

SOCIAL PURPOSE BUSINESS CASE

There is a strong business case for having a social purpose. Evidence is mounting that businesses that stand for solving societal challenges are performing well – in terms of market growth, competitive advantage, meeting changing customer needs and energizing their employees.

The research on the social purpose business case shows there are six main business benefits for pursuing a Social Purpose Business model.

SIX MAIN BUSINESS BENEFITS OF SOCIAL PURPOSE

CUSTOMER COMMITMENT

Attract and Retain Customers and Build Customer Brand Advocacy

EMPLOYEE ENGAGEMENT

Recruit, Retain and Motivate Employees and Build Employee Brand Advocacy

STAKEHOLDER RELATIONSHIPS

Strengthen Third-Party Relationships and Enable Collaboration

SOCIAL CAPITAL

Strengthen Operating Context and Increase Trust

FINANCIAL PERFORMANCE

Enhance Financial Performance; Increase Access to Capital and Manage Risk

INNOVATION GENERATION

Increase Innovation; Enable Business Transformation and Enhance Resiliency

This report compiles the research and evidence – and hypotheses where no research yet exists – underlying these six main benefits. It also includes a workbook component that allows you to make notes throughout the document to compile a set of business benefits most relevant to your company and leaders.

The material in this report was pulled from over 80 sources around the world. The content is thus not original. Source documents are noted throughout.

CUSTOMER COMMITMENT

Social Purpose Companies Attract and Retain Customers and Build Customer Brand Advocacy

- ➔ 87 percent of global consumers will buy brands that support a cause they care about and 76 percent refuse to buy a brand if it doesn't¹, while over 71 percent of global consumers would recommend a company with a purpose over one without and this number is rising.²
- ➔ Nearly 70 percent of Canadian consumers believe companies should show how their products and services make the world better.³
- ➔ 70 percent of North American organizations take social and environmental factors into account in their procurement, driving demand for suppliers to demonstrate their beneficial social impact.⁴
- ➔ 77 percent of all brands could disappear, and consumers wouldn't care.⁵
- ➔ Organizations in which employees are motivated by their company's social purpose are nine times more likely to have higher customer satisfaction.⁶

EMPLOYEE ENGAGEMENT

Social Purpose Companies
Recruit, Retain and Motivate
Employees and Build Employee
Brand Advocacy

- 60 percent of millennials want to work for companies with a 'purpose'⁷; a sense of purpose and impact on society is the second top criteria for young people when considering job opportunities (40.6 percent versus 49.3 percent for salary and financial compensation)⁸; employers lacking a social purpose could limit their recruitment base to about 50 percent of the future workforce.²
- Purpose drives engagement: purpose-driven workers have 20 percent longer expected tenures, are 50 percent more likely to be in leadership positions, 47 percent more likely to be promoters of their employers and have 64 percent higher levels of fulfillment in their work¹⁰; employees with a shared sense of purpose with the company are willing to give more discretionary effort.¹¹
- Employees of social purpose companies are considerably more likely to recommend the company's products and services to others (87 percent versus 66 percent), an impact of 21 percent; they are also more likely to recommend their company as an employer (82 percent versus 57 percent), an impact of 25 percent.¹²

STAKEHOLDER RELATIONSHIPS

Strengthen Third-Party
Relationships and Enable
Collaboration

- Businesses that demonstrate social purpose build trust, reputation and loyalty with their stakeholders, opening up opportunities for new and deeper partnerships.
- Suppliers are attracted to partner with social purpose businesses because it inspires their employees and improves their business.
- Opportunities to grow the business, generate new market insights and open consumer engagement channels can be found by working in partnership with governments, industry and civil society.
- As many societal challenges will require government, business and civil society collaboration to address, businesses which adopt and pursue a social purpose are better positioned to address the coming disruptions.
- Stakeholder-oriented companies experience four times the growth in sales.¹³

SOCIAL CAPITAL

Strengthen Operating
Context and Increase Trust

- No company exists in isolation – each operates in an ecosystem where local conditions affect its markets and the productivity of its suppliers and distributors. When its community is healthy, business has a stronger base of customers to draw upon. Communities with strong social bonds are healthier and more resilient, and their members are better able to work together to solve problems.
- Social capital (the networks of relationships among people and organizations) contributes to economic growth and poverty reduction.^{14,15}
- Most Canadians (74 percent) agree that "A company can take specific actions that both increase profits and improve the economic and social conditions in the community where it operates".¹⁶
- 89 percent of Canadian consumers believe business needs to place equal weight on society's interests as on business' interests, while less than a quarter believe business is performing well in addressing societal issues. This performance gap is likely to drive disillusionment, disengagement and distrust from Canadian consumers.¹⁷

