advance the way people live and work.” Purpose can’t just be a tagline or an artifact on the wall. It has to tie to how leaders are rated and ranked and compensated and how accountability is cascaded through the organization. HPE’s purpose informs our operating framework. We’re able to tackle thorny topics because our colleagues know that we will only raise material issues and that we have the credibility and subject-matter expertise to address them.



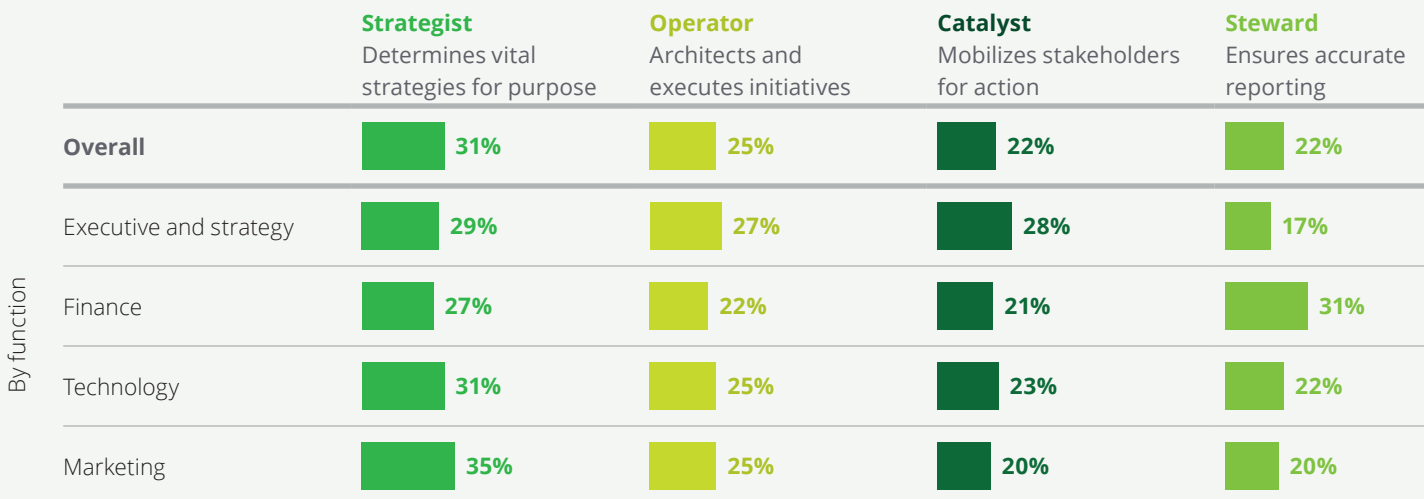
How can the C-suite work together to deliver on purpose?

A purpose-driven company is guided by commitment and leadership from the C-suite. Based on Deloitte’s Four Faces of a C-Level Executive framework,¹¹ we asked C-suite leaders to estimate how they spend their time when shaping and implementing purpose at their organization. Specifically, we asked how they allocate time across developing strategy (Strategist), executing initiatives (Operator), mobilizing stakeholders (Catalyst), and ensuring accurate reporting (Steward). Surveyed C-suite leaders allocate their time somewhat evenly across activities. However, **Chief Executive Officers are relatively more likely to act as catalysts, mobilizing stakeholders for action, while Chief Financial Officers are more likely to serve as stewards, ensuring accurate reporting. Chief Marketing Officers are more likely to focus on strategy, potentially suggesting that some organizations see purpose primarily as a brand and marketing effort.** Interestingly, C-suite leaders across functions serve more frequently as catalysts when purpose strategy is integrated with core enterprise strategy (24% vs. 16%).

Every function has a role to play, and collaboration across the C-suite is required to effectively shape, implement, measure, and report on purpose strategy (see Appendix). Collaboration can be enhanced by governance bodies that bring representatives of each function together to advance purpose priorities. These include Board subcommittees responsible for ESG oversight, executive committees that set strategy and goals, and purpose-specific committees composed of executives and functional representatives that collaborate on implementation. Equally important is regular, informal communication that occurs between leaders and their teams and change management efforts that create an organizationwide conversation around purpose and embed it in the company’s culture.

Roles and responsibilities

How much time do you individually spend in each of the roles below when shaping the purpose priorities in your company?



