

# The Transformational Company Guide

## Quality #1 - Sustainable Purpose



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Transformational Company Quality

## # 1: SUSTAINABLE PURPOSE

*Transformational companies aim to align overall corporate purpose with sustainability principles where sustainability drives value, where what the company does is a benefit to society, and where profits enable fair and equitable compensation for natural and social resources.*

### WHAT IS IT?

Leading companies realize the importance of ensuring a healthy society and environment today and in the future and shift their business to achieve long-term commercial success while accelerating inclusive and sustainable prosperity. They rewire their business so that their growth is a positive force in society and gain competitive advantage in doing so. Many take explicit responsibility to reduce their impacts on future generations. They adopt a compelling and aspirational core purpose, quest or mission that goes beyond making money to create value for both business and society. This core purpose – their contribution to society and the greater good – shapes and informs the company’s essential reason for being. It describes why the company exists, and the positive impact it seeks to make. This is placed at the core of their operations and at the heart of the brand proposition in one integrated strategy. For some it transcends maximizing profits and shareholder value, and for others it is the means by which they create value and grow. Either way, it becomes a business philosophy and a shared intent by everyone in the business, guiding every decision of the leaders and employees in all departments.

These companies realize their success cannot be achieved at the expense of their employees, communities, and the environment and ensure these stakeholders are compensated fairly for their contributions. This includes pay equity and living wages for employees, fair pay ratios between executives and the workforce, ensuring suppliers treat employees well, benefit sharing with communities and internalizing the environmental costs of production through paying for [environmental offsets or eco-system services](#). Sustainable purpose organizations take a holistic approach to measuring and defining value, in ways that include business and social value.

#### Purposeful Companies

Examples of companies adopting a 'sustainable' purpose:

“We create chemistry for a sustainable future”, BASF

“Working with people and communities to help them thrive and prosper”, Vancity Credit Union

“Make it easier for customers to have better, more sustainable homes”, Kingfisher



*“They rewire their business so that their growth is a positive force in society and gain competitive advantage in doing so.”*



## WHY IS IT IMPORTANT?

Expectations of business and its role in society have changed. As society faces more serious challenges from resource scarcity to rising inequality, stakeholders increasingly look to business to play a stronger role. To achieve inclusive prosperity within planetary boundaries and to succeed and thrive into the future, business will need to re-engineer its operating model, reinvent its strategies, and engage in disruptive innovation.

According to Deloitte's [analysis](#), over one-fifth of Fortune Global 500 companies already have a clear, society-focused purpose underpinning their activities. [Research](#) shows that businesses which articulate and activate 'high ideals' in all they do achieve growth rates triple those of their competitors and significantly outperform the market.

**Businesses that align their mission with sustainability principles will reap the following benefits and more:**

- Improve employee recruitment, retention and productivity
- Increase customer attraction, engagement and advocacy
- Strengthens stakeholder relations and social licence to operate and grow
- Reduce or eliminate expenditure on paid media
- Increase innovation and competitive advantage

### Purpose drives customer behaviour and preference

Edelman global consumer [research](#) reveals that when price and quality are equal social purpose ranks as the most important factor in selecting a brand, over design, innovation and brand loyalty. Social purpose as a purchase trigger when quality and price are equal grew by 26% from 2008 to 2012.

The millennial generation, which makes up the future workforce and customer base, is especially attracted to social-purpose companies. Equally, companies that engage in '[story doing](#)' rather than 'story telling' cultivate ambassadors and champions for their brands, leveraging their marketing investments and letting the network spread their message. Companies that stand for a compelling idea and infuse it throughout their operations and relationships can generate greater business results.

## HOW TO DO IT?

The following are some ways a company can identify and pursue sustainable purpose.

1. **Look back:** Determine if there are existing core beliefs of your brand or a genesis or heritage story upon which your business or products were founded. Perhaps there was an original need the founders set out to address that can be refurbished with a twenty-first century lens. Or find customer impact stories which reveal your higher ideals. These underlying ideas can be reinvigorated as a foundation for a revitalized core purpose.



### Unilever's Founding Story Influences Its New Core Purpose


In the months before Paul Polman at Unilever took charge in 2009, he studied Unilever's genesis. As an outside hire, he made it his business to know the heritage story better than anyone. That story began in the 1890s with William Hesketh Lever, who sought to use his new Sunlight brand soap "to make cleanliness commonplace" and mitigate hygiene-related problems that plagued Victorian





England. In late 19th century Britain, one of every two babies would not survive his or her first year. According to Polman, Lever would ask himself, “How do I grow, grow, grow so that more people get the benefit?”

Under Polman’s leadership Unilever adopted a new core purpose in 2010: “To make sustainable living commonplace”.

#### Source

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**2. Look forward:** Identify the long-term sustainability mega-forces such as climate change, food security and youth unemployment that will affect your business, your value chain and the markets and communities in which you operate. Prioritize areas where a societal need intersects with or links to your competencies and corporate strategy, issues which you can uniquely influence and scale through your core business and where your core products and people can make the biggest impact. Through visioning processes develop an inspirational core purpose, ideal or quest to infuse your products and mobilize the company and its stakeholders.
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**3. Look inside:** Identify how your work processes, culture, customer experience and stakeholder relationships can express and accelerate your purpose. How can your mission influence your decision-making and inspire innovation? How can your workforce have a clear understanding of your purpose and be empowered to bring it to life? How will it affect who you hire and how you train and promote talent? How will your core purpose impact your products and services? How can purpose help to build relationships with the stakeholders with whom you need to engage in the markets that matter to you? What is the full inventory of assets, competencies and resources your company can offer? How can your marketing power address this issue? How can your short-term goals be balanced against the long-term fulfillment of your ambition?
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**4. Live it:** Innovate new business models through piloting and prototyping new products, processes and ways of doing business. Collaborate with stakeholders in solutions development and implementation. Scale, spread and multiply successful ideas. Use your core purpose to assess current and future business activities and prioritize them, including what to start, stop and do more of. Let it drive your growth model.

