



**Unleashing the
sustainable business:**
how purpose transforms
an organisation

The University of Cambridge Institute for Sustainability Leadership

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Contents

1. Introduction	3
2. What is a purpose-driven organisation?	6
2.1 The three core powers of organisational purpose	7
2.1.2 Clarity: purpose as the persistent, visible strategic anchor.....	7
2.1.3 Meaningfulness: ‘humanising’ the view of human behaviour and motivating action..	8
2.1.4 Authenticity: the basis of trust	9
2.2 How does purpose create sustainability – and what could constrain this?.....	10
3. Becoming a purpose driven organisation: key steps	12
3.1 The purpose statement of intent.....	12
3.2 Pre-purpose statement phase	14
3.3 Intent maturity: Bringing people on board	15
3.4 Realised intent: Aligning the organisational system to the purpose.....	15
3.5 Maintaining the momentum for purpose	16
3.6 Overcoming the gap between purpose intent and realisation	16
4. Key approaches and principles of a purpose-driven organisation	18
4.1 Purpose and organisational structure	18
4.2 Purpose-driven organisations and marketing	18
4.3 How is success measured in a purpose-driven organisation?	19
4.4 How does a purpose-driven organisation view the ‘market’ and business growth?.....	20
4.5 How does a purpose-driven organisation view profit?	21
4.6 How does a purpose-driven organisation approach corporate accountability, change, innovation and competition?.....	21
4.7 How does a purpose-driven organisation see its relationship with society and with nature?	24
4.8 How does a purpose-driven organisation see its relationship with stakeholders?	25
4.9 What is the approach to values and ethics in a purpose-driven organisation?.....	25
5. Conclusion: unleashing the sustainable business and preparing for transformation.....	28
6. References	30

1. Introduction

Once the narrow concern of sustainability enthusiasts, the concept of ‘purpose’ now finds itself in the mainstream of management discussions¹. Its rise to prominence is as sudden as it is striking. By 2019, for example, the chief executive of Blackrock, the world’s largest asset manager, saw fit to dedicate a significant section of his influential annual letter to investees to the theme of ‘Purpose and Profit’². Similarly illustrative is the recent decision by the US Business Roundtable to issue a widely-publicised declaration on the theme – a move actively endorsed by 181 chief executives³. At the level of individual corporations, interest in purpose is on the rise as well. Recent years have witnessed a range of international businesses opt to explicitly define themselves as being ‘purpose-led’ⁱ.

In our first paper, *‘Unleashing the sustainable business: how the purpose logic can break the hold of business-as-usual and deliver sustainability’*, we outline the backdrop and rationale behind purpose’s rapid rise, particularly regarding the field of sustainable business. Two themes emerge as predominant: (1) how and why purpose-driven business diverges so markedly from traditional forms of capitalism framed by profit maximisation (referred to here as ‘Business-as-Usual’ or ‘BAU’); (2) how and why a purpose-led approach to business, done well, is fully aligned with the delivery of sustainability objectives.

In addressing these twin themes, the first paper gives considerable attention to the commitment inherent to all purpose-led companies to help optimise social or environmental wellbeing. Such optimisation must be equitable and durable, this paper suggests. The first paper also noted that the wellbeing impacts specified in the purpose must be delivered in a way that does not undermine the goal by eroding the resources it depends upon. Hence purpose is also about ensuring that the underlying social and environmental systems, and the social and natural capitals these give rise to, are protected and restored while the purpose is being delivered.

In this paper, we seek to move from theory to practice. In doing so, we look to provide management-focused responses to the following four critical questions: (1) *what does it mean to be a purpose-driven organisation?* (2) *what are the first steps in orientating towards a particular purpose?* (3) *how does purpose enable sustainability goals to become fully integrated into company practice and strategy?* And (4) *how does a purpose-driven approach reorientate corporate imperatives such as competition, growth, and innovation?*

The paper draws on the existing academic literature as well as practitioner insights. Given the pace at which the subject is developing, the primary goal of this paper is to provide a robust set of foundational propositions. These are designed to equip corporate managers with a thorough understanding of how purpose-driven companies think and act and scope tangible core questions that can be further tested.