Specific roles are highlighted for comparison when sample size ≥ 33
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Some organizations have a dedicated purpose or sustainability function in place, and this subject-matter expert is uniquely positioned to facilitate collaboration across the C-suite, establish forums for information-sharing, and help leaders translate enterprisewide goals to function-specific targets. However, the survey responses indicate that in practice, the Chief Purpose or Sustainability Officer often operates in a silo, with especially low levels of collaboration across the C-suite. Forty percent of survey respondents indicated that there is a (different) dedicated C-suite leader overseeing a purpose or sustainability function at their company. Among these respondents, **collaboration on shared purpose priorities with the Chief Purpose or Sustainability Officer was lowest by far, even when the respondent indicated that purpose is integrated with core enterprise strategy.**

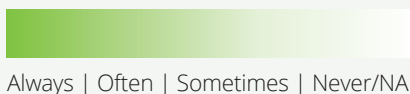
This could be, in part, explained by the relative nascency of such roles. According to the Weinreb Group, 95 public companies have a Chief Sustainability Officer and nearly one-third of these roles were created and filled for the first time in 2020.¹² There are even fewer Chief Purpose Officers.¹³ As these roles become more common and mature, collaboration will hopefully increase for everyone's benefit.

Finally, the importance of the CEO as champion of purpose cannot be overstated. **As one surveyed Chief Marketing Officer said, "Purpose needs to come from the CEO first—then the rest of the C-suite and organization can help support the strategy and implementation."** This is further reflected by the fact that all respondents indicated that they most frequently collaborate with the CEO on purpose priorities. Collaboration with Chief Financial Officers and Chief Operating Officers on purpose priorities is also high. Furthermore, C-suite collaboration on purpose is stronger across functions in organizations that have integrated purpose strategies.

Collaboration

How often do you collaborate with each of the following C-suite members within your organization to shape and implement shared purpose priorities?*

	Overall	Purpose strategy is integrated with core enterprise strategy	
		Agree	Disagree
Chief Executive Officer	Always	Often	Sometimes
Chief Financial Officer	Often	Always	Sometimes
Chief Human Resources or Talent Officer	Often	Always	Sometimes
Chief Information, Technology, or Digital Officer	Often	Always	Sometimes
Chief Legal Officer or General Counsel	Often	Always	Sometimes
Chief Marketing Officer	Often	Always	Sometimes
Chief Operating Officer	Often	Always	Sometimes
Chief Purpose or Sustainability Officer	Sometimes	Often	Always
Chief Strategy Officer	Often	Always	Sometimes
Overall average	Often	Always	Sometimes



* Respondents selected NA if a role does not exist in their organization.
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How can the C-suite work together to deliver on purpose?

It is helpful to have a formal structure to reinforce that ESG governance is the purview of all the business leaders

—Brian Tippens



Fran Katsoudas Chief People, Policy & Purpose Officer, Cisco:

There can't be one single owner of purpose. The entire leadership team—and ideally, every employee—must own purpose. I have a weekly purpose strategy meeting with our CIO, CMO, human rights lead, and various other stakeholders across the organization. We come together to review our progress, set new goals, ensure we're holding ourselves accountable, and set in motion the work needed to fulfill our commitments in the years ahead.

Chris Kuehn Chief Financial Officer, Trane Technologies:

Making progress on our goals is a team effort. One of my responsibilities is to make sure we have multiple lenses to evaluate investments. Our investment review board evaluates both financial and ESG returns at the time the project is reviewed for approval. How will the project help achieve the Gigaton Challenge? Is the project led by a diverse team? How will the project affect the communities in which it is operating?

Leena Nair Global Chief Executive Officer, Chanel: At Unilever, our entire leadership team sat on the steering committee for sustainability. Every function has a big role to play, whether it is supply chain, marketers, R&D, or finance. Getting people aligned and engaged is so central to making this happen. At Unilever you can't escape ESG goals because they are a core part of the job that you do.

Jim Swanson Chief Information Officer, Johnson & Johnson:

I have a shaping role in concert with my business colleagues. Through technology, employees who are aligned to patient and customer outcomes, and the full potential of our company (e.g., marketing, R&D, and supply chain), we can achieve our goals. If you believe in the mission, your whole company is galvanized by it, and then you bring your organization together to be part of that mission.

Brian Tippens Chief Sustainability Officer, HPE: We built a Living Progress Strategy Council that cascades from the Board of Directors and Executive Committee. It has representatives from the various business units and functions. It is helpful to have a formal structure to reinforce that ESG governance is the purview of all the business leaders. However, you can't rely solely on governance bodies. You need to also have open lines of communication with senior leaders and that highest order function with the best view across.