## WHO IS DOING IT?

The methodologies available to develop a comprehensive business model where a company’s profits fairly and equitably compensate for its use of natural and social capital resources are under development. This [article](#) summarizes and debates some of the main approaches. There is global interest in the emergence of [international integrated reporting standards](#) which provide a roadmap for how companies can understand how they use or affect social, natural, financial and other forms of capital in the course of conducting business. Resources are becoming available for pricing and offsetting carbon and other environmental impacts. Micro-finance, impact investing and social impact bonds are creating a marketplace for pricing and improving social conditions. Pioneering companies lead and join these movements to create the framework and roadmap for measuring, pricing and internalizing the social and environmental costs of conducting business.

### Sustainable Purpose Strategy Tool

Click [here](#) to access a sustainable purpose strategy tool. It can help you identify options to evolve your business model towards sustainable and social purpose.



## WHO IS DOING IT?

**CVS**, the second largest pharmacy chain in the US: Recently the company adopted a new corporate purpose: to help people on their path to better health. It changed its name to CVSHealth to better reflect its new mandate, stopped selling tobacco products (sacrificing \$2B in sales) and launched a comprehensive national smoking cessation program. It adopted a “Prescription for a Better World” strategy focused on building healthier communities, protecting the planet and creating economic opportunities. Top priorities include increasing access and affordability of health care, reducing prescription drug abuse, and mitigating its carbon footprint. It describes its new value proposition this way:

“CVS Health is a pharmacy innovation company helping people on their path to better health. Through our 7,700 retail pharmacies, more than 900 walk-in medical clinics, a leading pharmacy benefits manager with nearly 65 million plan members, and expanding specialty pharmacy services, we enable people, businesses and communities to manage health in more affordable, effective ways. This unique integrated model increases access to quality care, delivers better health outcomes and lowers overall health care costs. Find more information about how CVS Health is shaping the future of health at [www.cvshealth.com](http://www.cvshealth.com).”

Alongside its national smoking cessation program the company launched a social campaign, “#OneGoodReason”, inviting everyone to share their personal stories of how smoking and tobacco use has affected their lives. Their hope is that through the sharing of these stories the company can spark a movement that will make lasting improvements in health across the nation.

**Procter and Gamble**, consumer goods company: In 2000 Procter and Gamble set a goal to attract the best talent, grow their market share and make their marketing known, recognized, and admired by all the people important to the company’s future. To hit these big targets they developed an even bigger goal: to identify and activate a distinctive ideal or purpose to improve people’s lives. That became the explicit quest of every business in the P&G portfolio. They set about establishing each business line’s true reason for being as the basis for new growth and building each business’s culture around its ideal. Every P&G business had to communicate its ideal internally and externally. Each business leader was expected to articulate how each brand’s individual identity furthered P&G’s overarching mantra of improving people’s lives. The executive also modelled the motto and measured all activities and people in terms of the ideals of the brands and the company as a whole. The success of that effort fueled P&G’s growth from 2001 on. ([Source](#))

Click [here](#) for another example of a company committing to a sustainable purpose.

**Vancity Credit Union**, the largest community-based credit union in the world based in Vancouver, is a good example of a company whose profits enable fair and equitable utilization of social and natural capital. It has a strong social purpose (to help people and communities thrive and prosper) and shares its success with its stakeholders: customers (members), employees and the communities where they live and work. Every year through its “Shared Success” program it allocates a share of profits to its customer-members through dividends and rebates, with employees through bonuses and with community organizations through grants. As well, Vancity pays its employees a living wage, contracts with suppliers who do so and maintains a balance between CEO and employee pay, which in 2013 was 28 times that of its entry-level wage. The business also pays for its carbon emissions through a comprehensive and audited [program](#).



## **WHERE CAN I GO FOR MORE INFORMATION?**

- True Story: How to Combine Story and Action to Transform Your Business, Ty Montague  
<http://tymontague.com/true-story>
- Ideals: The New Engine of Business Growth, Jim Stengel and Benoit Garbe  
[http://www.jimstengel.com/wp-content/uploads/2013/11/Millward\\_Brown\\_Stengel\\_POV\\_on\\_Brand\\_Ideals.pdf](http://www.jimstengel.com/wp-content/uploads/2013/11/Millward_Brown_Stengel_POV_on_Brand_Ideals.pdf)
- Combining Profit and Purpose: A New Dialogue on the Role of Business in Society, Cranfield School of Management, 2014  
[http://www.cokecce.com/system/file\\_resources/210/W21883\\_TL\\_Report\\_A4\\_FINAL.pdf](http://www.cokecce.com/system/file_resources/210/W21883_TL_Report_A4_FINAL.pdf)
- Model Behaviour, research into new social purpose business models, SustainAbility  
<http://www.sustainability.com/projects/business-model-innovation>
- Conference Board of Canada webinar on Unilever's approach to becoming a sustainable purpose company ([link](#)). Contact [publications@conferenceboard.ca](mailto:publications@conferenceboard.ca) and quote CCSR to see if you qualify for free or discounted access.

