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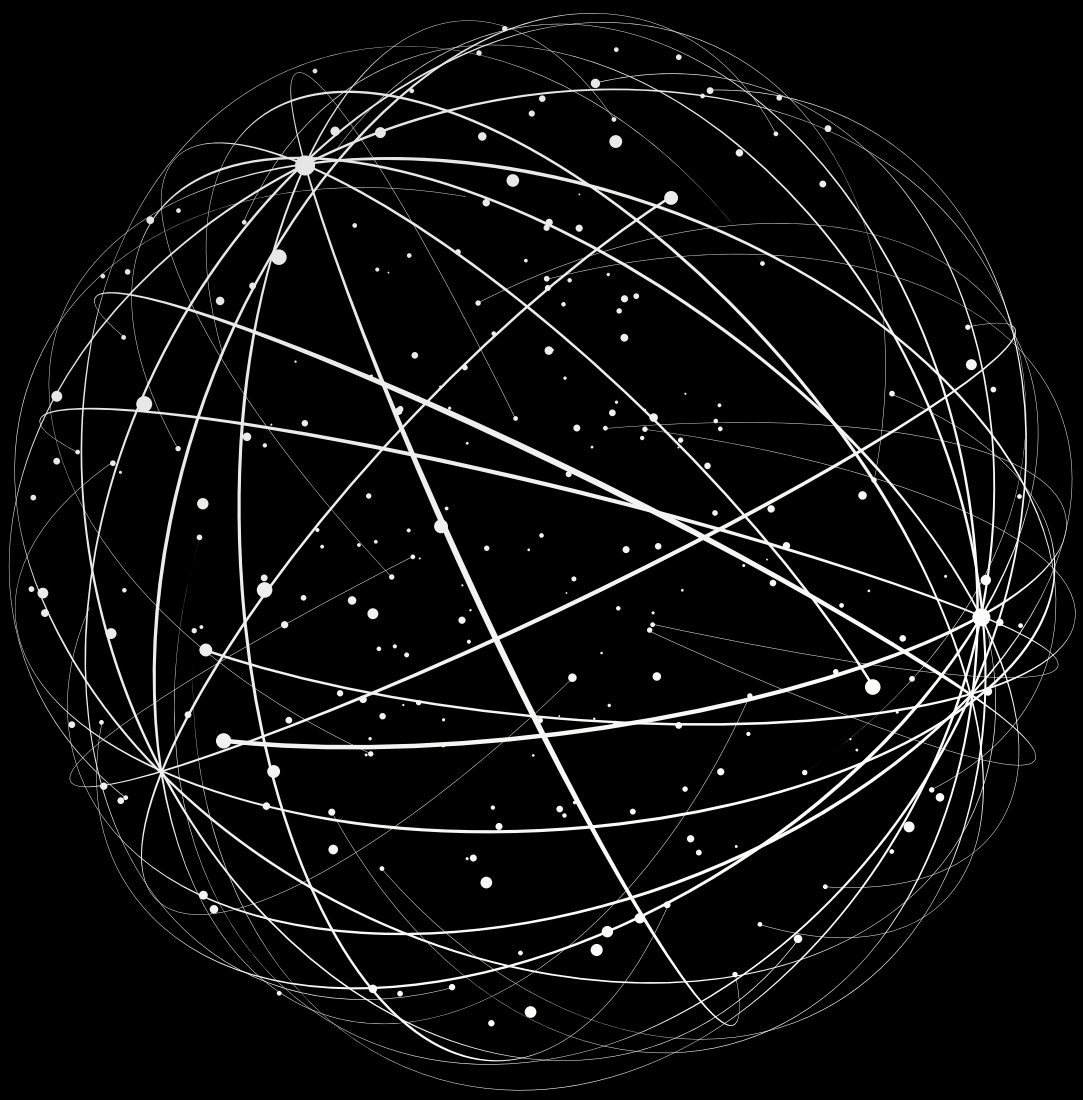

# 2030 Purpose: Good business and a better future

Connecting sustainable development with enduring commercial success

January 2017

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# Foreword

The Sustainable Development Goals provide a comprehensive framework for the world to work together to create a better future to 2030. Businesses can make a huge impact towards the achievement of the Sustainable Development Goals and the good news is that this isn't just good for humanity, it's good for business.

It is increasingly evident that enduring commercial success is linked to a commitment to sustainable development. To fully benefit from this association, businesses need to encapsulate it in a clear purpose. That purpose should be compatible with the Sustainable Development Goals and needs to shape the way the business is both designed and run. We call this 2030 Purpose.

Whilst many big businesses communicate a clear purpose, only a quarter link this purpose to sustainable development. And of those that do, fewer still appear to truly live that purpose.

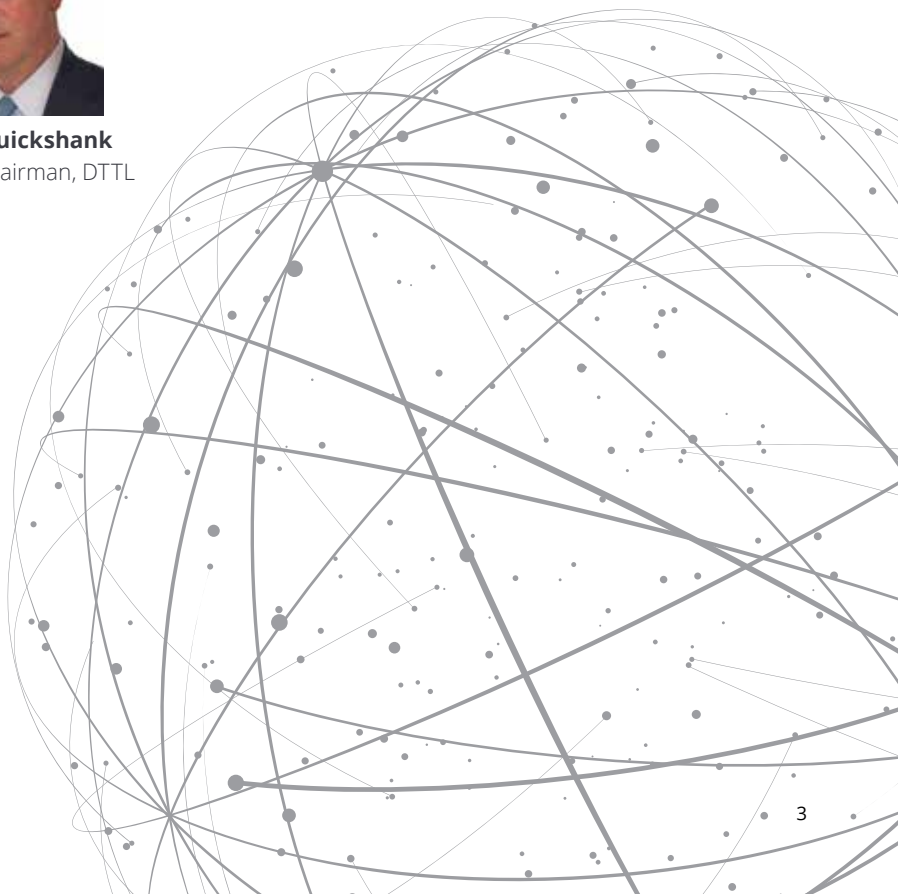
The route to unlocking the benefits of 2030 Purpose will differ by business and sector. However, there are some golden rules: authenticity, balance and consistent application. An authentic purpose is one that is lived through the actions of the business. A balance needs to be continually maintained between emphasis on short term imperatives and longer term external commitments, whilst understanding developing stakeholder expectations. Finally, the purpose should be applied consistently, enduring well into the future and transcending corporate changes.

2030 Purpose is a choice, and a choice that has many implications. But it is a choice that is increasingly recognised as a necessary condition for the delivery of long term value, both to direct stakeholders and wider society.

It's good for business and good for the world.

> "To fully benefit from this association, businesses need to encapsulate it in a clear purpose. That purpose should be compatible with the Sustainable Development Goals and needs to shape the way the business is both designed and run."

**David Cruickshank**
Global Chairman, DTTL



# Connecting sustainable development with enduring commercial success. A commitment to sustainable development

**Committing to sustainable development is critical for all, not least business**

### Commitment to sustainable development

There is an urgent need for the world to find a more sustainable development path. As part of the 2030 Agenda for Sustainable Development, the 17 Sustainable Development Goals provide a framework for collective action to protect our future. Businesses have a huge role to play, and are being called upon by governments and citizens to participate.

**A commitment to sustainable development is compatible with enduring commercial success**

### Enduring commercial success

Playing a positive role in society doesn't need to be at the cost of financial outcomes. Businesses that make a genuine commitment to sustainable development outperform the market.

**It's not just compatible, it's inter-dependent: a commitment to sustainable development positively impacts all stakeholder perspectives**

***01. Talent*** Businesses with a connection to a sustainable development goal are better able to attract and retain talent.

***02. Consumers*** Consumers actively choose brands seen as trusted, positive contributors to wider society.

***03. Partners*** Communities, suppliers and other partners can gain through financial and non-financial benefits.

***04. Regulators*** Commitment to sustainable development allows a more constructive dialogue with regulators, and is increasingly legislated.

***05. Investors*** Investors are beginning to recognise the benefits of a focus on sustainable development.

**The need to recognise this interdependency is accentuated by the digitisation of our economies and societies**

***06. Transparency*** The positive or negative impact of business behaviour can be more easily tracked and reported.

***07. Engagement*** Engagement with stakeholders has been transformed by the way online interaction influences consumer behaviour.

***08. Identity*** Rapid technological change is disrupting established business models and strategies, demanding a more enduring basis of corporate identity.

**This interdependency cannot be incidental, it needs to placed at the heart of the business, enshrined in the purpose of the organisation**

### 2030 Purpose

To fully benefit from the interdependency between sustainable development and commercial success, businesses need to articulate a clear purpose that can be linked to the SDGs and use it to shape the activities and culture of the organisation.

**And organisations need to live their purpose, embedding it across their business**

### Strategy and operating model

2030 Purpose provides a north star to inform the highest levels of decision making, ultimate direction and strategy of the business. The business needs to ensure its operating model is aligned to its purpose.

### Culture and values

2030 Purpose provides a moral compass for the business, which needs to influence the culture and values of the organisation and guide individual and collective behaviour.

### Brand and stakeholder engagement

2030 Purpose provides an authentic platform for stakeholder engagement and should be a critical influence.

## Commitment to sustainable development

Committing to sustainable development is critical for all, not least business

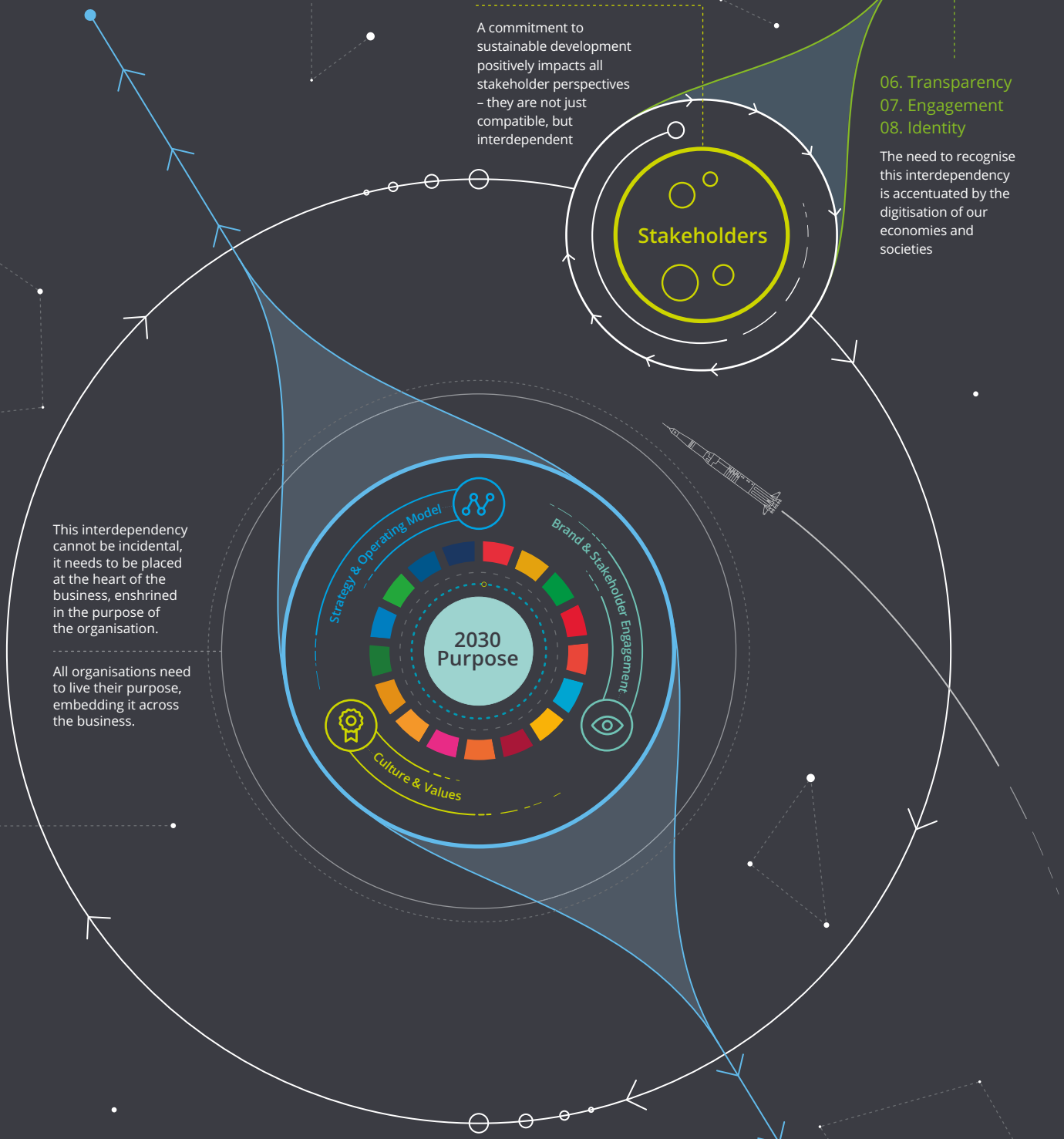
01. Talent
02. Consumers
03. Partners
04. Regulators
05. Investors

A commitment to sustainable development positively impacts all stakeholder perspectives – they are not just compatible, but interdependent

Digital Catalysts

06. Transparency
07. Engagement
08. Identity

The need to recognise this interdependency is accentuated by the digitisation of our economies and societies




This interdependency cannot be incidental, it needs to be placed at the heart of the business, enshrined in the purpose of the organisation.

All organisations need to live their purpose, embedding it across the business.

## Enduring commercial success

A commitment to sustainable development is compatible with enduring commercial success

# Executive summary

There is an urgent need for the world to find a more sustainable development path.

In 2015, two remarkable world events marked a step change in global co-operation. At the **Paris Conference COP21** leaders came together to agree steps towards a legally binding and universal agreement on climate change to keep global warming below 2˚C. Just a few weeks earlier, at the UN HQ in New York, world leaders made another commitment, not just to prevent climate change, but to set collaborative, consensus-driven, actionable goals to protect both our collective future as society and the future of the planet – the **2030 Agenda for Sustainable Development**.[2]

The Agenda contains **17 Sustainable Development Goals (SDGs)** that call for urgent collective action. Despite considerable progress, poverty, hunger, water scarcity, unemployment and inequality plague too many people across the world. The adverse impacts of climate change continue to increase. According to the Social Progress Imperative, current global trajectories show that we will fall far short of SDG aspirations for 2030.[3]

### Business has an important role to play

To respond effectively to these global challenges, all parts of society need to contribute. It is self evident that businesses have a critical role to play, contributing to public and individual finances, providing products and services and influencing the evolution of society as a whole. The magnitude of this potential, together with broader societies' suspicion that business is prioritising a much narrower agenda, is driving calls for greater, active participation.

> "The new agenda is a promise by leaders to all people everywhere. It is an agenda for people, to end poverty in all its forms – an agenda for the planet, our common home."
>
> **Ban Ki-Moon, Former UN Secretary General**[1]

### Commercial success and a commitment to sustainable development are interdependent

Playing a positive role in wider society isn't just the right thing for business to do, it's good for business. A wide body of evidence demonstrates that businesses can be more successful and more sustainable in the long term when they link to a wider social, economic or environmental goal (termed 'sustainable development' as per the UN definition of "development that meets the needs of the present without compromising the ability of future generations to meet their own needs".).

Evidence shows that businesses outperform the market when they make an authentic commitment of this nature, driven by an ability to better engage and inspire all stakeholders including **talent, consumers, partners, regulators** and **investors**.

Employee satisfaction is more challenging to deliver than ever, and businesses with a connection to a social, environmental or economic goal are better able to attract and retain **talent**. **Consumers** will actively choose brands they trust, and belief in the positive contribution a business makes to wider society is an important component of this trust.

Deloitte supports the Sustainable Development Goals

Business **partnerships** between companies and other constituencies who share the same values are stronger and can be mutually beneficial. Businesses that commit to sustainable development can also enjoy a more constructive dialogue with **regulators** and better shape the industries they work in. Finally, **investors** are increasingly recognising the benefits of a focus on sustainable development and its impact on both return and risk.

"Purpose answers the critical questions of who a business is and why it exists beyond making a profit, through a set of carefully articulated core beliefs. But, to be more than just words, purpose must guide behaviour, influence strategy, transcend leaders – and endure."

**Punit Renjen, Deloitte Global CEO**

"The imperative for purpose is there and executives recognise that there is a need. So why aren't more businesses living their purpose?"

### Digital disruption accelerates the need for business to recognise this interdependency

In the digital age, recognising the interdependent link between a commitment to sustainable development and commercial success is even more important.