What enterprise value can purpose deliver?

When companies authentically integrate purpose strategy into day-to-day operations, they can derive premium value relative to peers across multiple sources, from talent to sales and innovation.¹⁴ **Companies seeking to embed purpose should have a clear understanding of the expected returns of their efforts across a broad set of sources of value and should implement robust measurement to prove those returns over time.** Otherwise, the incentive for leaders to own purpose priorities and cascade responsibility through their functions may be limited. Among survey respondents, those in companies with an integrated purpose strategy were more likely to see purpose as a driver of value across a broad range of sources beyond risk mitigation. Overall, surveyed C-suite leaders most often viewed purpose strategy as a driver of value around talent, customer loyalty, and brand.

It comes as little surprise that talent is a focus of purpose strategies across organizations. Both Summer and Fall 2021 Fortune/ Deloitte CEO Surveys found that attracting and retaining a qualified workforce was a top challenge for CEOs.¹⁵ Chief Financial Officers (CFOs) also see talent as a significant concern.¹⁶ As one surveyed CFO said, “Our employees want to be involved in things with a high purpose and engaged employees drive value.” Similarly, Deloitte’s 2021 *Human Capital Trends* report found that 86% of executives predicted workers would increasingly value a meaningful mission and an opportunity to make an impact.¹⁷

More surprising is how few (17%) C-suite leaders indicated that purpose enhances access to capital. This may be a result of inconsistent understanding of how purpose and ESG relate to one another and/or the rapidly changing ESG investment landscape. According to Bloomberg Intelligence, current global ESG assets under management are more than \$37 trillion, projected to grow to \$53 trillion—a third of the projected total assets under management—by 2025.¹⁸ Companies are still evolving to meet this significant increase in investor emphasis on ESG, with only about 10% of investors saying they find the ESG information they seek in corporate disclosures.¹⁹ There is also a lack of standardized metrics and disclosures that make it difficult for investors to compare across companies.²⁰ As one surveyed Chief Human Resources Officer said, “Moving to regulated and shareholder-expected ESG actions and results is tough when the immediate dollar value isn’t recognized.” This recognition is sure to grow as more companies measure and hold themselves accountable to the returns of their purpose-related efforts and investments.

Top sources of value

Which of the following do you anticipate being a source of value from your company’s purpose-related activities?

Source of value	Overall	Purpose strategy is integrated with core enterprise strategy	
		Agree	Disagree
Talent recruitment, engagement, and retention	79%	81%	73%
Customer loyalty and engagement	68%	71%	56%
Enhanced brand and reputation	64%	70%	41%
Risk mitigation and management	49%	49%	46%
Operational efficiency	46%	49%	34%
New sources of revenue from products and services	41%	44%	29%
Access to capital	17%	18%	10%
None of the above	0%	0%	2%

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What enterprise value can purpose deliver?

I bring **data and analytics** to make sure that the return on investment is **fully understood...** recruitment costs went down by 90%

—Leena Nair



Fran Katsoudas Chief People, Policy & Purpose Officer, Cisco:

Sometimes doing the right thing will lead to an amazing business opportunity. We have a product called Silicon One, a new chip set that is not only one of the fastest on the market, but also results in a 26x power usage reduction for our customers. And as the size of our products like Silicon One decrease, there's a reduction in packaging and shipping volume as well. That's the result of the beautiful intersection of an organization that is purpose-minded, customers whose sustainability expectations are increasing, and amazing leaders who are coming up with innovative solutions.

Chris Kuehn Chief Financial Officer, Trane Technologies:

Increasingly, our customers want better-performing products with a lower carbon footprint. There isn't a trade-off between getting differentiated returns to shareholders while improving the planet and our customers' carbon footprint. We know purpose is great for our employees, too. We have top-decile performance and retention. We attract some of the best talent because they see our purpose to solve the challenges related to climate change and food waste. It's not just about bottom-line improvement.

Leena Nair Global Chief Executive Officer, Chanel:

There's no free lunch in business. I bring data and analytics to make sure that the return on investment is fully understood. The London School of Economics did a study on 3,000 people who've been through Unilever's Discover Your Purpose workshop. People who feel they are living their purpose have 49% more intrinsic motivation and 33% higher job satisfaction. At Unilever, we used every tool for recruiting, promoting, and developing people to drive purpose centrally. As a result, recruitment costs went down by 90%, and attrition is half that of any peer in any market Unilever operates in.