FINANCIAL PERFORMANCE

Enhance Financial Performance,
Increase Access to Capital and
Manage Risk

- ➔ Consumers of trusted companies buy their products and services (80 percent); recommend them to friends (68 percent); pay more for their products and services (54 percent); share positive opinions about the company online (48 percent); defend the company (40 percent); and buy its shares (28 percent). Distrusted companies realize the opposite results.¹⁸
- ➔ Companies that operate with a social purpose, outperformed the S&P 500 by a factor of 10 between 1996 and 2001¹⁹; purposeful businesses outperformed other companies by 134 percent in the stock market in 2019.²⁰
- ➔ 58 percent of companies with a social purpose experienced growth of 10 percent or more versus 42 percent of companies not prioritizing purpose.²¹
- ➔ Brands with a high sense of purpose grew by over 175 percent on average over twelve years compared to the median growth rate of companies at 86 percent, comparatively, brands with a low or no sense of purpose had a growth rate of 70 percent.²²
- ➔ A strong and well communicated social purpose can impact financial performance by up to 17 percent.²³
- ➔ Canadian millennials will inherit \$750 billion over the next decade²⁴ and are more than twice as likely as baby boomers to be interested in social investing.²⁵ By 2017 Canada had \$14.75 billion in high-impact investments, reflecting a growth rate of 81 percent over two years.²⁶ Social purpose companies looking to grow are positioned to attract this social purpose capital.
- ➔ A social purpose lens on business can help it spot unexpected opportunities and anticipate societal issues that will affect its future performance, such as skills shortages, population aging and changing customer preferences. By addressing societal issues early, businesses can improve their resilience, capitalize on opportunities, and reduce future costs.
- ➔ Having employee and stakeholder buy-in makes a social purpose company fundamentally more agile, able to respond quickly and effectively when opportunities arise or danger threatens.²⁷

INNOVATION GENERATION

Increase Innovation, Enable
Business Transformation and
Enhance Resiliency

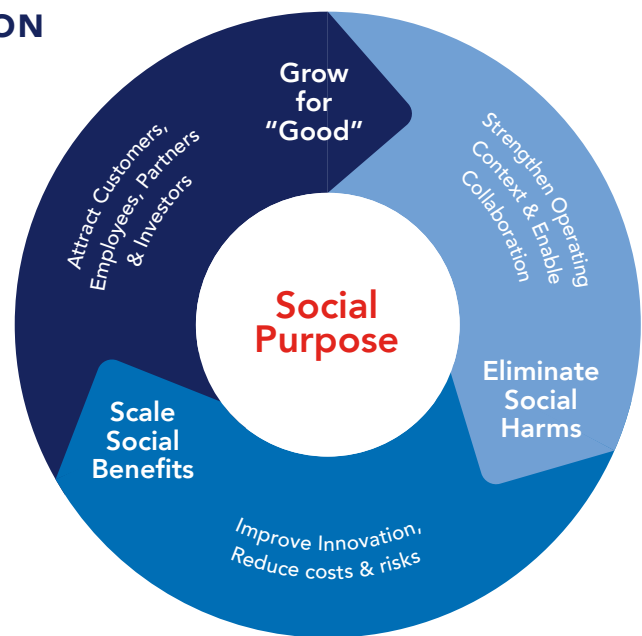
- ➔ Society's needs are "innovation hot spots". Societal trends can provide opportunities for social purpose companies to meet unmet needs.²⁸ Social purpose businesses that develop innovative solutions have an opportunity to grow their business in export markets.
- ➔ Executives who treat purpose as a core driver of strategy and decision-making report greater ability to drive successful innovation and transformational change and deliver consistent revenue growth: at 53 percent compared with 19 percent of the companies who have not thought about it at all.²⁹
- ➔ 75 percent of executives of social purpose companies report that it gives their company the agility to innovate in times of disruption and the ability to drive transformational change.³⁰
- ➔ 73 percent of executives agree that a social purpose helps their company navigate today's turbulent environment.³¹

- ➔ Social purpose is a response to societal pressures on business to transform, and equally a successful strategy to help business manage transformation.³²
- ➔ A social purpose business is more resilient in tough times, and more able to hold onto its customers, employees and shareholders during transitions.³³
- ➔ Having a purpose enhances employee decision-making, improves creativity and problem-solving, promotes resilience and reduces employee stress.^{34, 35, 36}

HOW SOCIAL PURPOSE COMPANIES CREATE SOCIAL VALUE AND DRIVE BUSINESS RESULTS

VIRTUOUS CYCLE OF VALUE CREATION

Social purpose companies build and benefit from a virtuous cycle of value creation. This virtuous circle drives business and social benefits for the organization and its communities. As revealed in the diagram, social purpose is the fuel or the engine that drives the cycle's iteration. By eliminating its social harms, a business reduces its costs and risks, and by focusing on its social purpose, a business drives social innovation, this leads to the next level of action and impact for business and society, so that the firm generates "good growth" and becomes a force of good. Thus, a virtuous cycle is created between business performance and community impact. By pursuing its social purpose, a business does good, drives business results, which in turn allows it to do yet more good.



What is your Social Purpose Business Model?

SOCIAL PURPOSE TOOLKIT SERIES

The Social Purpose Business Case was written by Coro Strandberg, Social Purpose Advisor to the United Way of the Lower Mainland. Thanks to Carey LePage for searching the literature and Mary Ellen Schaafsma for her contributions.

Contact Mary Ellen Schaafsma, Director, Social Innovation & Research, if you have comments or questions. We'd love your feedback on this tool and how to improve it. If you use it in your organization, let us know how it went so we can all learn and grow together.

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