Business activities are more **transparent** and measurable. The positive or negative impact of business behaviour can be more easily tracked and reported, impacting value. Data collected now will be used in the future to attribute impact, both good and bad.

Digital technology also continues to transform how businesses **engage** with stakeholders. As customers increasingly base their decisions on peer review, information shared online becomes more important. Digitally enabled campaigning presents new opportunities and risks. The democratisation, proliferation, zero time and zero cost of opinion forces businesses to consider how they present themselves as contributors to the wider world.

Further, all businesses are now facing rapid technology inspired change that disrupts their established models and strategies. As a result, businesses need to redefine their **identities** in ways that are enduring. Building relationships with the wider world will help maintain identity despite short term changes in plans and strategy.

### Businesses can respond to this interdependency through 2030 Purpose

As long term success and wider positive impact become ever more interdependent, businesses must explicitly connect what they do to the contribution they make to the wider world. This contribution cannot be a by-product of the business model, it needs to be a driving force that helps shape strategy, culture and stakeholder engagement. The contribution needs to be enshrined in the way the business sees itself, the bedrock of its purpose, at the heart of any statement of belief in why that business exists.

By embedding purpose across the business from **strategy and operating model** to **culture and values and brand and stakeholder engagement**, companies can address the economic, social and environmental challenges facing humanity *and* respond to the accelerating challenges to securing long term financial success.

To fully benefit from the interdependency between sustainable development and commercial success, businesses must articulate a clear purpose that can be linked to the SDGs and use it to shape the activities and culture of the organisation. We call this **2030 Purpose**.

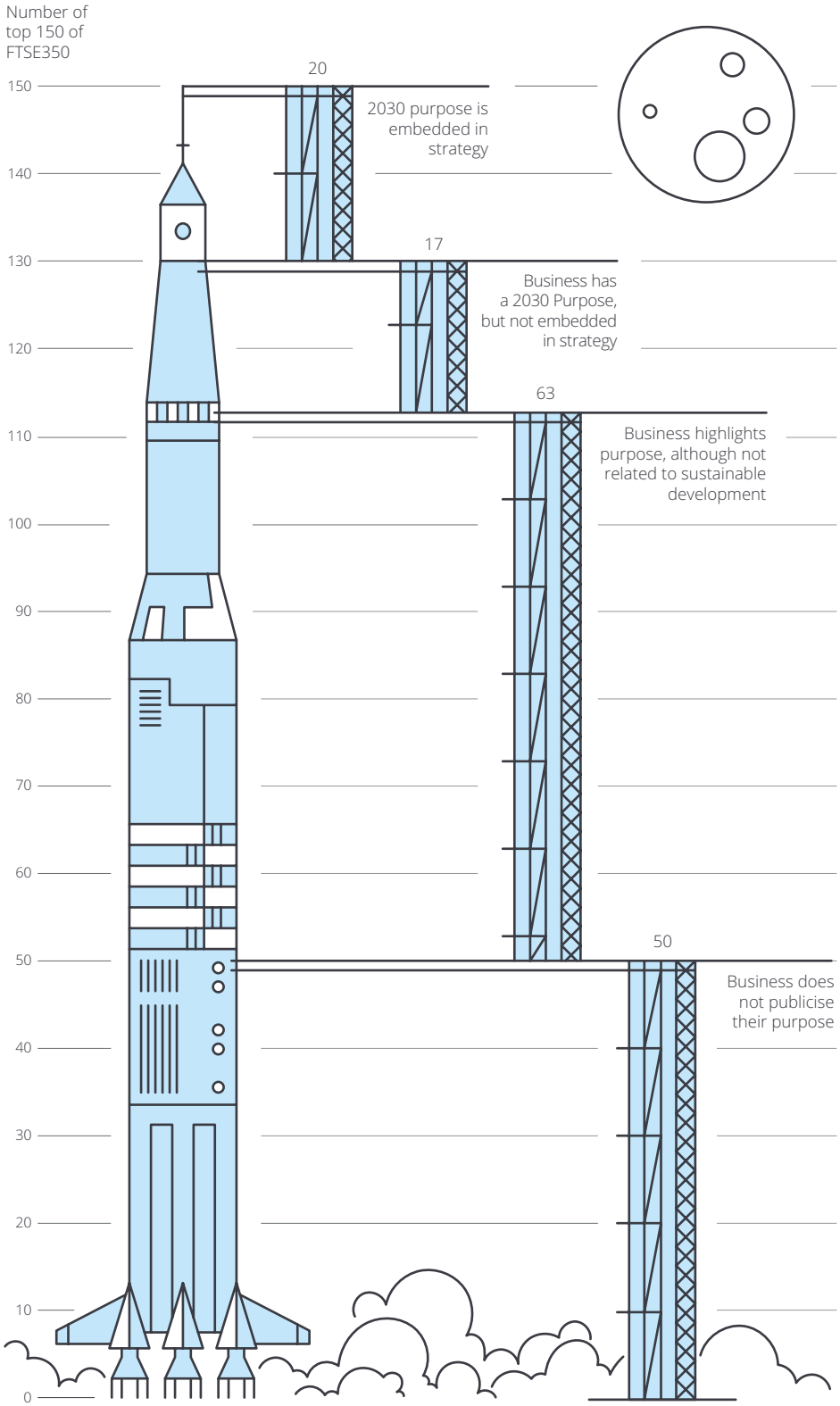
## Only a few businesses are taking the opportunity 2030 Purpose presents

Businesses are beginning to take note. Business leaders recognise that there is a gap between the opportunity and current actions. Deloitte's *Culture of Purpose* survey shows that the majority recognise that their organisations are "not doing enough" to instil purpose and drive positive impact for all stakeholders into the heart of their business.[4] UK Deloitte Chairman Nick Owen reports that three quarters of his conversations with business leaders explore this concern in some way, however they start.

However, our analysis shows a gulf between this level of interest and concern, and the extent to which companies are delivering on 2030 Purpose.

Discussions with large and small organisations, public and private, combined with research on the top 150 of the FTSE350 have highlighted a number of key issues businesses face in trying to achieve 2030 Purpose. While two thirds of large businesses have a purpose of some description, only a quarter make an explicit link with a wider social, environmental or economic goal. Of those companies which link the purpose with sustainable development, half explicitly embed the purpose in strategy.

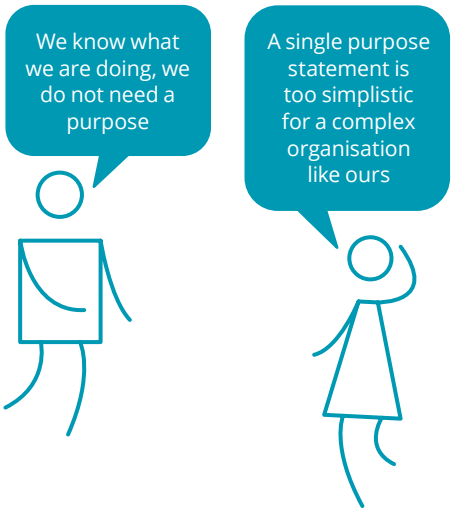
The imperative for purpose is there and executives recognise that there is a need. So why aren't more businesses living their purpose?



## Why aren't more businesses living their purpose?

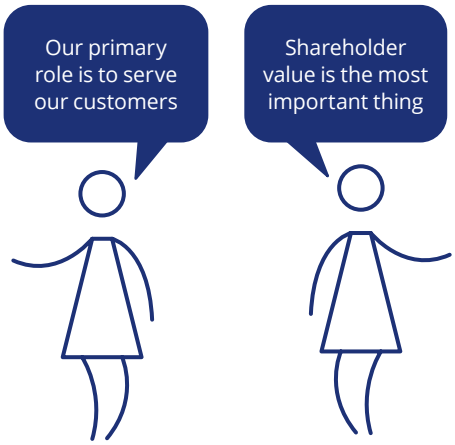
### A third of businesses don't explicitly announce a purpose:

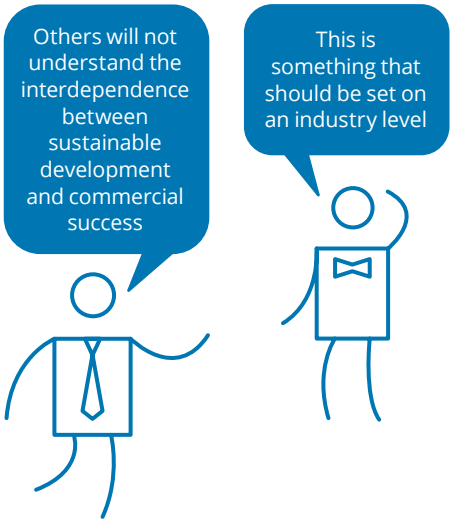
Purpose is relevant for all businesses, independent of their size. By rallying around one fundamental purpose, the various functions of a business can unite around a common goal, increasing stakeholder engagement and attracting and retaining talent.




### Three quarters of businesses do not link purpose with sustainable development goals:

Research shows that businesses that recognise the link between sustainable development and commercial success have better financial returns in the long term. Purpose provides businesses with a platform for engagement with stakeholders from employees to consumers and investors.



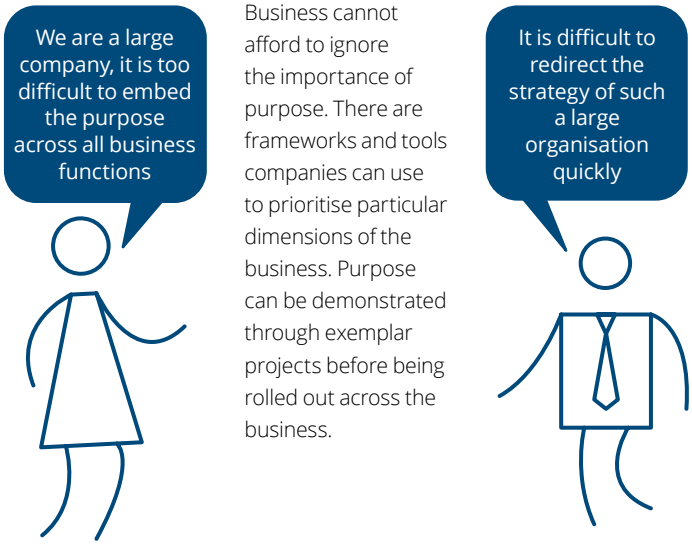

Purpose is unique to every business and describes the ultimate reason for existing. Benefits of having a purpose are well documented and recognised by more and more businesses. Purpose is a point of differentiation from competitors and can be used as an inspiring, authentic platform of engagement with stakeholders.

Purpose is relevant to all businesses as a mean to maximise both shareholder and wider stakeholder value. In particular, purpose is critical to help pre-empt regulators and attract talent.

### The vast majority of businesses feel they contribute to wider social, environmental or economic issues anyway:

Without driving sustainable development into the core of the business under the banner of purpose, the contribution it makes to the wider world is limited, minimising its impact and putting its long term success at risk.

### Businesses find it difficult to embed purpose across their organisation:




Business cannot afford to ignore the importance of purpose. There are frameworks and tools companies can use to prioritise particular dimensions of the business. Purpose can be demonstrated through exemplar projects before being rolled out across the business.

'Despite these challenges, a number of businesses have been identified by our research as living a 2030 Purpose, including:

**Lloyds Group**
"Helping Britain Prosper."

**Pearson**
"To help people make progress in their lives through learning."

**Unilever**
"Make sustainable living commonplace."

**Johnson Matthey**
"Sustainable technologies for today and for the future."

**BT Group**
"To use the power of communications to make a better world."

**Reckitt Benckiser Group**
"To make a difference, by giving people innovative solutions for healthier lives and happier homes."

### How businesses can implement 2030 Purpose

## For businesses to optimise their commercial success and their impact on the wider world, they must put 2030 Purpose at their heart. Implementation of a 2030 Purpose can be achieved through the following steps:

01. The first step is to **inspire** the business to consider purpose. While the broader benefits of purpose apply to all, individual companies face specific challenges and opportunities, and explaining how 2030 Purpose addresses these can inspire change. Business leaders can determine priority areas of focus through market and competitor analysis and stakeholder interviews to set clear ambitions that help build commitment and inspire the necessary change.
02. Purpose development is often more **discovery** from within than outside-in design. Through a reflective process, leaders can craft a statement that links the positive contribution the business makes to the SDG framework. This articulation of 2030 Purpose must be connected to the business model, transformational, distinctive and inspirational. The statement may then be developed in more detail to ensure the meaning is explicit.
03. To ensure it makes a genuine impact, the purpose needs to be **embedded** in the business and inform strategy and operating model, culture and values, and brand and stakeholder engagement. This does not imply transformation but the identification and influencing of a small number of critical decisions and decision making processes
04. Purpose should be **demonstrated** through high impact purpose-related business projects and engagement campaigns. These projects and programmes can be used to exemplify the benefits of purpose and facilitate its migration across new elements of the business.
05. Purpose outcomes must be **assessed**, tracked and communicated to ensure accountability and ongoing improvement. This keeps stakeholders focused on the long term goals the purpose represents.

While the route to unlocking the benefits of 2030 Purpose will differ between companies, there are some golden rules that should be considered throughout the journey:

- **Authenticity** The purpose should be lived through the actions of the business; it is impossible for stakeholders to believe in the purpose if the company does not actively work towards it.
- **Balance** To optimise the impact of embedding 2030 purpose, interventions need to be balanced between the longer term and short term, and between those that appear to favour short term financial gain and those that are more directly aligned to the commitment to sustainable development.
- **Consistent approach** The purpose should endure into the future, transcending changes in corporate strategy and leadership.

**Having discovered our own purpose, we understand the journey businesses are on**

We already know that some leaders are demonstrating that a positive contribution for society goes hand in hand with long term stakeholder value. Our analysis of the market shows that many companies are taking the first steps towards living their purpose, but most, if not all, have some way to go. At Deloitte, we are committed to our purpose to 'make an impact that matters for our clients, our people and society'. As part of this, we are committed to supporting our clients to live their own purpose.

All companies, whilst they may not be fulfilling or meeting all aspects of 2030 Purpose, provide lessons to others. All four examples below are instructive in different ways:

**Deloitte.**

## Make an impact that matters

At Deloitte, we are committed to our purpose to **'make an impact that matters for our clients, our people and society'** and to support our clients in living theirs. In October 2016, we published our latest Impact Report that sets out a series of examples of how we are making that impact.

Three years ago we set out to **discover** our purpose, building on results of a survey of 20,000 of our professionals in 127 countries. Since then we've been on a journey to **embed** our purpose into the way we operate.

Now, we are looking to take forward key initiatives to help us **demonstrate** our purpose. For example, Deloitte US worked with the UN Office for Project Services (UNOPS) on its impact investing initiative. The initiative aims to support different stakeholders in the investment community to bridge the investment gap to develop inclusive infrastructure; catalysing investment and ultimately driving progress towards SDGs.

We see ourselves as a responsible business driven by our purpose, not just because it's the right thing to do, but because it's what's needed to ensure our own success into the future.

**HITACHI**

## Contribute to society through the development of superior, original technology and products

Hitachi made major changes following losses in 2009, deciding to refocus on the roots of the business, and **rediscover** the company's purpose. The purpose has led to their current focus on being a Social Innovation business, where everything they do brings together products, services, IT and OT to address social challenges.

**Embedding** this thinking into the business has led them to change the structure of the business from 7 functional led business units (of which IT was one), to 12 customer-orientated business units (all underpinned by IT). This has improved their ability to innovate and focus on the human issues they are solving.

They have **demonstrated** this new thinking in the UK, through a collaboration with the UK's National Health Service (NHS) by co-developing a digital diabetes prevention service which is currently being piloted in Salford, England.

"Our mission, or founding spirit, was set by the founder 105 years ago. This mission continues to work today and really brings people together."

## Connecting everyone and everything to a better future

The GSMA represents the interests of nearly 800 mobile operators worldwide. In their role as an industry body, the GSMA has **discovered** and defined their purpose, 'Connecting everyone and everything to a better future,' for the mobile industry.

The GSMA and its members recently worked to define the actions which would underpin their purpose, culminating in a commitment from the mobile industry to support the UN's Sustainable Development Goals (SDGs). This is outlined in the '2016 Mobile Industry Impact Report: Sustainable Development Goals,' a ground-breaking study assessing the mobile industry's impact in achieving the SDGs. The report also provides a benchmark by which to assess the industry's progress by 2030. The GSMA is currently working to refine a set of initiatives which will directly accelerate those goals.

The group is already **demonstrating** the purpose, having implemented over 100 initiatives through its GSMA Mobile for Development programme. One of these is the Humanitarian Connectivity Charter which supports Mobile Network Operators in improving preparedness and resilience among mobile networks in the face of natural and man-made disasters.