Jim Swanson Chief Information Officer, Johnson & Johnson:

We are focused on leveraging data to best support the outcomes we're driving toward, while making sure we're working to eliminate bias and enable global reach. With our vaccines, for instance, we use data science to better predict where in the world to conduct clinical trials to make sure we have a representative patient population.

Brian Tippens Chief Sustainability Officer, HPE: My team is increasingly spending time with the sales team going out to win business by talking about our ESG story. We know that it's not just nice to do—we can't win without that focus on ESG. We must have a clearly articulated strategy that ties back to business value. Whether it's because our programs are a sales enabler and differentiator, help us meet the needs of our investors who value ESG investments, or create an environment where the best and brightest want to work.



How can the C-suite hold itself accountable?

As one surveyed Chief Legal Officer said, “The C-suite must hold leaders accountable to certain metrics and measurable results.” Ultimately, to ensure purpose is integrated throughout the business, executive compensation—at a minimum—should be tied to purpose outcomes. Processes and frameworks should be established to identify and mitigate business decisions that may be at odds with the company’s purpose. Finally, purpose priorities, progress, and setbacks should be credibly and authentically communicated to employees and external stakeholders.

Our research indicates that there is a significant opportunity to strengthen accountability. While most surveyed C-suite leaders (70%) indicated that their role is highly impacted by their company’s purpose priorities, only a third said their compensation is tied to their performance against those priorities. These results are consistent with a previous Deloitte review of proxy statements filed between February 2020 and January 2021, which found that less than 40% of Fortune 100 companies have incorporated ESG measures into executive incentive plans.²¹

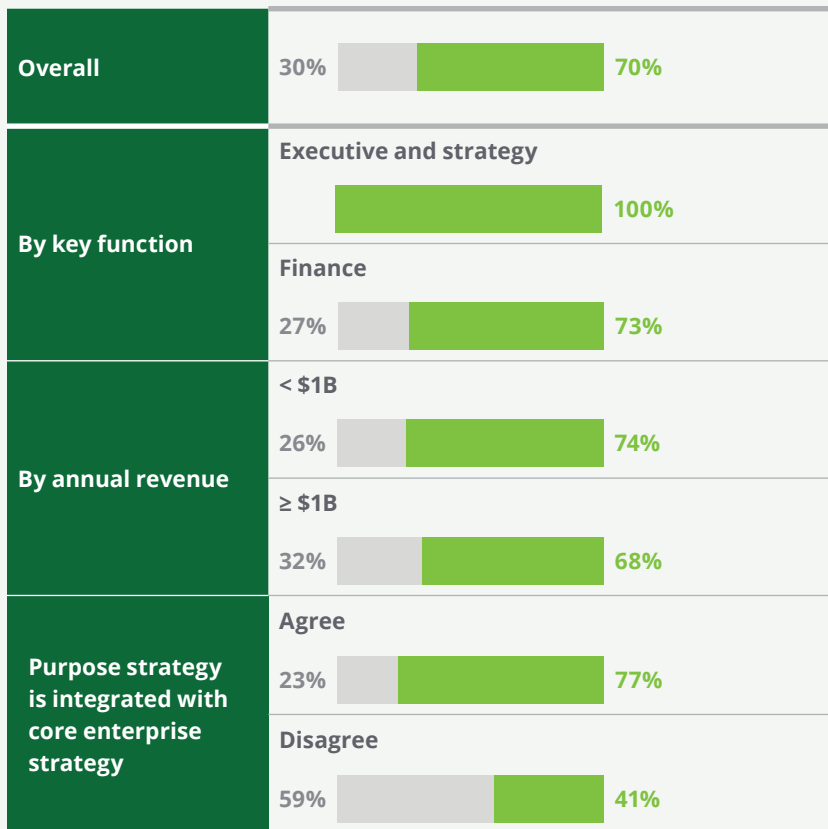
At the highest level of leadership, 100% of surveyed CEOs said their roles are highly impacted by purpose priorities, yet only 45% have compensation tied to them. Among the C-suite, CFOs had the lowest prevalence of compensation tied to purpose priorities—

only 6%—although they reported above-average purpose impact on their role. In smaller companies (those with less than \$1 billion in annual revenue) purpose is more likely to impact C-suite roles, but compensation is less likely to tie to purpose priorities. Across industries, Technology, Media & Telecommunications companies were least likely to tie C-suite compensation to purpose priorities. Finally, companies that do not integrate purpose with core enterprise strategy were significantly less likely to tie compensation to purpose priorities.