A summary of purpose-driven organisations

As covered in *‘Unleashing the sustainable business: how the purpose logic can break the hold of business-as-usual and deliver sustainability’* and highlighted in Table 1, purpose incorporates a range of different concepts and is variously described in the academic literature (e.g. Collins & Porras, 1991⁴; Mirvis et al., 2010⁵; Jordi, 2010⁶; Salem Khalifa, 2012⁷). The term ‘purpose’ is often used synonymously with a company’s mission (e.g. Advisory panel to the UK Mission-led Business Review, 2016), for instance, or its vision (Collins and Porras, 1991). While similarities exist between purpose and other management concepts, it is not fully comparable with any.

ⁱ Prominent examples include Unilever, Natura, Interface, Patagonia, and M&S.

Table 1. Key differences, and similarities, between the different organisational logics

	NEO-LIBERAL CAPITALISM				PURPOSE-DRIVEN CAPITALISM
Organisational logic	BAU/Make-and-sell	BAU/Sense-and-Respond	BAU/ CSR	BAU/ ESV	PURPOSE
Aligned economic/ business theory	Classical	Neo-classical Marketing Concept	Neo-classical	Neo-classical	Purpose-driven/ ecological economics
Ultimate organisation value focus	Shareholder Return (profit maximisation)	Shareholder Return (profit maximisation)	Shareholder Return (profit maximisation)	Shareholder Return (profit maximisation)	Wellbeing for society Not reducing wellbeing for others in the process and enhancing where possible
Primary intermediate value focus	Sales. Costs	Market growth Market share Customer satisfaction	Depends on whether the company is make-and-sell or sense-and-respond orientated	Depends on whether the company is make-and-sell or sense-and-respond orientated Health of dependant resources (capitals).	Intermediary outcomes to wellbeing targeted Health of dependant resources (including requisite profits for shareholders)
Time horizon for value creation	Short-term	Short-term	Short-term	Long-term	Long-term
Primary measure of value	Increasing sales. Reducing costs	Satisfying customer preferences	Depends on whether the company is make-and-sell or sense-and-respond orientated	Depends on whether the company is make-and-sell or sense-and-respond orientated	Wellbeing outcomes
Innovation starting point	Internal (existing assets and capacity)	External (market insights re customer preferences and competition)	Depends on whether the company is make-and-sell or sense-and-respond orientated	Depends on whether the company is make-and-sell or sense-and-respond orientated	Understanding what will achieve the wellbeing outcome of the purpose
Primary view of human motivation	Self-interested	Self-interested	Self-interested	Self-interested	Purpose-driven
Approach to stakeholders	Resource to be managed	Resource to be managed	Resource to be managed and source of risk to near-term profits	Instrumental to long-term profit maximisation	Instrumental in setting purpose and monitoring/ guiding the approach. Core to value creation
Approach to regulation	Constraint to short-term profits. Active lobbying to protect profits (where reputation is not at threat)	Constraint to short-term profits. Active lobbying to protect profits (where reputation is not at threat)	Constraint to short-term profits Active lobbying to protect profits (where reputation is not at threat)	Core guide to acceptable behaviour Proactive lobbying for a level playing field for long-termism	Vital lever for change Company behaviour oriented to society, above regulation
Ability to address sustainability	Very low	Low	Low (very low if make-and-sell orientated)	Medium (low if make-and-sell orientated)	High

The table highlights how purpose-driven business logic avoids the pitfalls of the current business-as-usual system and is well-positioned to deliver sustainability (see the first paper for a complete analysis of each logic). Today's predominant economic system is failing to deliver sustainable wellbeing for all and is undermining the social and environmental value on which it intrinsically depends. This business-as-usual business logic is eating into its ability to deliver ever-greater financial value for its priority stakeholder (the shareholder) – the very basis for its stakeholder support and the grounds on which it legitimises its wider societal value. The first paper showed that attempts such as CSR and ESV (Enlightened Shareholder Value, which can extend to enlightened 'self' value for companies without shareholders) to increase the scope and depth of business-as-usual's wellbeing outcomes are inadequate. They eventually come up against the same ideological imperative of profit maximisation, even if it is for the long term. Purpose-driven companies, by contrast, allocate capital in a way that optimises their productive and innovative potential in the cause of creating and delivering long-term, inclusive wellbeing.