## Enhancing lives through fish

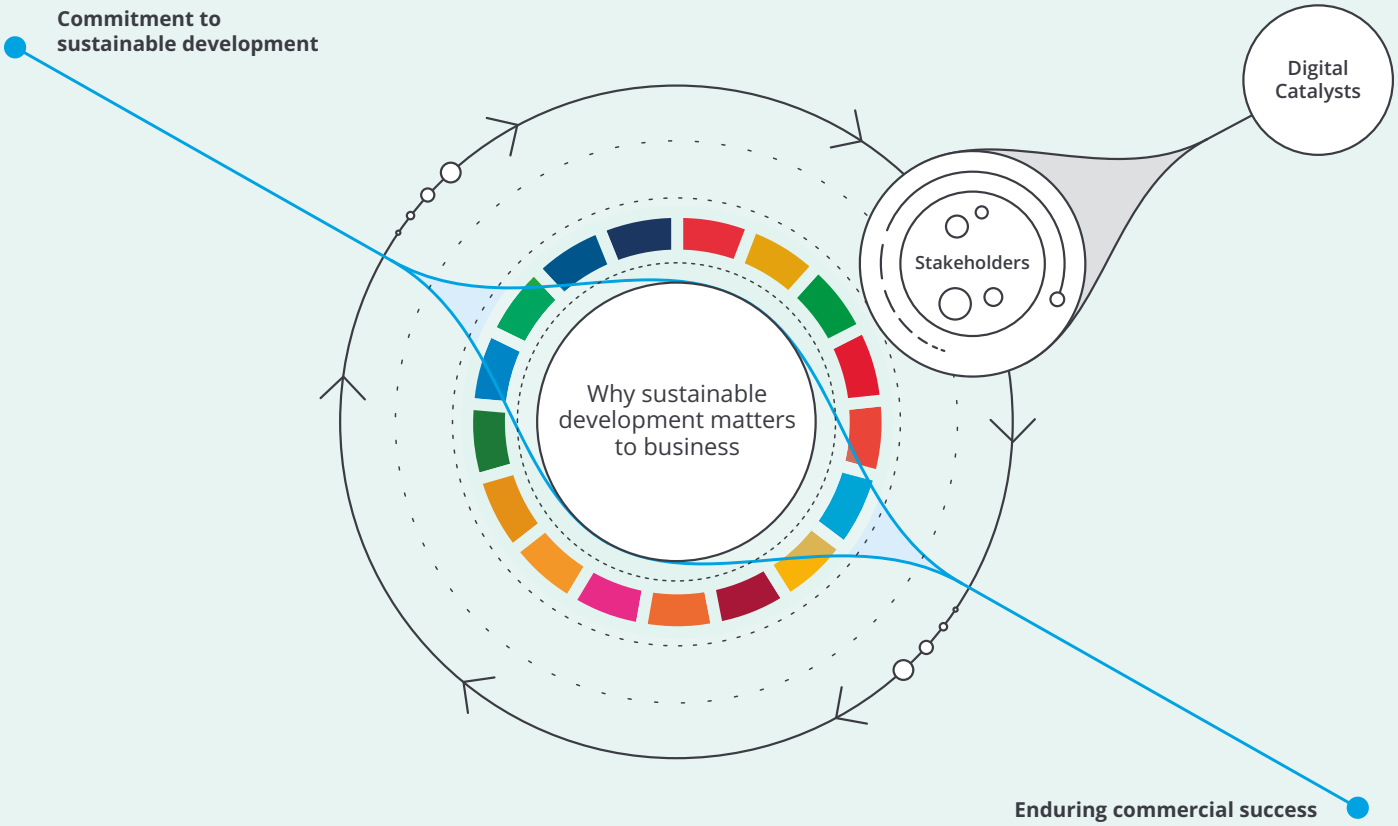
New England Seafood is a major supplier of fresh and frozen premium sustainable fish and seafood in the UK. Over the last 18 months they have embarked on their own purpose journey. They have learnt that purpose is something that is already a fundamental part of the business and just needs to be **discovered** and articulated by leadership.

The company has **embedded** the purpose in the supply chain. Respect for the environment, natural resources and people are top priorities for the business as part of a commitment to quality. The most challenging aspect of fish production is sustainability, an area they have led on. They were the first fish manufacturer to employ a CSR director. Turning down commercial opportunities which do not meet their standards has its benefits, allowing them to work with customers that have similarly strict standards.

"There is a disconnect between what investors want and what businesses think investors want. Investors will hold on to shares long-term if there is a vision because it gives them a reason to believe in the business, just as it gives your people and customers a reason to believe."

**Dan Aherne, CEO**

# 1. Why sustainable development matters to business




**There is an urgent need for the world to find a more sustainable development path**

The UN Sustainable Development Goals (SDGs) represent, for the first time in history, a consensus-driven, comprehensive framework to help address the major social, environmental and economic problems facing humanity. Despite many critical advances across the globe, there remain broad and deep challenges.

Inequalities continue to rise within and between countries. Around 800 million people still live in extreme poverty and are suffering from hunger. Gender inequality persists. Some 946 million people still practice open defecation. The adverse impacts of climate change continue to increase with more people than ever before being displaced from their homes by natural disasters. Water scarcity affects 40% of the global population and is on the rise.[5]

Meanwhile, progress is slow. Data from the Social Progress Index predicts that at the current trajectory, human wellbeing will rise only marginally by the SDG target date of 2030.[6]

The 17 SDGs are a collaborative and collective framework which calls for an urgent response through systemic action. With Governments signed up to the goals, civil society and businesses have a vital role to apply their creativity and innovation to solve the challenges we face as a society and as a species.

"To reach the Global Goals we cannot rely on economic growth – business as usual will not work. Sectors need to understand the role they can play in removing obstacles to social progress and work together to create healthier societies."

***Social Progress in 2030,* Deloitte Insights[7]**

### Business has an important role to play

"The UN's Global Goals represent a historic opportunity to align the governments of the world with business and civil society to make real change by 2030. As a society, we need to make the right connections – combining the policy power of government with the convening power of civil society and resources of business – to better target and tackle obstacles to social progress. Collective action is needed to scale and drive solutions that could improve wellbeing and help society achieve inclusive growth."

**David Cruickshank, Chairman of the Board of Directors, Deloitte Global**[8]

Whilst all parts of society have a responsibility to contribute to sustainable development, business has a particularly important role to play. Businesses make an immeasurable impact across financial and individual wellbeing, help solve human problems through the products and services they provide and make a significant impact on the environment through their activities. The scope of business influence on the future of humanity is limitless.

In a world of scarce resources, businesses need to help society to address environmental problems, rather than exacerbate them. In Deloitte's Globalisation Survey, 72% of emerging-market executives indicated that minimizing negative environmental impacts is an extremely or very important issue for their company, more than any other social issue.[9] As just one example, Patagonia Provisions aims to produce environmentally supportive products. They are currently in partnership with developers of Kerzna, an alternative grain grown using regenerative practices which has a root system that helps reduce soil erosion.[10]

Business activities can tackle some of the trickiest sustainable development challenges through innovation. New technologies and methods provide solutions to some of the issues we face, whether it is through increasing efficiency of machinery to reduce emissions, or providing clean lighting to allow children in developing countries to study in the evening.[11]

**Figure 2: The Sustainable Development Goals**[7]

Deloitte supports the Sustainable Development Goals

Most of the world's population will spend over a third of their adult life at work.[12] When businesses play such a huge role in individual lives, how they operate extends beyond health and safety to directly impact wellbeing. Where individuals are fulfilled and motivated by their work, they enjoy better lives.[13] Indeed, business workforce choices have the broadest of societal implications. Many commentators associate the votes to leave the EU and for Donald Trump with disaffection, brought about at least in part, by decisions from multinationals to move jobs abroad, impacting jobs and communities at home.[14]

In the financial sphere, businesses benefit nations through their tax contributions and individuals through financial independence.[15] In the UK, corporation tax represents 10% of annual tax receipts, funding services such as healthcare, education and infrastructure.[16]

Through the choices they make, businesses can make a decisive contribution towards meeting the 2030 target for the Sustainable Development Goals.

### Commercial success and a commitment to sustainable development are interdependent

Making a sustained contribution to the wider world isn't just good for humanity, it's good for business. At one level, the themes and associated ambitions of the SDGs are huge business opportunities. The UN Global Opportunity Report highlights concrete routes for business to directly support the aspirations of the goals. In the latest edition, Smart Farming is ranked as the opportunity most beneficial to society and which the business market has the most capacity to pursue.[17]

Newmont Mining Corporation run active gold mines in Ghana. To reduce incidence of malaria among its employees, contractors and local residents, they worked in partnership with Ghana's Health Service, receiving the "Best in the Workplace" award from the Global Business Coalition.[18]

For businesses to succeed they need to ensure that the environment they operate in is sustainable. Businesses can't operate without a skilled workforce, stable community and healthy environment for their activities. Sustainable production can also help to prepare companies for the long-term when resources may become scarce – 75% of respondents to one survey said that they believed that resource scarcity would affect their business in the near future.[19]

A broad body of literature has established the argument that a commitment to doing good is a driver of business outperformance in the medium and long term. In their seminal 1994 book *Built to Last*, Jim Collins and Jerry Porras found that between 1926 and 1990 a group of companies guided by a vision beyond making money returned six times more to shareholders than explicitly profit-driven rivals.[21] In 2003, Raj Sisodia and others demonstrated that *"Firms of Endearment"* engaged in 'conscious capitalism' generated fourteen times more revenue than the wider S&P 500 over 15 years.[22] Since then, academic studies have shown that eco-efficiency[23] and consistent commitment to sustainability[24] correlates with financial outperformance. In just the last 5 years, a set of billion dollar companies making a strong commitment to sustainability are estimated to have out-performed competitors in the stock market by 11%.[25]

Academics continue to investigate the root causes behind these trends. One clear benefit of a commitment to sustainable development that will drive outperformance is the deep engagement it establishes with stakeholders, accounting for 2% per year in superior stock-market performance according to one study.[27] From the perspectives of talent, consumers, partners, regulators and investors, commitment to sustainable development is interdependent with commercial success.

Novo Nordisk produces insulin of which glucose is a major input. Glucose production relies on agricultural land, which has a significant water footprint. Novo Nordisk is committed to finding accessible treatment and cures for diabetes, but also doing it in an ethical and sustainable way. They used an environmental profit and loss account to better understand how the sourcing location and regional water scarcity influenced risk in the production of glucose. In turn this allowed the company to identify environmental hotspots in the supply chain, manage risks and identify potential cost savings.[20]

"I believe this is a turning point in the industry – soon companies will be judged just as much on ethical business as they will on growth and revenue."

**Barry Parkin, Global Sustainability Director, Mars Incorporated**[26]

**Talent**

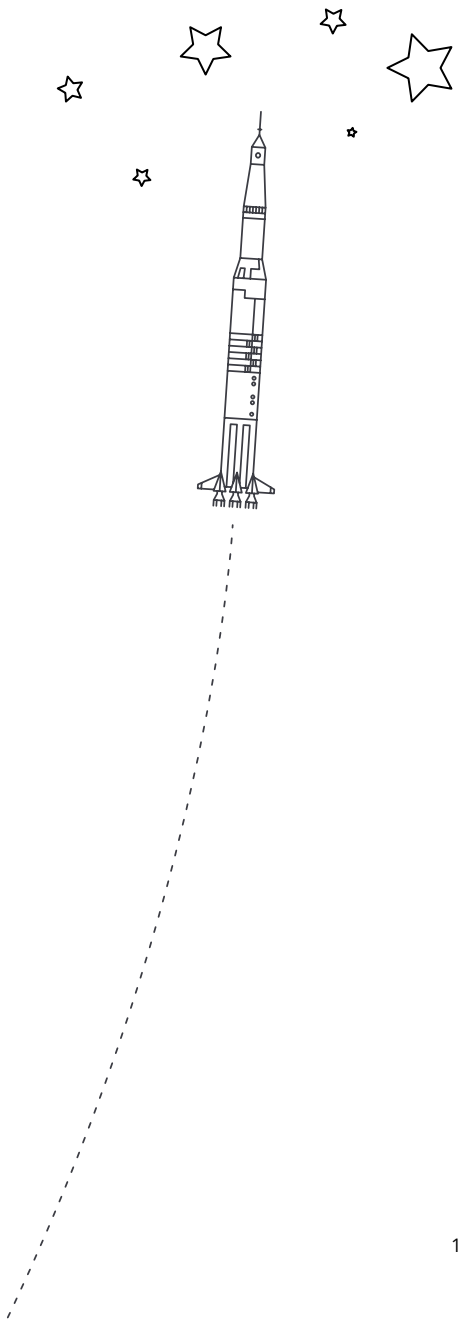
Across the world, securing employee satisfaction is more challenging than ever, with only 13% 'engaged' at work[28] and 87% of organisations citing culture and engagement as one of their top challenges.[29] Two thirds of Millennials are considering leaving their current organisation by 2020.[30] In this climate, there are big rewards for companies that have managed to engage their workforces.

Indications are that the businesses able to generate this engagement are those with a commitment to wider social good. The vast majority of Millennials (87%) believe that "the success of a business should be measured in terms of more than just its financial performance."[31] The staff likely to remain longest in a business are those that share their organisation's values beyond profit.[32] Indeed, "mission-driven" companies have 40 percent higher levels of retention.[33]

These trends are not limited to Millennials. Research shows that across the generations, employees are increasingly seeking opportunities to make an impact on the world around them through the work they do, as well as through their endeavours outside the office.[34] One study found that social incentives, such as a donation received by a charity of the staff member's choice, led to a 13% rise in productivity.[35] Similarly, a study on increasing fuel efficiency by pilots found that those given a charity donation incentive both reduced fuel use and had significantly higher job satisfaction.[36] Another survey showed that 83% of MBA candidates are willing to take a 15% pay cut for a job that makes a social or environmental difference in the world.[37]

Commitment to wider society also helps businesses to develop skills and leadership in their people.[38] 90% of companies surveyed by Deloitte reported a significant and positive increase in overall leadership skills as a result of pro bono and skills-based volunteering programs.[39]

Through a commitment to sustainable development, businesses can offer meaning beyond profit and win the war on talent.[40] When the 'intangible assets' of people, ideas and networks are key to success, studies show that a focus on culture[41] and consistently strong employee satisfaction ratings lead, after a few years lag, to statistically robust, measurable increases in stock returns for businesses in the UK[43] and around the world.[44]



In 2008, IBM launched a Corporate Service Corps of more than 2,800 employees originating from over 60 countries, and facilitated four-week pro bono assignments in one of 38 emerging nations. 76% of the participants – many of whom are mid-career professionals – said that the program boosted their desire to complete their careers at IBM. "Time and again, when we evaluate these programs with participants, they say they are the most successful educational or leadership programs that they've experienced."

**Stanley Litow, IBM's vice president of corporate citizenship and corporate affairs and president of the IBM International Foundation**[42]

**Consumers**

The trust landscape for business is difficult. Post financial crisis, businesses are being held accountable for their actions and wider impact, with rogue traders and business owners being made to answer to the public. Just 53% of the general public "trust business to do what is right".[45] Most believe businesses around the world have 'no ambition beyond making money' and fail to meet their expectations.[46] Public protests can lead to dramatically falling stock prices.[47]

Business leaders recognise this challenge. Over 50% of global corporate leaders surveyed by Deloitte identified consumers as the most important stakeholders for managing reputational risk.[48] With estimates that one-third of market capitalisation in the FTSE350 can be attributed to reputation, this is a relevant factor for any business.[49] So to buck the trend and establish their 'license to operate', businesses must be recognised as contributing positively to wider society.

Aviva has worked closely with 100 local UK authorities and registered social landlords to provide tenants with accessible affordable home insurance, an approach which has helped to overcome fears and mistrust in the financial sector.[56]

Surveys show that companies seen as trusted, positive contributors to wider society attract more customers who are willing to pay more for goods and services, and then act as advocates.[50] A poll of 30,000 consumers in 60 countries revealed that 'brand trust' was the top purchase influencer for more than half (62%) of global respondents.[51]

Lucozade Ribena Suntory announced plans in November 2016 to reformulate all its drinks brands to reduce sugar by 50%, saying "consumers now want healthier drinks and more action from the brands they regularly enjoy".[57]

Consumers are becoming increasingly likely (66% in 1993, 89% in 2013) to switch to brands that are associated with a good cause.[52] In 2013, 50% of consumers said they were willing to pay more for products and services that come from companies who declare a public commitment to sustainable development. In 2014, it was 55% of consumers. In 2015, 66%.[53] These metrics are only going one way, indeed, the Ethical Consumer Markets Report, sponsored by Tridos Bank, reported that value of 'ethical spending' in the UK rose 8.5% to £38 billion in 2015

This is borne out in sales figures. A 2015 study reveals that a brand's "share of wallet" – the percentage spent with a brand against the total annual expenditure within its category – is on average 46% higher for 'meaningful' brands trusted by consumers, and can be up to as much as seven times larger.[54] A 2012 study by MIT demonstrated that labels with information about fair labour standards saw positive effects on sales among female consumers shopping for high-priced items, with an increase in such sales by as much as 14%.[55]

In making a commitment to sustainable development, businesses are responding to consumer desires and changing their practices to ensure enduring commercial success.

Airbnb took action in response to a Harvard study that hosts would rather forgo income than allow black guests to stay in their homes and a subsequent viral hashtag #airbnbwhileblack. By introducing a 'Community Commitment', they established an anti-discrimination agreement that users and hosts have to accept in order to use their app.[58]

**Partners**

Businesses can only exist and succeed by virtue of the communities and environment in which they work. This extends across the land for their facilities, populations that provide their labour and raw materials that provide their goods. Across all aspects of the business, partnerships oriented towards sustainable development can have positive impacts.

Up and down the supply chain, partnerships built upon a shared commitment to sustainable development provide mutual benefit to businesses. Sustainable businesses can often make cost savings which allow suppliers to undercut the competition and pass savings on to procurers. In other cases, consumer demand for sustainable, ethical products means that goods can be sold at a premium further boosting margins. Partnerships between companies with shared values tend to be stronger and longer term, supported by a shared vision for a better future.