Another key indicator of accountability is the extent to which the progress on purpose priorities is measured and reported. **Of the 79% of surveyed C-suite leaders who said their company has a clear and defined purpose strategy that is integrated with core business strategy, 22% in this group indicated that their company does not make it a priority to collect and report on purpose-related data. Importantly, a company’s commitment to data tracking and reporting positively correlated with the extent to which a C-suite leader’s role and compensation were impacted by purpose priorities.** Finally, across companies, clear and consistent communication and transparency about purpose was slightly higher for internal than external audiences (77% vs. 74%).

Purpose impact on roles

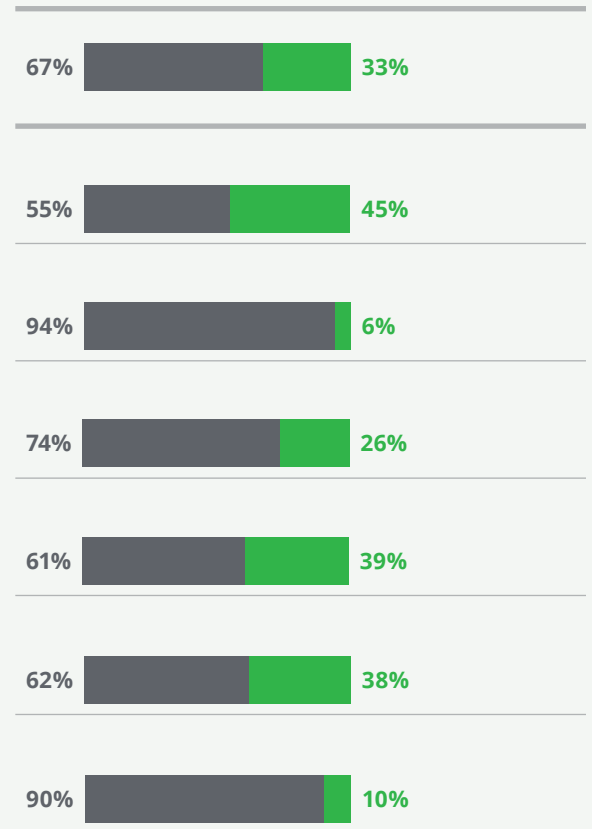
To what extent do your company's purpose priorities impact your roles and responsibilities?



■ No or low impact ■ High impact

Ties to compensation

Is your compensation tied to purpose priorities (e.g., sustainability, DEI goals)?



■ No ■ Yes

Source: Deloitte analysis.
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How can the C-suite hold itself accountable?

We hold ourselves fully accountable for driving meaningful health outcomes.

—Jim Swanson



Fran Katsoudas Chief People, Policy & Purpose Officer, Cisco:

We took a bottom-up approach to creating our 12 Social Justice Actions—work which represents a \$300 million investment over five years. Seventy-five people from across the company who were closest to the work came up with a set of impressive goals that our executive team was able to sign off on. Now, our executive team's performance against these actions and commitments is part of how we are compensated. I think our opportunity is not just to expect it of our executive team, but to push those expectations down through the other layers of leadership in the company as well.

Chris Kuehn Chief Financial Officer, Trane Technologies:

Many investors read every page of our 104-page sustainability report. They appreciate that we are accountable to the metrics we put out there. Our sustainability goals are broken down by business unit and corporate function. Every member of the executive leadership team has specific goals for their organization. I make sure my team can aggregate the information to show the progress we're making year over year. In addition, this year, our annual incentive plan, comprising more than 2,000 global leaders, has specific ESG goals to tie compensation to ESG-related performance, and every employee with a performance plan is asked to set at least one goal tied to our 2030 Sustainability Commitments.

Leena Nair Global Chief Executive Officer, Chanel:

At Unilever, purpose is central in every step from recruitment to leadership development to how you are promoted. For five years now, 25% of long-term performance pay has depended on sustainability goals. Unilever also has qualitative data that demonstrates that employees do believe that sustainability is at the heart of the agenda. Finally, Unilever is very transparent about what it has achieved and what it hasn't.