2. What is a purpose-driven organisation?

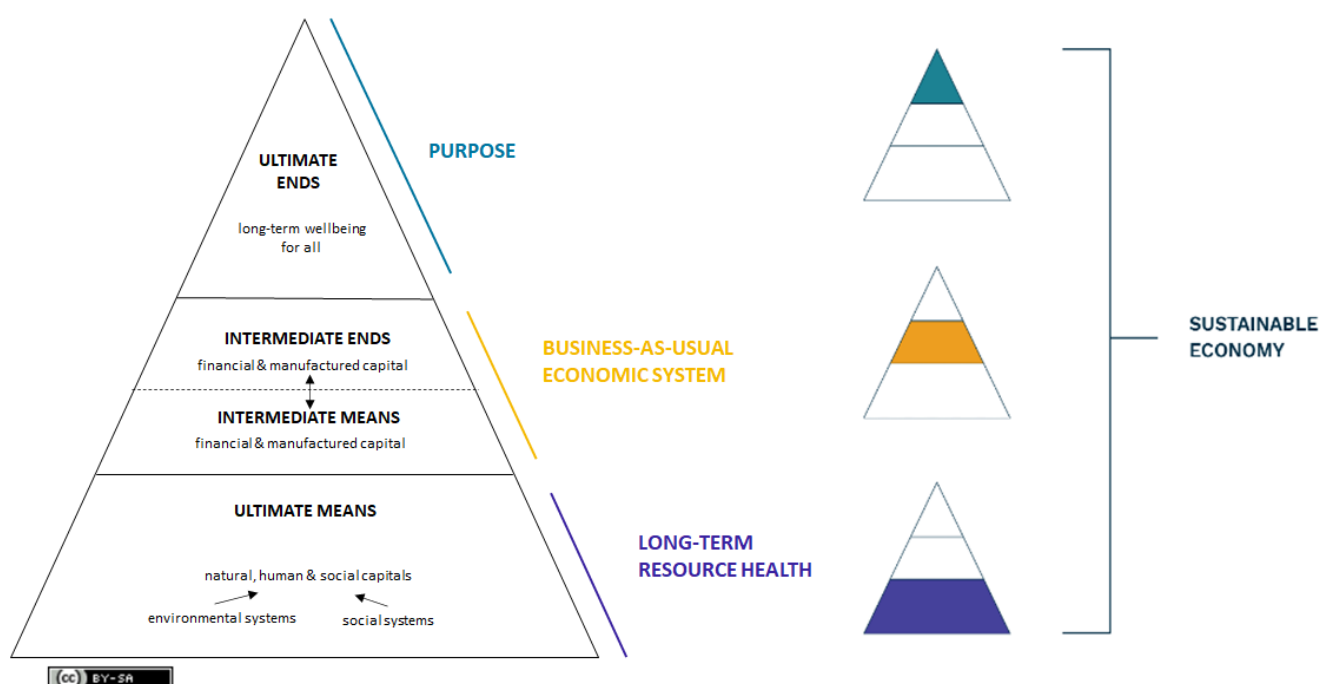
Considerable debate still centres on how to define organisational purpose. Drawing on empirical research presented in the first paper⁸, we use the following threefold definition of purpose:

“an organisation’s meaningful and enduring reason to exist, which aligns with long-term financial performance, provides a clear context for daily decision making, and unifies and motivates relevant stakeholders”.

Complementary to the above, we also draw from Mayer⁹ who offers helpful insights concerning the nature of the meaningful reason to exist. As he succinctly suggests: “[t]he purpose of business is to produce profitable solutions to the problems of people and planet, and in the process it produces profits.” British Academy’s Principles of Purposeful Business puts it even more simply, suggesting that the essence of purpose is to “produce profitable solutions to problems of people and planet”¹⁰. Importantly, the phrase comes with a qualifying clause; “. . . and not profit from harm to either.” In addition to a ‘front-foot’ achievement orientation of purpose, therefore, this definition introduces some specificity as to how purpose should be pursued.