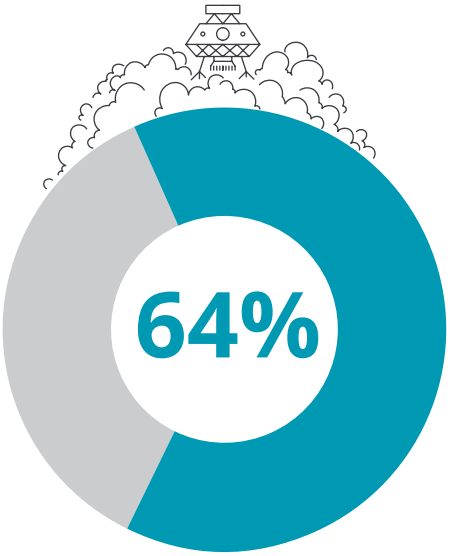
As businesses commit to sustainable development and strive towards more efficient operations and energy use, they can make huge cost savings.[59] Research shows that of companies focused on product-level sustainability, 64% significantly reduce costs across logistics and supply chains.[60] The impact of a commitment to sustainable development is particularly strong in the manufacturing industry, where partnerships across supply chains typically account for 50–70% of both total expenses and greenhouse-gas emissions. A study of 12 of the biggest global manufacturing companies that prioritise sustainability found that all had saved or were projected to save millions of dollars. For example, one company saved $7 billion in production costs over 15 years by growing sustainable manufacturing by 40 percent.[61]

NESI's purpose is to "enhance lives through fish" and they lead on sustainable fish procurement. Their values have given them a competitive advantage and enabled them to work with premium supermarkets that have similarly strict standards.[64]

Suppliers can also benefit by following sustainable business practices to enable competitive advantage and secure lucrative contracts as procurers look to meet the demands of consumers. Growing organic food, for example, can be significantly more profitable than traditional farming and earns farmers 22-35% more. Research shows that the premium prices paid for the goods more than make up for the lower yield and higher labour costs.[62]

Intra-business relationships and partnerships are particularly effective when companies that share values work together. Long term strong relationships are mutually beneficial and result in increased efficiency, reduced costs, reduced risk and improvement of operations. Sharing the same sustainable development values can act as a foundation for a stable and long term relationship. Conversely, some purpose-driven companies have said that they can find it difficult to work with suppliers that do not hold or understand the same values as them and it can be frustrating when they do not meet the standards required.

**Research shows that of companies focused on product-level sustainability, 64% significantly reduce costs across logistics and supply chains**




IP Group exists to evolve great ideas, mainly from partner universities, into world-changing businesses. The Group has pioneered a 'long-term partnership model' with universities to build and support these IP-based businesses, across healthcare, technology, cleantech and biotech, with the aim of bringing together commercial success and wider social impact.[63]

**Regulators**

Alongside talent, consumers and partners, businesses that commit to sustainable development can succeed through reframing their relationship with regulators. In harnessing their core activity to achieve broader social, environmental or economic goals, businesses can build positive relationships with regulators and industry leaders, and create a business context that focuses on encouraging and developing new and broad commercial opportunities. This is particularly important as trends lean towards greater expectations of the standard of business behaviour, as evidenced by moves towards increased regulation in the social and environmental spheres.

In general, regulators expect businesses to 'do the right thing,' rewarding those who do with a certain degree of freedom, whilst heavily punishing those businesses which do not show signs of reform. For example, in the face of disruptive change, in order to give energy providers more space to innovate, UK regulator Ofgem has developed a new, flexible regulatory approach so that "there will be a much greater onus on suppliers... to work out what's right and fair for consumers... suppliers who do this will face fewer burdens and have flexibility and space to innovate. Those suppliers who do not take this seriously will have a much more difficult time."[65]

Across any industry, it is clear that a commitment to sustainable development can change the terms of the conversation with the regulator. For example, the level of data gathered by mobile operators creates an imperative for regulators to consider consumer privacy. By demonstrating the value of data for programmes to support economic inclusion, some operators have been able to work constructively with regulators to manage concerns and achieve broader success.[66]

Commitment to sustainable development is particularly critical when it falls under the explicit purview of regulators, or is likely to be. For example, in the UK, all quoted companies are already expected to report their annual greenhouse gas (GHG) emissions,[67] a slavery and human trafficking statement and on their gender pay gap.[68]

In 2014, the European Commission announced reforms to require around 6,000 large listed companies to report on their environmental and social impacts.[69] From issues of diversity, social issues and corruption, to human rights and the environment, including through their supply chains, businesses are expected to open themselves up and be accountable.

The current policy debate points towards further developments in this space. In the UK, Government is aiming to drive 'an economy that works for everyone' as Ministers actively look to overhaul corporate governance and tackle irresponsible business practice.[70]

'A parliamentary inquiry in the UK is reviewing the duties of company directors, possibly through increased enforcement of Section 172 of the Companies Act 2006 to deepen the duty directors have to the business, internal and external stakeholders, and the environment.'[71] The UK Cabinet Office has recently been reviewing mission-led businesses, companies which use their business models to achieve social and economic impact, and how this movement can be supported.[72]

A wide range of studies show the implications for businesses who fall foul of regulators.[73] Firms subject to enforcement action make losses vastly greater than the penalties imposed on them through the legal and regulatory system.[74] For example, news on human rights issues associated with a company trigger an average $892 million drop in market value.[75]

It has become increasingly common practice for businesses to report on their environmental impact. At Deloitte, we strive to reduce the impact of our operations and services on the environment. In 2008 we established our Environmental Management System and in 2011 started out on Our Green Journey, our 10-year strategy to decouple business growth from our environmental impacts. We have set ourselves stretching environmental targets which we aim to meet by 2020 across carbon emissions, travel, energy, water, waste and paper.[76]

In the environmental sphere, Volkswagen announced in early 2016 that they expected to lose €16.2bn as a result of their 2014 emissions scandal.[77] Many commentators argue that the costs will exceed even that.[78]

As a result, businesses are increasingly preparing themselves to meet the growing expectations of the regulators. Sustainability reporting has increased, driven in part by current and expected mandatory reporting requirements.[79] In 2006 only 25% of *Fortune* 500 companies produced sustainability reports but by 2013 that figure had climbed to 80%.[80] In the UK, Deloitte's Annual Report Insights show that more businesses than ever are disclosing how their work is impacting employees, wider society and local communities.[81] Increasingly, businesses have adopted 'integrated reporting' that brings together information on strategy, governance, performance and prospects across commercial, social and environmental contexts.[82]

"What you have to do is be a solution rather than a problem... being seen as a positive force in society does impact the way government and regulators look at you."

**Lord Livingston, former CEO of BT Group[83]**

It is clear that to be successful in the medium and long term, deep commitment to wider social, environmental or economic goals will become ever more important for businesses to 'get out in front' of legislation and embed practices that ensure future expectations will be met.

**Investors**

As commitment to sustainable development becomes critical to talent, consumers, partners and regulators, the investment community is increasingly recognising its importance. Through the growth of 'impact investment' and application of non-financial metrics, investors are beginning to recognise the interdependency between sustainable development and commercial success.

Impact investing, the practice of using investments to drive social and environmental change, is growing rapidly. In the UK, the number of investments made by social investment finance intermediaries increased from 765 investments in 2011/12 to 1,204 investments in 2013/14 (and a predicted 2,583 of investments in 2014/15).[84] In the US, the latest JP Morgan/GIIN Impact Investor survey found that US $15.2 billion had been channelled into impact investments in 2015.[85] Individuals are following this trend, with a recent survey finding that 73% of people with net wealth of between £50,000 and £100,000 expressed an interest in social investment.[86]

Investors increasingly recognise the commercial value of a commitment to sustainable development. For example, a study of the difference in financial returns between a portfolio of 151 'Socially Responsible Investment' (SRI) funds and a conventional index found that the SRI fund portfolio achieved a significantly higher return.[87]

Stock Exchanges are recognising sustainable development in listing requirements. The Sustainable Stock Exchanges (SSE) initiative is a platform for stock exchanges and investors, regulators and companies to collaborate on Economic, Social and Governance (ESG) issues. Participating stock exchanges such as Nasdaq, NSE, and Singapore Exchange make a public commitment to sustainability in their markets.[88] The Hong Kong Stock Exchange prominently features ESG metrics.

Investors are increasingly considering non-financial information in making investment decisions.[89] ESG data is provided by the likes of Thomson Reuters and Bloomberg and ESG analytics has become an established part of daily activity in major banks like Goldman Sachs and Morgan Stanley. The Dow Jones Sustainability Index is now mainstream. 'The UN-backed Principles of Responsible Investment, a set of investment principles for incorporating ESG issues into investment practice, have nearly 1,500 signatories representing $62 trillion assets under management.[90] Banks are themselves producing reports to indicate the link between commitment to sustainable development and commercial success.[91] The Financial Stability Board has launched an industry-led Task Force on Climate-related Disclosures (TCFD), in December 2016 recommending a new consistent approach for investors to follow on climate issues.[92]

Whilst findings linking commercial success and commitment to sustainable development are not without controversy[93], that markets and investors are taking this link seriously should make businesses take notice.

### Digital disruption accelerates the need for businesses to recognise this interdependency

Across the realms of talent, consumers, partners, regulators and investors, businesses increasingly recognise the interdependency of their success with their commitment to wider positive impact. But in a world of digital disruption, the need to recognise this interdependence has accelerated and is more urgent than ever before.

The age of digital has ushered in an increasing openness and **transparency** that makes business behaviour ever more observable to their stakeholders. Allied to new methods of data capture, what businesses do across their operation and into their supply chains is increasingly visible. To survive and succeed, businesses will need to make sure that their impact is genuinely positive.

Digital technologies have also transformed businesses **engagement** with their stakeholders. When interaction is instant, at a mass scale and subject to the wisdom of the crowd, reputations are more fragile than ever before. To maintain positive engagement with their stakeholders, businesses must genuinely do good and not just talk about it.

Finally, as technology changes rapidly, disrupting established ways of doing things, businesses face losing their **identity**. Now, more than ever before, businesses need an enduring, guiding definition of who they are and why they exist in order to inform direction and strategy.

**Transparency**

Digital technology has given rise to an age of transparency in which behaviour is more observable than ever before. It is expected that by 2025, everyone on Earth will have access and be able to freely obtain information online.[94] The way people are accessing the internet is also changing; smartphones have overtaken laptops as the UK internet user's number one device[95] and smartphone penetration has increased from 52% to 81% in the last four years.[96]

In recent years, the digital footprint of scrutiny has grown ever more acute as public reactions to business behaviour percieved as unethical proliferate. On issues from pension deficits to workforce conditions, anti-business sentiment has been felt across all forms of media.[97]

The impact of digital transparency is particularly pronounced across increasing supply chains where unethical behaviour is now observed around the world. According to the US Department of Labor, as of September 2016, 139 types of goods from 75 countries are produced by child labour or forced labour.[98] From shirts made from cotton picked by child labourers in Uzbekistan to smartphones using coltan sourced under appalling conditions in the DRC, practices that previously may have been hidden and unreported are now observable and public.[99]

Businesses today know they are increasingly at risk when they source their products from suppliers that fail to meet acceptable ethical standards. Across the world, retailers and manufacturers are disclosing information about clothing origins, much like fair-trade coffee and organic fruit producers.[100] Consumers can now scan QR codes to learn an item's provenance and watch videos of the people who made it. Everlane, an online-only apparel company launched in 2011, practices what its CEO calls "radical transparency".[101] Anvil Knitwear's customers can follow its products through the supply chain via Track My T.[102] Smartphone apps such as Free2Work and Slavery Footprint grade companies on their forced-labour risk factor and allow consumers to learn how many slaves may be working for them.

Big businesses are stepping up. Since sources revealed that Nestle were supplied by farms on the Ivory Coast in which 600,000 children had been kept in appalling living conditions, the company dedicated an action plan to eradicating child labour from their supply chain.[103] In 2010, Apple Inc. came under scrutiny for the employment of children as young as 15 in a number of third party factories in their overseas supply chain. They have since launched an internal campaign.[104] Growing take up of certifications by organisations such as the Rainforest Alliance, Fairtrade Foundation and the Soil Association are helping businesses to prove that standards are being met.

BT have seized the opportunity of increased transparency to drive their ambition to help customers significantly cut their carbon emissions. Working with the Carbon Trust, they have developed a methodology to observe and measure their impact, opening up their data and methodology to public view.[105]

The impact of increased transparency of business operations extends beyond ethical labour practices. The 'horsemeat scandal' of 2013 saw a public outcry and lost profits as news spread online of horsemeat found in products sold in a number of UK supermarkets.[106] Across all industries businesses are increasingly aware that digital technology means that reputations can be tarnished ever more broadly and quickly, leaving a lasting digital footprint.

This is also the case in the realm of tax. Business reputations are increasingly impacted by the growing perception that some executives are actively working to reduce tax bills irresponsibly.[107] In this climate of growing expectation it is vital for business to adopt a responsible approach to their tax planning.

However, transparency isn't just about the risks of exposing bad behaviour. Businesses are increasingly maximising the power of transparency to differentiate, direct their energies, and create new products for previously unobserved markets. [108] By better understanding local producers, businesses are providing support and training to improve their sustainability. [109] By using assessment tools to track supplier concerns they are able to close information gaps in the supply chain. [110] 'By better measuring their impact, businesses can demonstrate to the wider world and customers how they are making a difference. Through digitally-enabled transparency, businesses can maximise the opportunity to make a positive impact on the wider world.

In 2012, Vodafone became the first telecoms and technology company in the world to publish its tax contribution on a country-by-country basis, updating the report every year since. The report outlines Vodafone's tax strategy and explains why the amount of corporation tax the company pays by country varies.[116]

"If you're a company, your brand is no longer what you say about yourself – it's what customers say about you. Your brand is in the eyes and ears – the full experience, really – of the beholder."

**Carlos Dominguez, President and COO, Sprinklr [111]**

**Channels of engagement**

Whilst the rise of digital has driven increased transparency, it has also transformed the way businesses engage with stakeholders. As information travels at ever increasing speed with ever growing reach, the interdependency between positive wider impact and commercial success becomes more and more clear. Businesses can no longer rely on longstanding reputations and established channels in a world in which two of the top three most-used [112] and the most trusted [113] sources of news and information are peer influenced media. Today, 81% of consumers read some sort of customer review or rating before making a purchase.[114] In this context, commitment to making a positive impact on the wider world is critical.

Social media represents a huge opportunity for big business. Leaders increasingly recognise that the power of instant communication at scale can be a tool to engage with stakeholders in a completely different way, exponentially increasing the opportunity to interact, sell and influence. Year on year, more executives see social technology as immediately important to their business.[115]

MasterCard, for example, uses social technology to collect and monitor feedback across platforms like LinkedIn, Instagram, Flickr and Foursquare, to track the effectiveness of digital campaigns and to establish a global view of market response. Cisco Systems Inc. have created a 'Social Media Listening Centre' to help executives gather feedback across business units and campaigns.[117]

Conversely, new modes of engagement represent increasing risks. As messaging is instantly dissected and more difficult to control, communication becomes more challenging with reputations at profound risk. The news cycle has transformed on a global scale. While traditional high-profile news media may still often be the first to report a new story, it is the dynamic blogosphere that may pick up a story within a few hours and discuss it at length, potentially prolonging the focus on reported unethical behaviour. [118] The influence of individual observers harbouring distrust about a business is only limited by their own creativity. Negativity can go viral, whether by a backlash on Twitter or artistic social commentary, such as distorting a company logo to protest against dangerous working conditions in the lead up to the 2022 World Cup.[119] As never before, long term commercial success relies on authentic, positive engagement with wider stakeholders around an enduring and consistent message.

As providers of transport infrastructure, Hitachi have continually faced technological disruption. Most recently, they responded by innovating within their business to adapt their operating model by uniting IT with other functions of the business. By enabling trains to directly connect to their network, they have been able to develop "trains as a service" – a new proposition that links payment from contractees with train arrival times and which allows them to anticipate any issues in advance.[120]

"Fifty years ago, any business that made it into the Fortune 500 stayed there on average, for 75 years. Today, that average is less than 15 years."

**Identity**

For just about any company in any industry, the rapid pace of technological innovation challenges strategic decision making and disrupts traditional business models.

The business landscape is shifting as industries exploit the speed and magnitude of advancement in science. Breakthroughs are progressing at a pace with or exceeding Moore's Law. Technologies such as 3D printing, artificial intelligence, advanced robotics, virtual and augmented reality, alternative energy systems, biotechnology and digital medicine evidence a renaissance of innovation, invention, and discovery. Whilst technology has the potential to positively affect billions of lives, it also means dramatic change for the identity of businesses everywhere.[121]

Leaders are found to be struggling. 'Whilst nearly 90% of managers and executives anticipate that their industries will be disrupted by digital trends, only 44% say their organisations are adequately preparing for the disruptions to come.[122] The pace of this change is evident in the marketplace. Some of the largest companies in the world today are barely decades or even a few years old. Fifty years ago, any business that made it into the Fortune 500 stayed there on average, for 75 years. Today, that average is less than 15 years.[123]

Established businesses are being forced to reconsider how they operate in a new context of borderless growth and lower, if not non-existent, barriers to entry for competitors. One survey of more than 2,000 C-level executives showed that whilst the likelihood of disruption differs by industry, it is pervasive. From media and telecommunications, to education and industrial production, executives are being forced to consider their response to the medium term future of their industry and not just next quarter financials.[124]

In this context, businesses face a new and increasingly urgent challenge to their identity and their ability to engage with talent, consumers, partners, regulators and investors on an enduring and consistent basis. When rapid technological amends render established operating models obsolete, businesses are faced with the need to transform what they do, and the nature of their interaction with the wider world. They need a consistent message for all stakeholders, particularly customers and investors.