Jim Swanson Chief Information Officer, Johnson & Johnson:

We're all aligned on the same outcomes. In our organization, everything ties back to the Credo. It drives our goal setting and decision-making, so it is easy to draw a direct line between our work and our purpose. For every business activity, I ask, "Are we using data and insights to inform every decision we make to advance human health?" If the answer is yes, we're doing the right thing. Whether it's developing breakthrough, technology-based cancer therapies, revolutionizing robotic surgery, or transforming digital manufacturing, we hold ourselves fully accountable for driving meaningful health outcomes.

Brian Tippens Chief Sustainability Officer, HPE:

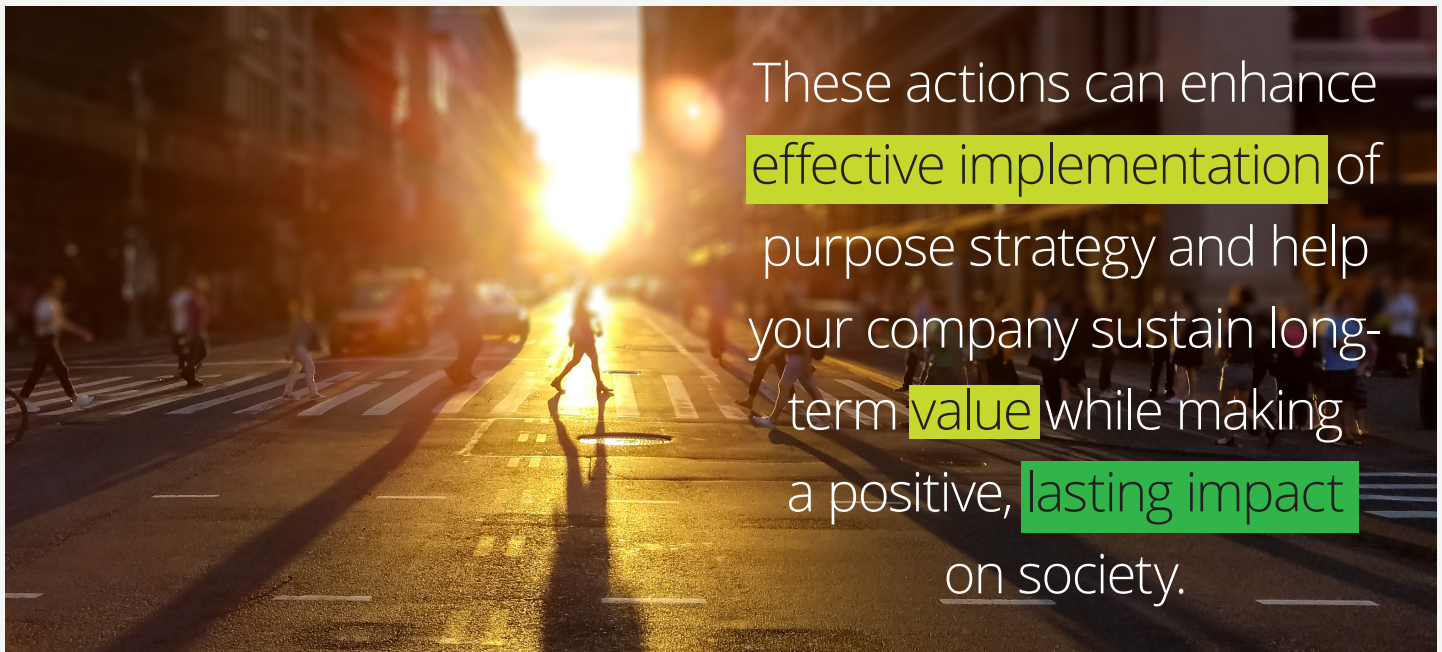
We want our leaders to think about ESG governance and ESG business drivers in the same breath that they think about getting product to market. We have evidence that ESG factors have direct impacts on financial performance, whether that's how reduced turnover reduces hiring and onboarding costs or how energy-efficiency improvements deliver positive returns on investment. Recognizing this, a couple of years ago we started tying a portion of variable compensation for our most senior business leaders to metrics such as workforce diversity and engagement.