### The case for interdependency

*"Today's business landscape is characterized by an unprecedented, accelerating and complex mix of risks and opportunities. Your entire market can be disrupted in a short time by innumerable factors, be it a new technology or a sudden lack of natural resources. New markets are emerging rapidly due to megatrends such as population growth, resource scarcity or global health risks. Meanwhile, consumers and investors are better informed than ever before – and they want businesses to take responsibility for the pressure our planet and its population are under."* UN Global Compact. [125]

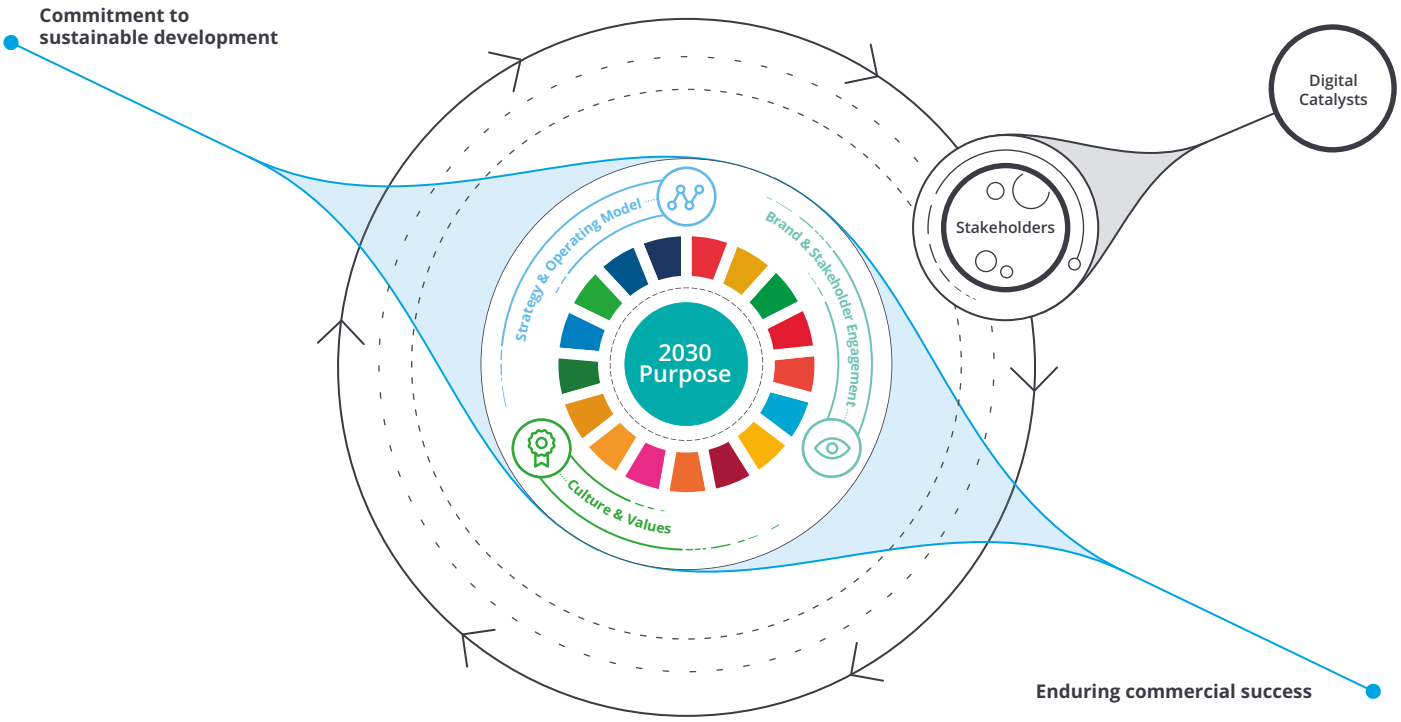
There is an urgent need for society to build a better future and businesses have an important role to play in response to this challenge. Evidence shows that through the lenses of talent, consumers, partners, regulator and investors, there is an interdependent relationship between a commitment to sustainable development and sustained commercial success. Indeed, a wide array of researchers have demonstrated the link between doing good and making profit.

Where businesses make a genuine commitment to social, environmental or wider economic goals, benefits accrue for both business and humanity in a virtuous cycle. By positively impacting the way the business engages with stakeholders and therefore improving financial and reputational success, the business can scale more rapidly and grow sustainably over the long term. In turn, the business can then have an increased impact on the 2030 Agenda for Sustainable Development. As Deloitte's William Eggers and Paul Macmillan argue, *"Multinational corporations can scale social innovations faster and more widely than other institutions can. This capability magnifies the significance of those global companies that are elevating social causes from a footnote to a primary consideration in business decisions."* [126]

## Given this context, **how should businesses respond?**

# 2. Introducing 2030 Purpose

In a world of digital disruption where stakeholders are increasingly expecting more from businesses, it is time to recognise the interdependency between making a wider impact and achieving enduring commercial success. Businesses can unlock the benefits this interdependency offers by explicitly linking their contribution to the wider world with their reason for existence. We call this higher reason for being **2030 Purpose**.




The notion of 'purpose' is becoming an ever more established feature of the business lexicon, reflecting the idea that the narrow focus of shareholder primacy has no basis in law or economics and does not deliver better bottom-line results.[127] Instead, businesses can better succeed when their focus is broader – succeeding for stakeholders as well as shareholders. Businesses can best achieve this broad focus when they are clear on why they exist, their reason for being, their purpose.

**Recognising the power of purpose as a link between wider positive impact and commercial success**

Businesses are recognising that having a sense of purpose inspires confidence in leaders and stakeholders alike, can lead to competitive advantage in a time of change and uncertainty while addressing the economic, social and environmental challenges facing humanity.

In Deloitte's Culture of Purpose survey, 91% of executives and employees who said their company had a strong sense of purpose also said their company had a history of strong financial performance.[128] Furthermore, 58% of organisations with a clearly articulated and understood purpose indicated that their revenue had increased by 10% or more in the past three years, in comparison to only 42% of organisations with a purpose that is not well understood or communicated.

This is corroborated by Gartenberg, Prat and Serafeim[129] and others[130] who demonstrate that when firms clearly articulate their positive impact on the wider world, they achieve better financial performance.

"It is not enough for businesses to carry out charitable side projects, responsible business activities or environmental offsets."

### The opportunity of 2030 Purpose

**2030 Purpose** describes the link between why a business exists and a social, environmental or wider economic goal. It demonstrates the connection to the 2030 Agenda for Sustainable Development. Ensuring that the purpose can be linked to one or more of the 17 SDGs allows businesses to clearly articulate their positive impact on the 2030 agenda and wider world in a way that is universally recognised.

When businesses discover their purpose, they can use it as a focal point to guide stakeholders in the company towards a common goal.

### Living 2030 Purpose

To fully realise the opportunity 2030 Purpose provides, business can't just talk about it. It is not enough for businesses to carry out charitable side projects, responsible business activities or environmental offsets. Businesses must live their 2030 Purpose in everything that they do. By embedding purpose across their **strategy and operating model, culture and values**, and **brand and stakeholder engagement**, businesses can both maximise their impact on the wider world and ensure their enduring commercial success in the face of transformed stakeholder expectations and digital disruption.

2030 Purpose provides a North Star to inform the highest levels of decision making and the ultimate direction and **strategy** of the business. Through an authentic link to the core business activities of the company, a business can harness the power of its **operating model** to make the greatest possible wider impact and drive enduring commercial success. 2030 Purpose provides an enduring identity for the business that can withstand the headwinds of technological disruption and which has meaning and power for its people and partners.

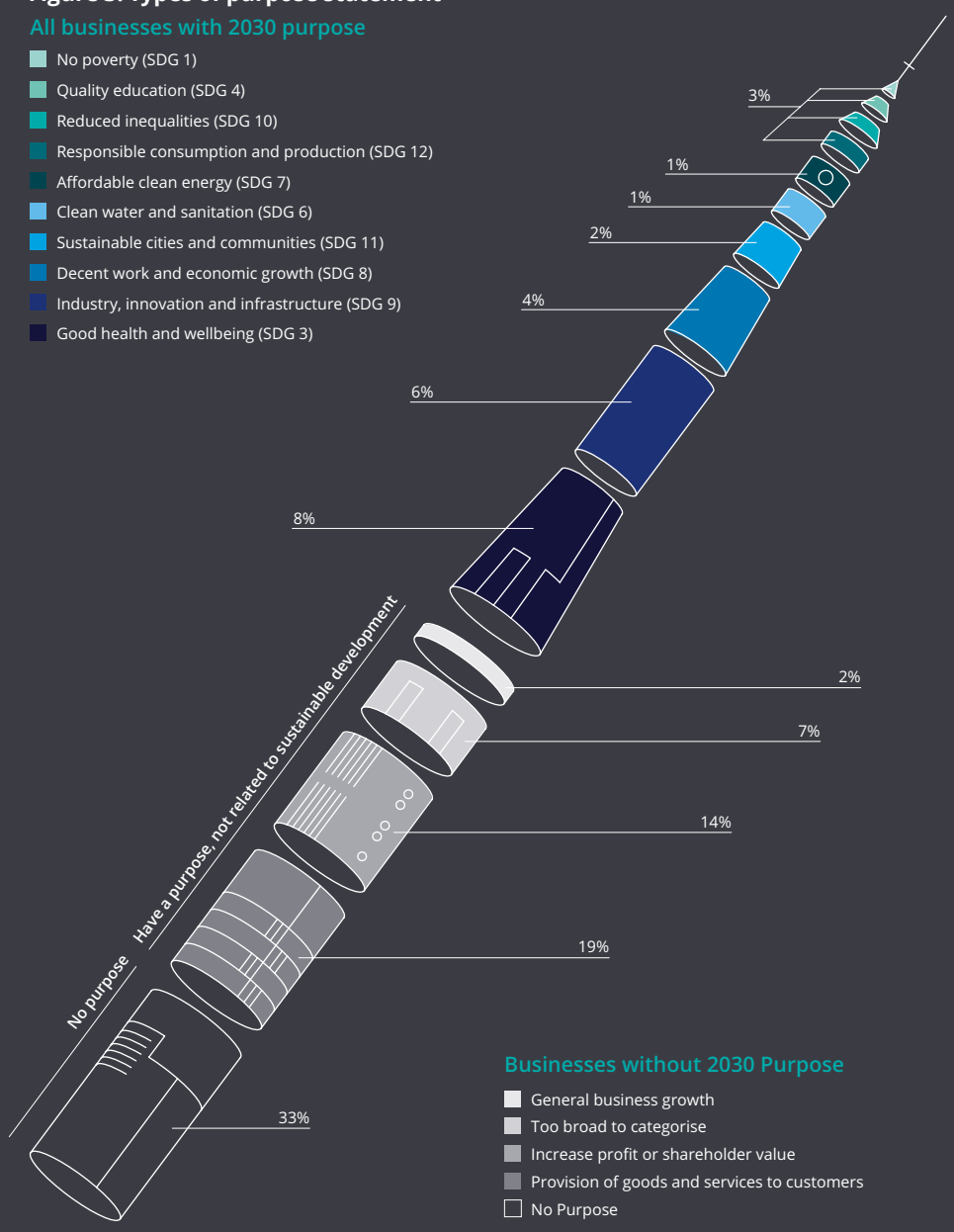
2030 Purpose provides a moral compass for the business, to powerfully influence the **culture and values** of the organisation and guide individual and collective behaviour. Purpose should inform the values that people across the business recognise and live by, and be driven into all aspects of human resources and culture. In this way, business is able to transform the challenges of increased transparency from a growing risk into a growing opportunity.

Finally, 2030 Purpose provides an authentic platform for a business in its **branding** and in its **stakeholder engagement**. By embedding purpose in marketing and communications, investors, consumers, partners and employees can access the deep meaning of the business – why it is a positive contributor to society and worthy of their engagement.

# 3. Researching purpose and big business

The idea of being purpose-led is not new, and many companies have already recognised the **opportunities** this presents. Through discussions with companies across industries as well as analysis of the top 150 of the FTSE350, we have explored the key aspects of successfully living 2030 Purpose. Our research has highlighted where businesses have got this right, as well as the specific challenges businesses face in setting and then living their purpose. For more information on our methodology, please see the Appendix.

**Figure 3: Types of purpose statement**




**Few businesses have a 2030 Purpose**

A purpose is an articulation of a company's ultimate reason for existing. A 2030 Purpose is one which explicitly identifies the link between a social, environmental or wider economic goal and the commercial interests of the business. The 17 SDGs provide a useful taxonomy for sustainable development and relating the purpose to one or more of these goals will allow businesses to focus their impact on the 2030 Agenda for Sustainable Development and demonstrate their specific contribution in the wider world.

Just a quarter of the top 150 of the FTSE350 have a 2030 Purpose that links why the company exists to an aim which can be related to sustainable development. The most common types of 2030 Purpose relate to SDG 3 'Good health and wellbeing' (11 companies, predominantly in Healthcare and Lifesciences), SDG 9 'Industry, Innovation and Infrastructure' (9 companies) and SDG 8 'Decent work and economic growth' (6 companies, predominantly in Financial Services).

Two-thirds of large public businesses have an observable purpose, an articulation of their reason for existing. However, the majority focus on serving customers (28%) or profit and shareholder value (21%) without acknowledging the importance of positive social action in the purpose statement.

**Purpose is relevant for all sectors**
*'Purpose presents an opportunity for businesses in all industries and is a critical component of any sustainable solution for those under increasing criticism from the public.*

**Heavily regulated industries**
*Industries that are continually impacted by regulators can significantly gain from becoming 2030 Purpose-led. In a climate of increased regulation, businesses can achieve a competitive advantage by getting ahead of regulatory requirements and reviewing current business model.*

- **Gambling** – The gambling industry is facing increased scrutiny, particularly in the relatively new online market. The rise of regulation has been cited as one of the main reasons for the recent consolidation of some of the largest players such as Paddy Power and Betfair, and Ladbrokes and Gala Coral. Currently subject to triennial review, the industry is concerned that each review will result in additional regulation.[131]
- **Mining** – In 2014 a government-commissioned report by the Department for Business, Innovation and Skills recommended that "more needs to be done to improve social and environmental performance, transparency and reputations of the companies it hosts" if the UK industry is to avoid the negative reputation associated with some extractive industry practices.[132] As pressure increases to improve the conditions workers face and use ethically sourced products, governments may be forced to consider increasing regulation.

**Industries in transition**
*Industries that are already reviewing the current business model and innovating in order to prepare for the future will also benefit from a forward-looking purpose that will aid the transition to more sustainable business practices.*

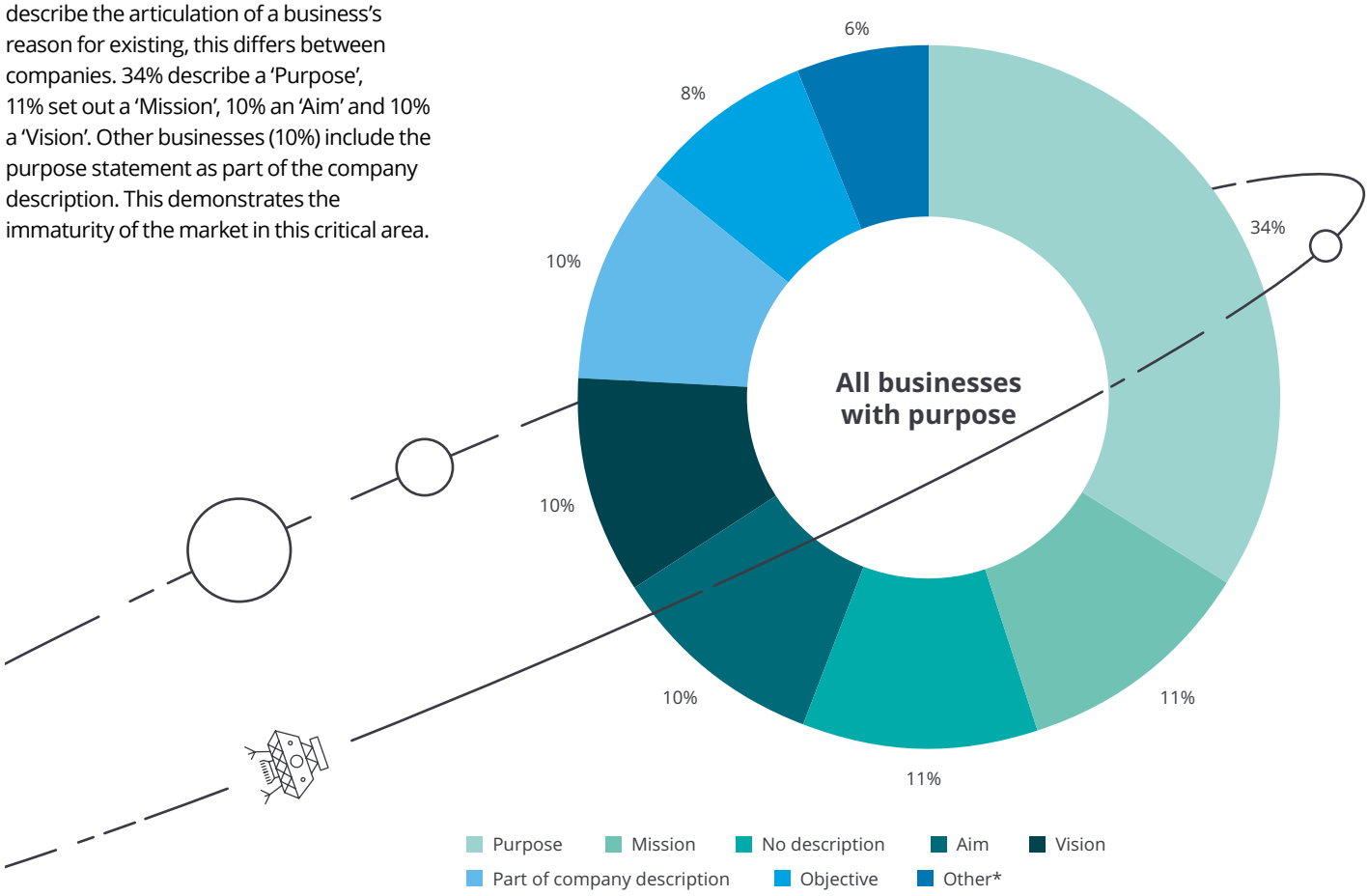
- **Tobacco** – The tobacco industry has seen demand decline in Western markets, with the proportion of smokers in the UK down to 19% from 46% in 1974. Companies such as Phillip Morris and BAT are investing in both the growing market of e-cigarettes and developing new, healthier 'heat-to-burn' cigarettes that will heat tobacco as opposed to burning it.[133] It is hoped that this investment will help to mitigate future declines in demand and the ability to supply as governments introduce new tobacco control laws.
- **Oil** – Oil companies continue to be hedging against finite reserves, environmental regulation and extremely low prices by investing in gas and renewable energy. The world's largest oil companies have announced 'green' investments in wind farms, electric battery storage systems and carbon capture and storage.[134]

**Industries with social influence**
*Some industries have a direct influence on the public and popular opinion and they arguably have a responsibility to ensure that messages they publicise align to the 2030 aspirations. 'They can use their power of engagement to educate, bring people together and set a precedent for equality and inclusion. These industries are encountering greater pressure and criticism for failing to keep up with growing public expectations of their social and wider responsibilities.*

- **Entertainment** – The film, television and music industries are confronting increased calls to release more socially responsible content. In recent years the 'whitewashing' of roles in Hollywood and lack of minority representation in TV and film has been heavily criticised.[135] In 2013, a hit single was banned from several UK universities because the lyrics alluded to rape.
- **Media** – Rising costs have forced many newspapers to focus on 'click-bait' articles and sponsored content.[136] Following Brexit and the US Presidential election, the media was accused of bias. Moreover, 'new media' such as Facebook and Twitter came under fire for allowing false news articles to be widely shared and viewed.[137]
- **Beauty & Fashion** – Although some progress has been made in recent years, including the use of transgender and plus size models, fashion and beauty companies are now subject to more scrutiny as consumers consider where their products are made, what they contain, and how they are advertised. The use of sweatshops, fur and a lack of diversity in advertisements[138] have all been widely criticised.[139]

Although we use the phrase 'Purpose' to describe the articulation of a business's reason for existing, this differs between companies. 34% describe a 'Purpose', 11% set out a 'Mission', 10% an 'Aim' and 10% a 'Vision'. Other businesses (10%) include the purpose statement as part of the company description. This demonstrates the immaturity of the market in this critical area.

**Figure 4: Articulation of Purpose**




*'Other' to indicate that this includes goal, part of sustainability statement and strategy

**Purpose-led strategy**
Unilever has explicitly designed a strategy to deliver on their purpose *("make sustainable living commonplace")*, based on the belief that the best way to make sustainable living commonplace is to achieve their strategic priorities of (1) accelerating growth, (2) reducing their environmental footprint, and (3) increasing their positive social impact. Strategic choices – from portfolio management, routes to market, innovation and talent – all sit under one of these three categories.[140]

Reckitt Benckiser have a strategy derived from their purpose *("make a difference, by giving people innovative solutions for healthier lives and happier homes")*. The strategy is framed around their Better Business approach: Better Financials *("how we drive growth and outperformance")*, Better Society *("how we support our communities and develop our people")* and Better Environment *("how we reduce our environmental impact")*.[141]

**Purpose-led governance**
Lloyds Banking Group *("helping Britain prosper")* have a Responsible Business Committee, whose first objective is *"to provide oversight of Lloyds Banking Group plc's strategy and plans for delivering the Company's aspirations to be a leader in responsible business, as part of the Company's objective of helping Britain prosper"*. This committee has responsibility for delivering their Helping Britain Prosper Plan, and measurement of performance against this plan.[142]

### Few businesses appear to embed the purpose into the business

Businesses need to live 2030 Purpose to realise the benefits for wider society and long term commercial success. To do this they need to embed purpose into the strategy and operating mode, culture and values and the brand and stakeholder engagement. The components of these dimensions are not exclusive, and if the purpose is embedded into one area, such as culture, this will naturally influence other areas of the business. Our research has highlighted the key areas where companies have had success embedding the purpose, and also those that are more challenging. Embedding the purpose effectively is difficult, and those that are able to do so will differentiate themselves from competitors in the current market.

### Strategy and operating model

**Strategy**

There is a danger that the purpose will be used solely as a marketing, recruitment or PR tool instead of influencing business decisions. The purpose should be a North Star, guiding strategic decisions across the business. To truly live their purpose, businesses should ensure that it is the central aim from which strategy is derived. 60% of large publicly-owned companies with a purpose observably embed it in strategy.

'Although many businesses with a 2030 Purpose did refer to their purpose in their strategy document, it often influenced one or two strategic or sustainability objectives, but it did not form the central aim of the strategy which was still trained towards short term profit or growth.

### Governance

Leadership needs to drive the purpose; just stating the purpose is not enough, it has to be delivered upon. Interviews highlighted the importance of having business leaders who are dedicated to the purpose. The purpose needs to be embedded into the higher reaches of business decision making. This extends across board governance, board reporting, and expectations of executive leaders. Business structures which enable lines of accountability and reporting were established before the idea of purpose-led business became well recognised, and there is no set structure for embedding the purpose into governance and the organisational model.

Embedding the purpose in governance is challenging. Across the existing market, less than a third of businesses with a purpose publicise the way in which they embed purpose within the governance process. Some businesses have done so by establishing specific board committees dedicated to sustainability or corporate responsibility.

> "Bring people from across a siloed organisation to work on a common purpose."
>
> **Hitachi** [143]

Where sustainability is properly aligned with purpose, these committees ensure oversight and accountability for the purpose. Examples of where this has been done effectively are GlaxoSmithKline, Prudential and Unilever. Including KPIs relating to purpose and sustainability in board remuneration decision-making processes is becoming more common.

The purpose can also inform the wider organisational structure of a business. In large organisations with distinct business functions it can be challenging for cross-functional teams to work on a common goal. Hitachi recognises the value of aligning teams by customer needs rather than functional areas, allowing them to work on Social Innovation Business initiatives more easily. Their purpose is "to contribute to society through the development of superior, original technology and products". This organisational principle could also be applied to companies with other social, environmental or wider economic purposes.

### Core business activities and CSR

The majority of companies invest in some form of social impact often termed Corporate Social Responsibility, although other terms such as Responsible Business are now becoming more prevalent. Too often, CSR activities are separate from the day to day operations of a business and risk appearing peripheral and non-essential. Aligning CSR activities with the purpose means that the business can achieve a greater impact towards the overall goal.

**Purpose aligned CSR**

Pearson's purpose is "To help people make progress in their lives through learning" and it supports several charities that are dedicated to helping people learn. These include Project Literacy, a campaign to inspire collaboration on the challenges of improving literacy around the world, and Magic Breakfast, which gives children in disadvantaged areas of the UK breakfast before school to give them the best chance of learning.[144]

Embedding the purpose in CSR activities can be challenging. 40% of purpose-driven businesses do not observably embed the purpose in CSR. These firms may have developed a CSR strategy independent to the purpose-centric business strategy. Many companies profess a different purpose in the CSR/sustainability report, which could reflect a conflict between sustainability and the core business.

Purpose alignment to CSR activities is more likely among those with a 2030 Purpose than those without; they have a more natural link with CSR than those with a profit or customer driver purpose. (71% vs 53%).

**CSR reporting**

Almost all the top 150 of the FTSE350 have embraced the need to make a positive impact on wider society through CSR, even if they do not have a 2030 Purpose. 90% have some kind of CSR or sustainability report, whether this is a standalone report, a section of the Annual report or well developed webpages. Those with a 2030 Purpose are even more likely to have such a report (97%).

### Culture and values

Embedding the purpose in the culture of the organisation is critical to make sure the purpose endures into the future and is resistant to changes in leadership and strategy. Employees and prospective employees need to recognise the purpose as a key part of the company identity. Purpose strengthens workplace culture, and organisations with a strong sense of purpose are more likely to embrace diversity and different opinions, encourage innovation among employees, and provide the tools and resources for employees to realise their full potential.[145] Practical aspects of embedding the purpose into the culture of the business include using the purpose to inform the written values of the business and influence talent management processes.

Virgin Money's purpose is *"Everyone's Better Off"*, and this is embedded in the culture of the business.

"Purpose is absolutely core to our business, embedded horizontally across what we do and vertically in how we do it. Every decision-making and problem solving process is guided by 'Everyone's Better Off'. We see our culture as a clear differentiating factor versus the competition."

**Caroline Marsh, Virgin Money**[146]

"Our values help to ensure a consistent set of standards and behaviours throughout the Group. This is particularly important given the Group's decentralised structure."

**Halma**[147]

Company values are a set of beliefs or principles that serve as a moral compass for the organisation and guide internal conduct as well as business relationships with customers, partners and consumers. Articulating the company values is a way to guide behaviour, particularly when the business is large and may be composed of disparate business functions. The most common company values held by businesses with a 2030 Purpose are related to integrity, performance, customer service, teamwork and innovation. Nearly two fifths of these companies explicitly link the company values with the purpose and recognise that this is a way to embed the purpose into the everyday activities of employees.

The purpose should be communicated to prospective employees. Two fifths (42%) of businesses with a 2030 Purpose used the purpose as a theme on recruitment pages, compared to one fifth (19%) of those with a profit or customer driven purpose. For example, Lloyds clearly describes a 2030 Purpose, "Helping Britain prosper", to prospective employees and places it at the core of their business.

### Brand and stakeholder engagement

One of the key benefits of purpose is that it provides an authentic platform for engagement, therefore the purpose should be a recognisable part of the company brand. It should be embedded in internal communications and used in marketing campaigns. Investors also need good visibility of the purpose, therefore investor presentations and reports should make the central role of the purpose clear.

At Deloitte, internal communication about our purpose helps to increase employee engagement. Our global purpose was developed with input from 20,000 of our professionals from 45 member firms across 127 countries. In the UK, the Impact Awards are a way to connect employees with the purpose. They have been used to recognise employees who have demonstrated how we make an impact that matters to our clients, our people and society.

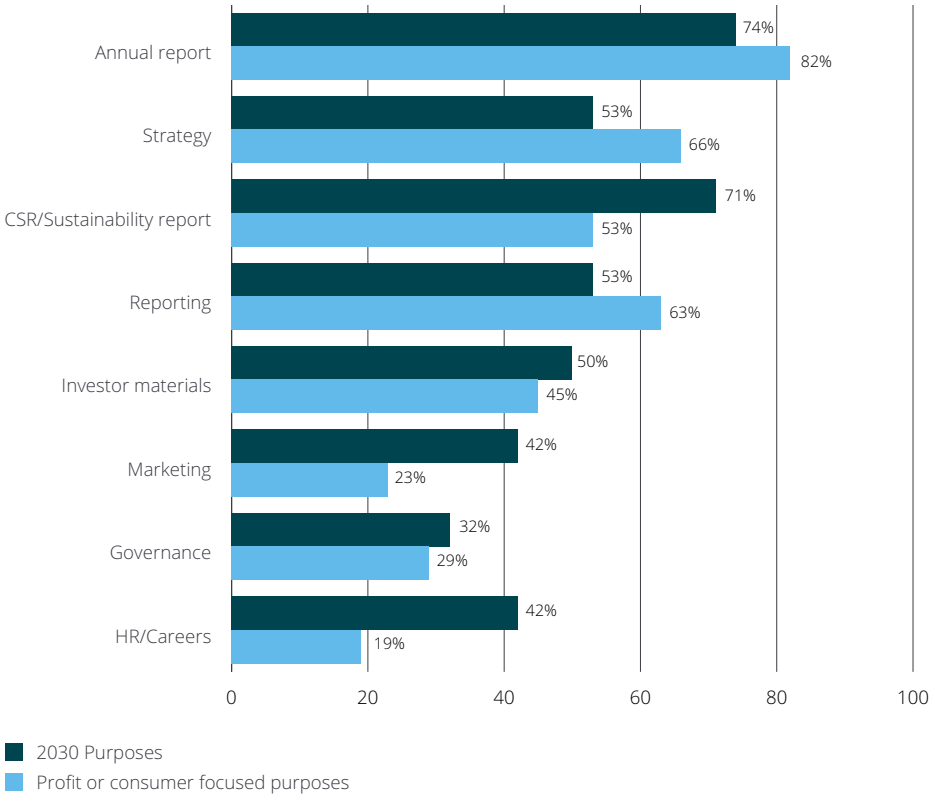
Discovery Communications is a purpose-led company dedicated to not only entertaining but inspiring. The whole brand revolves around sustainability and the purpose is clearly communicated internally as well as externally. As part of the purpose the company recently announced Project C.A.T., a partnership with World Wildlife Fund to fund and conserve nearly 1 million acres to help protect wild tigers.[148]

Patagonia is a purpose-led business which has high customer and employee engagement. The purpose is to *"Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis"*. Marketing campaigns have included the memorable Black Friday advertisement 'Don't buy this jacket', aimed at reducing wasteful consumer behaviour. The company also aims to be highly transparent and it has published 'The Footprint Chronicles', detailing the environmental impact of its clothing production.[149] This has built public trust and engagement.

Through our research, we found that 2030 Purposes relating to wider social, environmental or economic goals were much more likely to be embedded in customer and investor materials than purposes focused on profit, business growth or customer service.

- Almost 2/3 of businesses with a 2030 Purpose embedded it in their external marketing across a variety of forms such as social media (Johnson Matthey), consumer pages (Aviva), and articles (National Grid), compared to roughly 1/3 of those with a profit or customer driven purpose. The purpose tends to be attached to the corporate brand and this provides companies with separate consumer brands to connect them together. Unilever has used a large marketing campaign on sustainable living called 'Bright Future' which acts as a platform to tie together the sustainability work individual consumer brands have done back to the parent company.
- 50% of businesses with a 2030 Purpose embedded it in investor materials, compared to 45% of those with a profit or customer driven purpose. Although most of the investor pages still focus on financial information, the purpose is clearly explained and articulated together with business strategy. For example, Hikma puts the mission, "To provide patients with better access to high-quality, affordable medicines in key therapeutic areas" upfront in its investment case and is clear about how business activities relate to this.[150]

**Figure 5: The differences in embedding purpose across the business between 2030 Purposes and purposes focusing on profit or other business goals**



# 4. Unlocking the benefits

'To maximise impact on the wider world and also succeed for the long term, businesses need to discover and live 2030 Purpose. To achieve this successfully, there are a number of key steps individual companies can take, building on the experience of others across the market.

The first step is to **inspire** the business to consider purpose. There is a need to motivate leadership to recognise the importance and understand the benefits of purpose. Whilst the overarching story of increasing stakeholder expectations and the risks and opportunities of digital disruption apply to all businesses, organisations will face specific challenges and will need to determine areas of priority focus. The next step is to **discover** and clearly articulate a 2030 Purpose, uncovering the wider positive impact that is the business's reason for existence. To make a genuine impact, the business must then **embed** that purpose to guide decision making and behaviour across the strategy and the operating model, brand and stakeholder engagement, and culture and values. To help stakeholders understand the purpose, the business can launch exemplar projects and initiatives to **demonstrate** the purpose. Finally, progress against the purpose should be **assessed** to ensure accountability and ongoing improvement.

The route to unlocking the benefits of 2030 Purpose will differ between companies, but there are some golden rules which should be considered by every business, no matter what stage of the journey they are currently at:

**Authenticity** – The purpose must inform the actions of the business. If the business is not seen to live by the purpose and proactively make steps towards achieving it, stakeholders will not recognise that the purpose is genuine.

**Balance** – The business must approach purpose in a balanced way. Both sustainable development and commercial interest need to be considered important for the benefits of interdependency to be optimised. In the complex ecosystem of a large business, if interventions focus too heavily on one or the other of these, both the business and society will lose out in the long term. A balance of emphasis is also critical to develop support for this approach amongst key stakeholders, particularly investors.

**Consistent approach** – Embedding the purpose in the business takes time and its implementation across the business is a long term endeavour. The purpose should be enduring and resist amends in influence but not be influenced by amends in corporate strategy and leadership. In some businesses, the purpose is driven by the CEO or founder, and once they have moved on the purpose could be lost if it is not an established part of the brand. Embedding the purpose requires consistent messaging across the business internally and to external stakeholders. By gaining buy-in from employees across the business and becoming part of the company culture the purpose can transcend changes in leadership and strategy.

**Inspire**

2030 Purpose provides a dual opportunity for businesses to address the challenges that society faces, as well as requirements for commercial success. To do this effectively, it is necessary for business leaders to recognise the imperative for action.

Before business leaders can take action to implement purpose, they must determine what stage their business is at in the purpose journey. Some companies will already have established a purpose that has a social, environmental or wider economic goal, and some may have begun to embed and demonstrate it across the business.

Business leaders can gather an overview of the current picture through an initial survey of stakeholder views. Leaders should also review existing documentation on strategy and purpose, and an assessment of key internal performance metrics such as stakeholder churn rates, net promoter score and results of employee engagement surveys. The performance of the business can be compared to other organisations, by using materials such as our analysis of the top 150 of the FTSE350. This can be supplemented by internal and external stakeholder interviews to build a complete picture of the current status of purpose in the business across all functional areas of strategy and operations, stakeholder engagement and brand, and culture and values.

Through this process, business leaders can determine how far the business is from embedding and enacting a purpose and what benefits and oppportunities remain untapped. They then establish the next steps for taking 2030 Purpose forward in the organisation and set clear ambitions.

**Inspire**
...the business to live a 2030 Purpose, both for the benefit of society and for sustained business success. As part of this process, business leaders should identify the stage of the purpose journey that the company is at so they can determine specific needs.