Conclusion

A clear, authentic, and well-integrated approach to purpose is now a strategic imperative. Companies across industries, geographies, and business models recognize this imperative and seek to act on it. There are a few key areas where companies might consider focusing to be effective:

- 1. Articulate your “why.”** Your purpose must be specific to your company and delivered through the core business. For highly purposeful companies, you can't explain the business model without reference to the purpose.
- 2. Embed purpose in organizational culture.** Integrate purpose into business processes and information flows, create feedback loops, dedicate a significant percentage of C-suite internal and external communications to the purpose and its connection to value, and make sure all employees know their role.
- 3. Establish the business case for purpose and measure against it.** The expected returns from your purpose strategy should be defined for each function, along with how you will measure progress against those returns. Think beyond risk mitigation and compliance and define how purpose creates value across your entire business—from talent to sales and innovation to operational efficiency.
- 4. Tie executive compensation to purpose outcomes.** Once you have established the business case for purpose, ensure each C-suite leader understands the outcomes they are responsible for and how they ladder up to enterprisewide goals. Tie compensation to those outcomes to increase transparency and accountability.
- 5. Elevate the purpose or sustainability function.** The purpose or sustainability function is uniquely positioned to provide the subject-matter expertise to guide other functions in their implementation of enterprisewide purpose priorities, as well as to facilitate cross-functional collaboration. Yet this function appears to be operating in a silo in many surveyed companies where it currently exists. If your company does not yet have a C-suite leader for purpose or sustainability, consider identifying a seasoned leader who understands company operations, is well connected, and has relevant subject-matter expertise. If your company does have a C-suite leader in this role, equip the leader for success by providing a mandate to guide and collaborate with the entire C-suite.



What are key challenges and opportunities facing companies that are pursuing purpose?

The main priority is making sure that people understand the issues and why they're important to the business.

—Brian Tippens



Fran Katsoudas Chief People, Policy & Purpose Officer, Cisco:

There will be trade-offs, and if they were easy decisions, we all would have made them already. For example, there are emerging power supplies for our products that are huge from a sustainability perspective, but they're a lot more expensive. Stakeholder expectations are changing though, and companies have to change with them. Having a clear purpose helps our business leaders to make decisions that, candidly, may go against traditional bottom-line thinking but help companies authentically commit to their purpose work.

Chris Kuehn Chief Financial Officer, Trane Technologies: We believe that we drive change for our industry and that our industry can change the world. If we, as one company, can reduce 2% of the world's annual global emissions, we'd love to find 49 other like-minded companies to sign up for their own Gigaton Challenge. Some of our competitors have adopted our approach. And on the social and governance side, our ESG targets include gender parity in leadership positions, and racial and ethnic diversity in the US. We were the first in our industry to commit to Paradigm for Parity—with a goal that 50% of leadership positions are held by women by 2030.

Leena Nair Global Chief Executive Officer, Chanel: Investors haven't fundamentally shifted their perception of the impact of human resources. People only exist on the cost line of the P&L statement. We have intangible value for brands, but not for people's potential. I'm determined to change that by bringing much more data and analytics to the field of HR to show the impact. There are a host of metrics you can use—it's not a perfect science, but there is enough there to see that it makes a difference.

Jim Swanson Chief Information Officer, Johnson & Johnson: The more people are comfortable using technology and data, coupled with their domain expertise of science, commercialization, research, procurement, HR, or finance, the better they can fulfill our purpose and create even more value.

Brian Tippens Chief Sustainability Officer, HPE: The main priority is making sure that people understand the issues and why they're important to the business. The folks at the bottom of the org chart get it. They're joining the employee resource groups and environmental clubs. Senior leaders get it. But, in some cases, you have hundreds or thousands of middle managers who are just trying to make the quarter. It's important for people to understand what role they play. It has to logically tie back to what they do, which is why this gets tricky.



Appendix

A. Unique roles of key functions

Workforce (e.g., CHRO)

- Embed purpose in talent recruitment, development, benefits, performance, compensation & promotion
- Support workforce to define link between enterprise purpose and specific roles
- Drive employee engagement in purpose priorities

Technology (e.g., CIO)

- Enable other functions to leverage data and technology to implement and measure purpose activities
- Embed purpose principles in use of data & technology (e.g., ethical decision-making, cybersecurity)

Public affairs and legal (e.g., CLO)

- Ensure compliance with relevant standards and regulations
- Align advocacy activities with purpose
- Communicate legal risks & opportunities

Executive and strategy (e.g., CEO)

- Champion and demonstrate purpose
- Hold C-suite accountable
- Integrate purpose & enterprise strategy
- Balance stakeholder priorities

Operations (e.g., COO, CRO)