**Discover**
...the business' purpose if the business has not yet identified their 2030 Purpose. To do this the business should consider what it fundamentally stands for relative to the SDGs.

**Embed**
...the purpose across different functional areas of the business to realise the benefits. Prioritisation of functional areas can help direct investment.

**Assess**
...the progress the company has made towards the purpose by measuring performance against key metrics. This allows identification of next steps.

**Demonstrate**
...the purpose through flagship initiatives to exemplify the benefits of purpose before migrating principles to other areas of the business.

## Discover

### Discovering your 2030 Purpose

Many feel that purpose isn't something that is created, it is already part of the business and is there to be discovered. To identify it, a business should look at what it fundamentally stands for, what it provides to its stakeholders and why it was founded. Businesses can align a social, environmental or wider economic purpose to the comprehensive framework of the SDGs to ensure that it's widely understood.

The starting point to discover 2030 Purpose is a review of corporate identity and key strengths, to uncover themes for a purpose statement that can be mapped to the SDGs. The business should also consider the key challenges, both commercial and humanitarian, that the purpose needs to address. The next step is articulating the purpose so that it has the desired impact with stakeholders. When considering what makes a good purpose statement, a review of the existing literature, discussion with business leaders and our own experience demonstrated that there are common themes.

An exemplar purpose would be designed in such a way that it is:

- **Connected to the business model** – There should be a link between the purpose and the activities of the existing business.
- **Transformational** – The purpose should provide an impetus for the business to change and to keep evolving.
- **Distinctive** – The purpose should differentiate the business from the competition.
- **Inspiring** – The purpose should be a rallying call for action and have the ability to engage internal and external stakeholders.

Based on these principles, a shortlist of potential statements can then be developed through workshops and then tested with stakeholders. Through surveys, crowdsourcing and mass voting, leaders can canvass opinion and begin to engage their people and partners in establishing purpose. Businesses may choose to conduct a cycle of soft launch and testing to refine the final statement. Full launch would be supported by a programme of internal and external marketing and senior sponsorship.

**How well have businesses designed purpose statements?**

Two thirds of businesses in the top 150 of the FTSE350 had an observable purpose. Our analysis of these purpose-led businesses demonstrated the challenges associated with getting the design principles right. Just thirteen companies met all design criteria. For more information on our methodology, please see the Appendix.

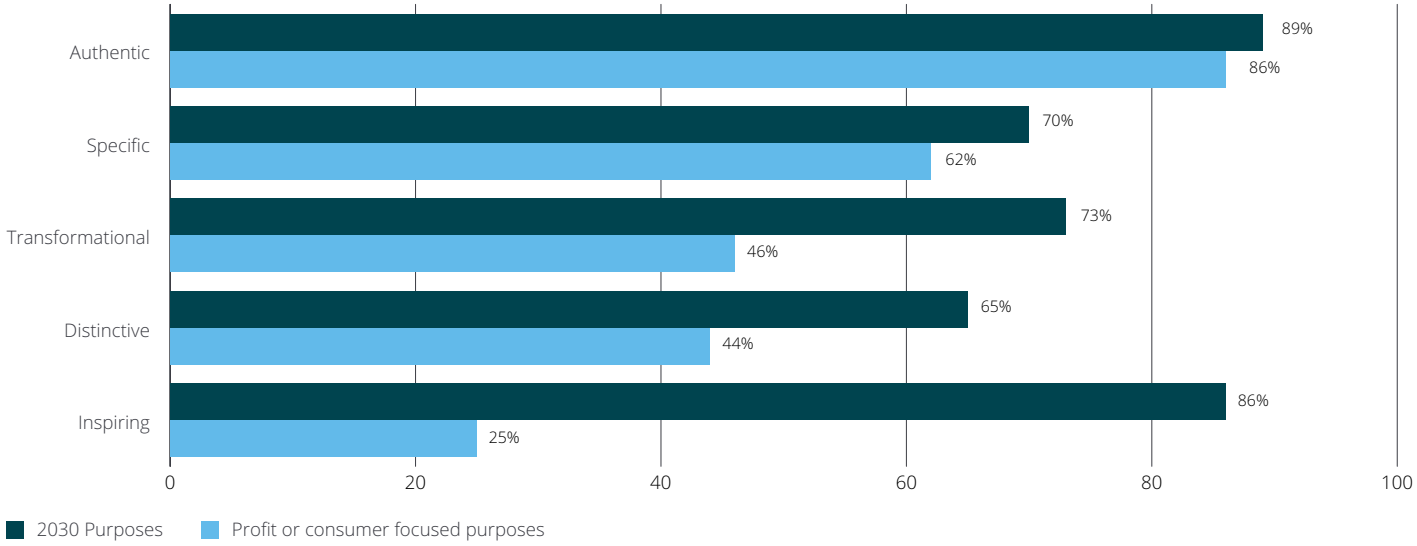
- **Connected to the business model** – Most businesses with a purpose make a direct link with their core activities (87%). For example, BT's purpose is "To use the power of communications to make a better world".
- **Transformational** – Over half of businesses have transformational purpose statements, ones which provide an impetus for change (56%). For example, Sage's purpose is "To energise the success of businesses and communities around the world through the imagination of our people and smart technology". This is an ever-moving target which prompts the business to continually improve its products and services.
- **Distinctive** – Just over half of businesses have a purpose that differentiates them from the competition (52%). For example, Aviva's is "Free people from the fear of uncertainty" which is different from a number of competitors' goals to simply serve customers well.
- **Inspiring** – A purpose should effectively engage company employees and wider stakeholders, but only half of the purpose statements (48%) were considered inspirational. One example of an inspirational purpose statement comes from Reckitt Benckiser, "To make a difference, by giving people innovative solutions for healthier lives and happier homes".

**Discovery checklist**

**Is *your* purpose..?**

- ✓ Related to a social, environmental or wider economic goal
- ✓ Connected to the business model
- ✓ Transformational
- ✓ Distinctive
- ✓ Inspiring

**Figure 6: The differences in the design of 2030 Purposes and purposes focusing on profit or other business goals**




Making a connection between a 2030 Purpose and core business activities is easier for companies in industries with a natural link with a social benefit. Healthcare and life sciences businesses are better at designing and articulating their purpose than many other industries. For example, seven companies (AZ, GlaxoSmithKline, Mediclinic, Shire, Smith & Nephew, NMC Health and BTG) all have purposes relating to SDG 3, 'Good health and wellbeing'. Of these companies, all are able to demonstrate a connection between their purpose and what they do and are likely to be inspiring to stakeholders. Similarly, the majority of Technology, Media and Telecommunications (TMT) companies have a social, environmental or wider economic purpose, most commonly relating to issues around SDG9, 'Industry, innovation and infrastructure' and referring to improving communications. As with healthcare, these purposes tended to be connected to the business model and inspiring.

As shown in the chart above, purposes which have a wider social, environmental or economic goal are more likely to fulfil other design principles, particularly 'Transformational', 'Distinctive' and 'Inspiring'.

Businesses with profit or customer focused purpose statements are less likely to have transformational statements, often because serving customers well or focusing on shareholder value means business as usual.

Although being distinctive is more likely if the purpose is related to wider social or environmental goals, businesses will have to work harder to differentiate themselves from the competition as 2030 Purpose is more widely adopted. This is illustrated by the healthcare companies in the group, the majority of which had similar purposes relating to health and wellbeing without any specific points of differentiation from competitors.

"Businesses will have to work harder to differentiate themselves from the competition as 2030 Purpose is more widely adopted."

## Embed

In order to live 2030 Purpose, companies need to embed that purpose across the business. The purpose should inform the strategy and the design of the operating model. 2030 Purpose should be ingrained in the culture of the business and recognised by stakeholders as part of the company's brand. Where companies do this effectively, they can be said to be genuinely 'living' their purpose and will gain the benefits afforded by aligning the interests of business and wider society. Embedding the purpose is a long term process that can be challenging. Prioritising the functional areas where embedding the purpose will have most impact can help the business direct investment. Whilst commitment to purpose is still evolving and developing across the market, very few businesses do this effectively, but there are numerous examples and lessons to draw from existing practice.

### How can businesses embed 2030 Purpose?

To effectively embed 2030 Purpose across the business, there are three core functional areas of focus. It should be noted that these are not mutually exclusive and if the purpose is embedded in one area, such as culture, this will naturally influence other areas of the business.

- **Strategy and operating model** – The purpose should be set out as the ultimate goal that informs the business strategy and operating model choices. This provides the business with a way to harness the power of its core activity to achieve the purpose.
- **Culture and values** – The purpose should inform engagement with talent, providing the basis for culture change and giving employees a reason to take pride in their work.
- **Brand and stakeholder engagement** – The purpose should inform the way the company engages with employees and the outside world, visible to customers and investors through marketing and reporting.

Each of these functional areas can be sub-divided into specific areas of the business. The following pages give an overview of these areas and some key tests that can be used to help establish the priority areas of focus for embedding the purpose.

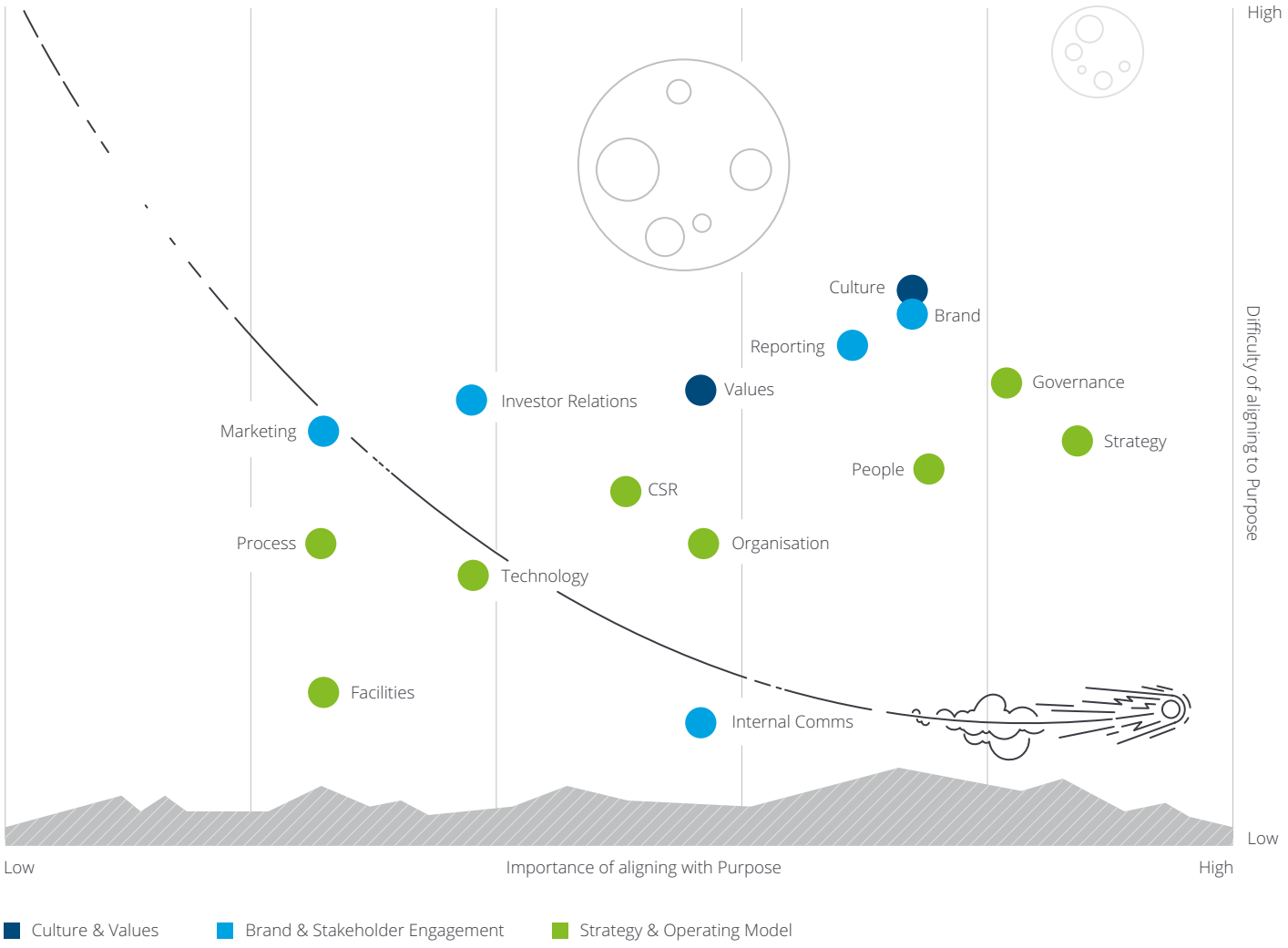
### Prioritisation

Embedding the purpose is challenging. Prioritisation of the functional areas of the business can help the business direct investment to where embedding the purpose will have most impact. This will be different for every company depending on the industry, type of 2030 Purpose and where they are on the purpose journey.

A prioritisation matrix like the one below can be used to identify key functional areas (see figure 7).

> "2030 Purpose should be ingrained in the culture of the business and recognised by stakeholders as part of the company's brand."

**Figure 7: Prioritisation matrix (illustrative view based on interviews and analysis of top 150 of FTSE350, individual businesses will have different needs)**



## Embed checklist

**Is *your* purpose embedded across..?**

**Strategy and operating model**

- a) Strategy
- Operating model:
  - b) Governance
  - c) Organisation
  - d) People
  - e) Process
  - f) Technology
  - g) Facilities
  - h) CSR
  - i) Reporting

**Culture and values**

- j) Culture
- k) Values

**Brand and stakeholder engagement**

- l) Brand messaging
- m) Internal communications
- n) Marketing
- o) Investor relations

## Strategy & Operating Model

### Strategy

The overarching strategic choices that the company makes determines the direction of the business. This includes the products/services it provides, the customer segments it serves, and the basis on which it competes with others in the market. It is important to embed the purpose into strategy so that it guides the highest level decisions of the business.

Key considerations for alignment to Purpose and importance to business outcomes:

- Product mix
- Customer segment targets
- Basis of competition

### Governance

Governance refers to the processes of guiding the affairs of the business, including the Board and associated committees. Amending the governance structure of the business is a means of ensuring that purpose informs the business.

- Leadership dedication to purpose
- Board committees
- KPIs

### Organisation

Organisation includes the roles, responsibilities, accountabilities and reporting lines for people in the business. There should be clear lines of accountability for the purpose to ensure that activities of all employees contributes to the purpose.

- Ultimate accountability for purpose
- Reporting lines

### People

'People' refers to the key properties of the people in the business including skills, qualifications, experience and behaviours. Successfully embedding the purpose may mean that talent with different skills and qualifications are needed.

- Workforce capabilities
- Recruitment decisions
- Performance management

### Process

The purpose should be embedded in product manufacturing, supply chain decisions and supporting processes. One way that the purpose can be embedded is through choice of business partner. These may be suppliers of raw materials, products, catering, office supplies etc. as well as clients of the business. It is well worth considering working with Social Enterprises which are uniquely placed to tackle the challenges highlighted by the SDGs. See Social Enterprise UK for a list of members in the UK.[151]

- Product supply chain
- Manufacturing processes
- Support processes

### Technology

Technology includes the functionality and interaction of supporting hardware and software. The purpose should inform decisions about the technology used by the business.

- Technology sourcing
- Technology maintenance

### Facilities

Facilities included the plant, equipment and real estate required to conduct and house the business. The purpose should be considered in choice of facility.

- Buildings
- Location

### CSR

Corporate Social Responsibility includes business practices which benefit society. Aligning CSR activities with the purpose ensures a more focused impact.

- Current CSR activities
- Role of existing CSR function once purpose is embedded

### Reporting

Reporting includes publicising financial and non-financial measures of performance against KPIs. Reporting on achievements towards the purpose provides a degree of accountability as well as an avenue for stakeholder engagement.

- Reporting frameworks
- Non-financial metric assurance

## Brand & Stakeholder Engagement

### Brand messaging

Company brand is made up of everything the business does. Every decision that is made in the business influences the brand. It is an asset which is built through company actions and communication. Making the purpose part of the brand ensures that the purpose is visible to stakeholders.

Key considerations for alignment to Purpose and importance to business outcomes:

- Internal brand
- External brand
- Brand / purpose story

### Internal communications

Internal communications include messaging to employees, for example, internal events, webpages, webinars or surveys. Employees at every level of the business need to be taken on the purpose journey to ensure that they engage with the ideals of the purpose and the aims of executive leadership.

- Internal events
- Webpages
- Surveys
- Purpose launch event

### Marketing

Marketing includes promoting and selling the business's products or services. The purpose can be used to engage with consumers and one way to make it more visible is through marketing.

- Marketing strategy
- Purpose campaign

### Investor relations

Investor relations includes messaging to investors through investor presentations, reports and webpages. Investors are increasingly interested in the impact businesses have on sustainable development. Making the purpose more visible in investor communications is one way to help increase awareness

- Reporting model
- Current investor interests
- Investor reports, presentations, webpages

## Culture & Values

### Culture

Business culture is the collective set of beliefs and attitudes that make up the company identity. Embedding the purpose into culture means that the purpose will influence management and employees actions across functions.

- Performance management
- Internal messaging
- Employee engagement
- Recruitment process

### Values

Company values are a set of beliefs or principles that serve as a moral compass for the organisation and guide internal conduct as well as business relationships with customers, partners and consumers. Linking these to the purpose will help the purpose to become an enduring part of the culture.

- Current values
- Employees commitment to values
- Employee ownership of values

## Demonstrate

### How can businesses demonstrate 2030 Purpose?

Deploying purpose across the whole business is challenging. Purpose can be exemplified through high impact projects or programmes that demonstrate its power. This is particularly important for businesses that are just embarking on their purpose journey. It can take time for the core business to become fully aligned with the purpose, especially when the company is large and well-established. Innovative business and engagement projects can be used to exemplify the benefits of purpose and the principles can then be migrated across the business.

#### Innovative business projects

Through a creative process of ideation, business can consider new approaches to apply purpose within discrete operations of the business or through the development of new product lines. Through the principles of Lean Start Up, businesses can very quickly prototype and test new ideas to maximise the impact of launching purpose into the business.

#### Engagement initiatives

Other initiatives can be designed to increase stakeholder engagement in the purpose, whether for customers through marketing campaigns or employees through community projects. By designing a discrete engagement programme around purpose, the business can highlight its centrality through the value ascribed to it.

### How have businesses demonstrated purpose?

The following examples illustrate how purpose-led businesses have used innovative business projects or engagement initiatives.

#### Innovative business projects

One of the ways in which companies have made steps towards achieving the purpose is through product innovation. Johnson Matthey's purpose is "Sustainable technologies for today and for the future". In response to a need for alternatives to products containing harmful phthalates, they have developed a new silver conductive paste that is safer for workers and customers.[152] Unilever aims to "Make sustainable living commonplace" and as part of the Unilever Sustainable Living Plan it has produced concentrated versions of products such as Surf washing liquid which both decreases packaging waste and reduces the number of delivery vehicles required.[153] Reckitt Benckiser works with Save The Children on the Save a Child a Minute programme, with the ambition to remove diarrhoea as a top 5 cause of death of children under 5. As part of this they developed a multipurpose soap to be used by families for both cleaning and washing hands, and toilet powder to make the use of pit latrines more hygienic.[154]

Other companies conduct business in such a way to support enterprises that have a wider positive contribution to society. For example, Old Mutual's purpose is to "Help our customers thrive by enabling them to achieve their lifetime financial goals, while investing their funds in ways which will create a positive future for them, their families, their communities and the world at large". Their portfolio includes positive enterprises such as affordable housing projects, renewable energy and conservation projects.[155]

#### Engagement initiatives

Purpose-driven initiatives can be used to build engagement of employees. For example, GlaxoSmithKline runs Pulse Volunteer partnership which exemplifies the values they hold as a purpose-led company. During the volunteer scheme, employees take 3-6 months out to share professional skills with other organisations. They deliver sustainable change such as building NGO capacity, strengthening healthcare systems or improving cold chain supply. As well as helping to deliver on the purpose to "improve the quality of human life by enabling people to do more, feel better and live longer", the company reports that this program also "rekindles employees sense of purpose". [156] Some companies use the purpose to guide performance management systems; Virgin Money's purpose is 'Everyone's Better Off', and employee engagement activities include 'EBO Stars' which are used to reward staff who embody the purpose.[157]

The GSMA represents the interests of nearly 800 mobile operators worldwide. In their role as an industry body, the GSMA has discovered and defined their purpose, 'Connecting everyone and everything to a better future,' for the mobile industry. Deloitte worked with the GSMA and its members to define the actions which would underpin their purpose, following on from a commitment from the mobile industry to support the UN's Sustainable Development Goals (SDGs). This is outlined in the '2016 Mobile Industry Impact Report: Sustainable Development Goals,' a ground-breaking study assessing the mobile industry's impact in achieving the SDGs. The report also provides a benchmark by which to assess the industry's progress by 2030. The GSMA is currently working to refine a set of initiatives which will directly accelerate those goals. The group is already demonstrating the purpose, having implemented over 100 initiatives through its GSMA Mobile for Development programme. One of these is the Humanitarian Connectivity Charter which supports Mobile Network Operators in improving preparedness and resilience among mobile networks.[158]

## Assess

Assessing the progress the business has made towards the purpose enables it to reaffirm the commitment to the cause. It enforces a degree of accountability and provides a way to engage with stakeholders. Around half of businesses with a 2030 Purpose have reported on their purpose. Depending on their focus, reporting is conducted through the Annual report, investor materials or in the sustainability report.

**How can businesses assess purpose?**

To develop an effective assessment framework for progress on purpose, a business must:

- **Review** the original imperative for purpose, areas of focus and key metrics (e.g. employee churn).
- **Integrate** identified metrics either as part of, or to supersede, existing reporting structures.
- **Report** on the assessment in an engaging and accessible format. Integrated reporting provides a way to refer to the purpose in the context of the whole business by bringing together information on strategy, governance, performance and prospects across commercial, social and environmental contexts.

**How have businesses assessed purpose?**

Those that do report on the purpose usually do so in the Annual Report. The majority use the sustainability pages, though some such as AstraZeneca, Aviva and HSBC used the purpose to headline the report. Companies that did not report on the purpose often reported on CSR achievements but did not link those with purpose. Few companies assess the progress they have made towards the purpose in dedicated purpose reports. BT produces a 'Delivering our Purpose' report for its purpose "To use the power of communications to make a better world".[159] This report shows progress towards its 2020 ambitions in key areas (such as helping 10m people overcome social disadvantage through BT products and services), and also highlights how its work contributes to the UN Global Goals. Lloyds Banking Group also measures progress against long term goals in a purpose report.[160] Its 'Helping Britain Prosper Plan' includes 28 targets categorised into People, Businesses and Communities. Targets include helping 1 in 4 first time buyers and supporting 1 in 5 start-up businesses. In 2015/2016, it reports achieving 27 of the 28 targets.

"Around half of businesses with a 2030 Purpose have reported on their purpose. Depending on their focus, reporting is conducted through the annual report, investor materials or in the sustainability report."

# Conclusion

## Today, businesses across the UK and across the globe face a choice: direct their considerable power towards the benefit of wider society and secure long term success, or continue to focus on short term returns and sub-optimise?

This choice is not black and white. Instead, 2030 Purpose offers a framework for businesses to engage in this debate. In connecting what they do to why they exist, businesses have the opportunity to choose how they can link their core business to the positive contribution they make to humanity.

In positioning themselves around their purpose, businesses can make a sustained contribution and at the same time benefit from deep engagement with stakeholders across talent, consumers, partners, regulators and investors, driving enduring commercial success.

**What if...**
But what if businesses fail to understand, articulate or make this choice? What if leaders fail to break free from the dominant forces of short-term return? What happens if the notion of purpose floats away from the corporate lexicon? The potential consequences are dire.

In the **near term**, businesses face an uncertain world. In a recent Deloitte survey, two-thirds of CFOs view current levels of uncertainty as above normal.[161] Combined with declining trust, businesses face urgent pressures from all stakeholders to assert their long term value.

At the same time, the perceived global move towards cultural protectionism is likely to impact commitment to international development and associated international agreements.[162]

As a result, in the near term, if businesses don't align around 2030 Purpose, scepticism towards sustainable development may become legitimate just as stakeholders lose faith in the contribution business can make.

In the **medium and longer term**, without the dedicated effort of business, social and environmental progress will stall. Opportunities to promote inclusion, equality and stability will diminish. Carbon emissions and natural disasters will continue to rise. Without the positive power of business, our people and planet will decay.

For business, the impacts of technological change are likely to cause ever deepening challenges. Today, digital technology disrupts every industry.[163] Tomorrow, we can expect this to accelerate as exponential technologies take hold. Many authors predict that as artificial intelligence gets smarter, more humans will be pushed out of the job market as businesses ultimately become led by algorithms rather than people.[164] In this climate, there is a growing need for businesses to establish themselves as forces for good, worth protecting for our collective future.

**What now...**
2030 Purpose seeks to add to a growing conversation, introducing a new framework to help businesses think practically about how they can live their purpose to link together sustainable development and enduring commercial success. But the conversation doesn't end here.

We need more **research** from across the academic and business community to further investigate the root causes of the identified link between commercial success and a focus on 'doing good'. By further understanding the drivers of that link, we can more confidently support businesses to focus on the most transformative features of their purpose.

We need more **examples** of leaders willing to take a risk and to be role models for the broader community. By championing those who see beyond the cycle of short term shareholder return, we can encourage others to drive their businesses to commercial success through a broader positive contribution.

We also need more **support** for businesses looking to go through this journey. Whether that support is international, governmental, or from within, where businesses choose to transform themselves around purpose, guidance from others that have been through the journey is required. Through networks of peers, expertise and professional support, transitions can be smooth and successful.

At Deloitte, we see the benefits of being purpose oriented every day. We also see the challenges of living that purpose across a complex, multinational operation. As part of that purpose "To make an impact that matters", we are committed to supporting others to live their own purpose and help build the necessary bridge between business and the wider world, for the benefit of all.

# Appendix

## Methodology: Investigating the top 150 of the FTSE350

The top 150 companies of the FTSE350 were investigated to illustrate the differences between businesses in the market and highlight some of the challenges that businesses face in successfully becoming purpose-led.

The set included the top 150 of the FTSE350, sorted by Market Capitalisation, as listed on the London Stock Exchange as of 15/09/2016. This included companies that are no longer on the list, such as SABMiller.

The businesses were assessed using publicly available information from the company website, including Annual Report, Investor reports, press reports and webpages.

**Discover**
The purpose was identified using public information; often it was explicitly identified as a purpose, but otherwise a statement that gave the highest reason for the company's existence was used. This may have been identified as a 'goal', 'vision', 'objective' etc. The purpose was then assessed against design criteria including:

- Focus on a **social, environmental or wider economic goal** that could be related to one or more of the 17 SDGs.
- **Connected to the business model** – the purpose should have a direct link with the core business activities
- **Inspiring** – the purpose should be a rallying call for action and have the ability to engage stakeholders
- **Distinctive** – the purpose should be a point of differentiation from competitors
- **Transformational** – the purpose should provide an impetus for the business to change and keep evolving

These design criteria can be subjective, so to reduce bias a consensus of team-member opinion was used.

**Embed**
Publicly available documents were assessed to determine whether the purpose was embedded across the business. Inclusion of the purpose did not necessarily constitute embedment; it had to inform the structure or focus of the document. Areas included:

- **Strategy** – Assessed using strategy webpages and / or strategy section of the Annual Report
- **Governance** – Assessed using Corporate Governance information on webpages or Annual Report
- **CSR / Sustainability** – Assessed using relevant webpages, appropriate sections of Annual Report and standalone CSR/ Sustainability reports
- **Annual Report** – Latest Annual Report assessed
- **Investor materials** – Included webpages and investor presentations and reports
- **Recruitment / HR** – Assessed using Careers webpages
- **Marketing** – Assessed using advertising materials, social media content and press reports

## Areas for further research

This paper represents a high level, simplified version of a narrative that will pervade the business and broader community for the foreseeable future. As more companies adopt and embed a 2030 Purpose, the capability of the broader business community will evolve. Some specific areas that need to develop include:

- **Industrial consolidation** Given the speed in which wealth and power can been consolidated through digital models, there is an urgent need to consider how best to ensure those organisations and the areas they influence should adopt a 2030 Purpose.
- **Educating markets** iThe case for 2030 Purpose is, in part, predicated on the awareness and understanding of markets across segments and geographies to foresee and value the impact of purpose-led behaviour.Understanding how that awareness and understanding is developing is critical to building the case for 2030 Purpose and helping organisations understand how best to embed it.
- **Management performance** Decision makers have a vital role in driving 2030 Purpose into the heart of their businesses. Whilst this will require brave and visionary leadership, aligned incentive structures both at senior and other levels are important. Whilst the issue of incentives is a rich and ongoing area of debate, there is much work to do to conclude on the best way to incentivise behaviour that aligns to 2030 Purpose.
- **Public sector application** Whilst this paper is targeted at profit making businesses, 2030 Purpose equally has application to the public sector. Across the gamut of relevant organisations and their stakeholders, purpose is critical for directing strategy, behaviour and engagement in a way that's aligned to societies' greatest areas of need.

# Making an impact that matters

Deloitte exists **to make an impact that matters**. We started our own purpose journey three years ago and the global firm has discovered, embedded and demonstrated it so that we can truly **live our purpose**.

**Discover**
In 2014 the DTTL Executive recognised that the time was right to articulate our enduring Purpose for the entire Deloitte network. The purpose was to be a guiding light for our 2020 strategy. They agreed that the 'heart' of our Purpose would come from aligning our commercial and societal value. The Purpose had to meet a set of design criteria, to be engaging, enduring, distinctive, authentic and aspirational. The design phase was an inclusive process, and as well as conversations with senior leadership across the business, a key part of the process was a survey of 20,000 of our professionals from 45 member firms across 127 countries.

The survey asked why professionals were proud to work for Deloitte, why they saw Deloitte as a leader in professional services and how they would describe Deloitte's purpose. It found that:

- We are proud to work at Deloitte because of the quality of people we work with, and our ability to work on complex and interesting challenges with leading organizations.
- What makes Deloitte an undisputed leader is the quality and integrity of our work, the value this creates for our clients and the fact we are truly a global organization.
- Words that underpin our Purpose are the value and leadership we provide to help clients solve problems and the quality, professionalism and excellence through which we deliver this to make a positive impact.

This input, in combination with conversations with our leadership and business groups, directly guided the process of articulating our Purpose: Deloitte makes an impact that matters.

**Embed**
Since then we've been on a journey to embed our purpose, in what we do and how we operate. Our objective is to link our Purpose to our everyday actions to reinforce its importance. Though the Purpose has been set globally, it is being implemented locally by member firm leadership teams. A cross country organising committee ensures consistency.

In FY16 we aimed to embed Purpose into existing client business, recruiting, brand, communications, CR programs and activities. A key part of this was developing leadership behaviour and integrating the purpose into leadership agendas. Purpose is led from the top and the CEO leads communications on Purpose.

Though we have initially been focused on embedding the purpose into talent and communications, this is evolving over time. Our latest achievements:

- We are now reporting on the achievements we have made towards our purpose so far. In November we published our latest Impact Report that sets out a whole series of examples of how we are making an impact that matters.
- The purpose has been embedded into talent and Deloitte employees can be recognised for the individual impact they have made through 'Limelight Awards' which are given to those that demonstrate the purpose through ethics, delivery or collaboration.
- As a services firm, part of the way Deloitte makes an impact is through working with clients to improve their business. An example of one way we are making an impact is through the Transition Lab Programme which is designed to support executives take on new roles and build skills, developing effective leaders.

**Deloitte makes an impact that matters**
Every day we challenge ourselves to do what matters most – for clients, for our people, and for society.

We serve clients distinctively, bringing innovative insights, solving complex challenges and unlocking sustainable growth.

We inspire our talented professionals to deliver outstanding value to clients, providing an exceptional career experience and an inclusive and collaborative culture.

We contribute to society, building confidence and trust in the markets, upholding the integrity of organizations and supporting our communities. Our shared values guide the way we behave to make a positive, enduring impact:

- *Integrity*
- *Outstanding value to markets and clients*
- *Commitment to each other*
- *Strength from cultural diversity*

Our purpose helps us strive to contribute towards the Sustainable Development Goals. For more information see: https://www2.deloitte.com/content/dam/Deloitte/global/Documents/About-Deloitte/gx_SDGs_Deloitte.pdf

**Demonstrate**

Deloitte UK has launched the **One Million Futures** programme which aims to inspire a million people; whether in the classroom, the workplace, or the boardroom. We will use the strength of the Deloitte network to raise aspirations, build skills and develop leaders. We want to overcome barriers to education and employment, giving individuals the skills and opportunities to succeed. The programme is explicitly linked to the SDGs and directly supports Deloitte's purpose. Some of the initiatives that support One Million Futures:

- Employees work with local schools through the Deloitte Access programme, an education program aimed at improving social mobility by giving young people from under-represented groups the ambition and skills they need to access wider opportunities.
- Deloitte supports Social Enterprise through the Super Pioneers programme. This provides pro bono support from our practitioners to social enterprises around the theme of employability. In the last year these pioneers have helped nearly 2000 people to employment and 12,000 people to increase employability skills.
- Deloitte supports Micro-Tyco, a month long challenge run by WildHearts that enables participants to turn £1 seed capital into as much money as possible while learning fundamental business principles in a safe environment. Volunteers from Deloitte coach teams from local schools in the challenge.

**Making an impact that matters around the world**

**Americas Pursuit Centre**

- The Americas Pursuit Centre is a driver and leader in embedding Purpose in client work. It reinforces the importance of transmitting the purpose to clients and works across functions in the Americas.

**Deloitte Austria**

- Development of Deloitte.*Radar*, a comprehensive metadata tool which is being used by politicians, opinion leaders and the public to drive discussion around Austria's competiveness and long term outlook.

**Deloitte Canada**

- Supported Metrolinx in refreshing strategy and articulating their purpose, to "support the region's growth agenda through transportation leadership"
- Supported Government of Ontario in piloting Social Impact Bonds
- Work with Social Capital Partners (a non-profit organisation) on scaling their pay-for-success community employment initiative into a province wide program
- Developed an online portal (H.O.M.E) to match Syrian refugees in need of housing with offers of housing, goods and services with WoodGreen charity

**Deloitte USA**

- An Issue to Impact framework is used to consider each phase of a client project and refocus the objectives through the impact that Deloitte can have.
- Impact was embedded in performance management, with contribution being assessed on impact statements, primarily focused on client work but also contribution to wider social impact initiatives.

**Deloitte East Africa**

- Selected as the implementing partner for the East Africa centre for Young African Leaders Initiative. This was established by Obama to encourage transformational learning and enhanced leadership skills. More than 560 young leaders have now completed the centre's program.

**Assess**

At Deloitte UK, we are in the early stages of measuring our impact and achievement towards the One Million Future goal. It is important to us that we do this in a way that can be independently assured.

We are currently piloting a template for data collection with 15 of the interventions that we currently carry out. This will determine the impact we make through volunteering, fundraising and pro-bono work and allow us to calculate the number of people we help.

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