- Transform supply chain and internal operations
- Sense and manage risks
- Measure and report operational impact
- Ensure data readiness

Finance (e.g., CFO)

- Track and report progress in line with regulatory and investor expectations
- Demonstrate ROI of purpose
- Embed purpose in investment criteria

Marketing (e.g., CMO)

- Articulate and align the C-suite around an authentic brand purpose
- Embed purpose in customer strategy
- Capture customer insights to inform goal-setting

Purpose and sustainability (e.g., CPO)

- Align C-suite around priorities and KPIs
- Track market & competitor trends
- Provide subject matter expertise to inform function-specific goals, activities & employee awareness
- Maintain bird's-eye view of enterprise efforts



Review recent articles for more information on how specific functions contribute to enterprisewide purpose and ESG:

Executive & Strategy

- [2021 Deloitte/Fortune CEO Survey](#)
- [2021 Chief Strategy Officer Survey](#)

Operations

- [Investors Advocate for Risk-Driven ESG Strategies](#)
- [Managing Risk Through Sustainable Supply Chains](#)

Finance

[The CFO as the Driver of Sustainability](#)

Marketing

[2022 Global Marketing Trends](#)

Purpose & Sustainability

- [The Future of the Chief Sustainability Officer](#)
- [The Power of the Purpose-Driven C-suite](#)

Public Affairs & Legal

[The Role of the Chief Legal Officer in Addressing ESG Issues](#)

Technology

- [Ethical Technology and Trust](#)
- [2021 Tech Trends](#)

Workforce

[2021 Human Capital Trends](#)

B. Survey population

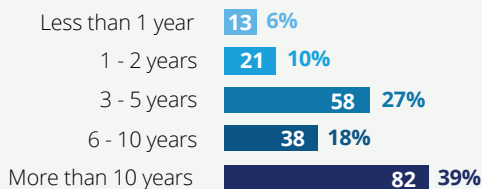
Function and role

Technology	Chief Information or Technology (34), Digital (2), or Information Security Officer (2)	38	18%
Marketing	Chief Marketing (33), Revenue (1), or Sales Officer (1)	35	17%
Finance	Chief Financial Officer (33)	33	16%
Executive and strategy	Chief Executive (29) or Strategy Officer (4)	33	16%
Operations	Chief Operating Officer (22)	22	10%
Legal and public affairs	Chief Legal Officer or General Counsel (20), Assistant or Associate General Counsel (2)	22	10%
Workforce	Chief Human Resources or Talent Officer (19)	19	9%
Purpose and sustainability	Chief Purpose or Sustainability (8) or Risk & Sustainability Officer (1)	9	4%
Other	Chief Medical Officer (1)	1	0%

■ Sample size < 30 ■ Sample size ≥ 30

Note: Numbers in parentheses represent the amount of respondents who indicated this was their role.

Years of experience in role



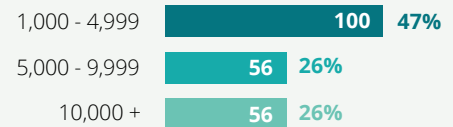
Source: Deloitte analysis.
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Annual revenue

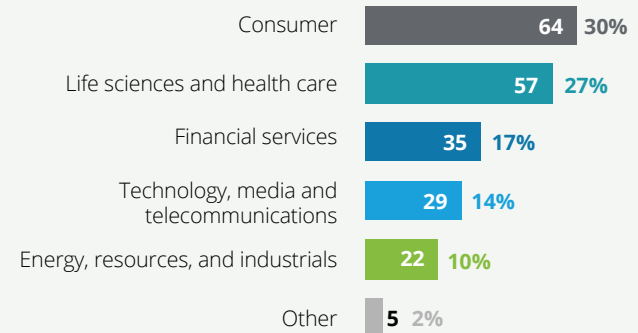


Note: Two respondents (1%) answered “do not know/prefer not to answer”

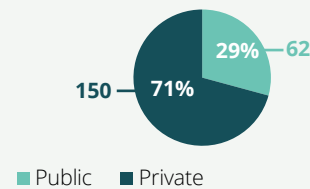
Number of employees



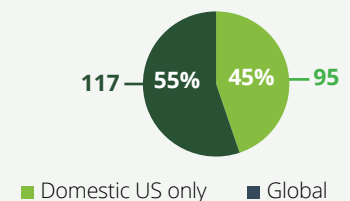
Industry



Ownership



Geographic footprint



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Endnotes

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