The ‘ends’ and ‘means/limitations’ approach to purpose is important for clarifying how purpose delivers sustainable value, and this is depicted in Figure 1 using a modification of the Daly¹¹ triangle, (as previously modified by Meadows¹²)

Figure 1: Modified Daly Triangle of a Sustainable Economy¹³



Purpose tackles the ‘ultimate ends’ of an economy by focusing on delivering wellbeing for all in a way that is durable over time (‘ultimate means’ⁱⁱ). The ability of a company to deliver on its wellbeing goals depends not

ⁱⁱ The phrase ‘Ultimate Means’ incorporates the six key ‘capitals’ as defined by the International Integrated Reporting Council: i.e. financial, manufactured, intellectual, human, social & relationship, and natural. See: IIRC, <https://integratedreporting.org/what-the-tool-for-better-reporting/get-to-grips-with-the-six-capitals/>

only on itself but also on key systems and stakeholders. A company must therefore also consider how to optimise the wellbeing of these systems and people.

‘Delivering wellbeing’ is an expansive concept. To be meaningful, it requires specificity. In this respect, a company has at least two critical choices to make when defining its ultimate objectives, i.e. its purpose: first, it must determine the scope of its intended contribution to sustainable, equitable wellbeing, for example, helping solve climate change, reducing battery farming, advancing sustainable consumption, or providing financial security. Second, it needs to select particular group(s) whose wellbeing it seeks to optimise. For the above example, this could be for everyone, hens, affluent groups, and people above 50, respectively.

This element of *choice* marks an important difference between purpose-driven companies and business-as-usual companies, including CSR and ESV companies. In the latter, their ultimate value goals are immutably fixed and universally shared (i.e. profit maximisation).

This change may seem small, but it carries huge implications. It sets purpose-led businesses on a fundamentally different governance and operational trajectory from companies governed by business-as-usual logic. This is because the business operates with different base assumptions about core aspects such as: why an organisation exists in the first place; what ‘value’ is; what an organisation’s relationship with society should be; what drives human behaviour; what the role of the governing body is; what an appropriate organisational culture looks like.

Consequently, a purpose-driven logic creates a new coherent mental map (paradigm) to guide organisational decision-making.

2.1 The three core powers of organisational purpose

As the first paper outlined, purpose has been widely recognised for its ability to create strong instrumental value for organisations such as customer loyalty, employee engagement, etc. These are ‘instrumental’ in that they help achieve any organisational objective, including maximising financial value.^{14 15} It is proposed here that there are three core powers likely to be behind this data: clarity, meaningfulness and authenticity.

To deliver significant value, any statement of organisational purpose needs to contain three core attributes or ‘powers’. These comprise clarity, meaningfulness (Ebert et al. 2018)¹⁶ and authenticity.

- a) **Clear:** purpose needs to be clear and make sense *cognitively* to stakeholders.
- b) **Meaningful:** it needs to be *emotionally* engaging, which hinges on it being ambitious and relevant to making a positive impact on the wellbeing of stakeholders.
- c) **Authentic:** purpose needs to be backed up and supported by every strategy, structure and process within a business. Sales and growth, for example, are recognised as being *in service to* the purpose, rather than vice versa.

Together, these powers align and fuel the innovative energy in an organisation to deliver the purpose profitably and over the long-term. **For an organisation to be truly purpose-driven, these three powers need to be unleashed strategically.**

2.1.2 Clarity: purpose as the persistent, visible strategic anchor

One of the three core ‘powers’ of purpose is that it provides clarity at the highest level of the organisation about the specific value (quality and quantity) that an organisation is trying to achieve and for whom.¹⁶ The

value of a clear focus to guide behaviour has been identified in the literature as prompting employees to increase effort and investment in their activities¹⁷ as well as reducing issues where there are differing views or uncertainty of direction.^{18,19}

Purpose provides a clear statement of core firm value generation intent that, because it is an expression of the core identity of a company, endures, normally beyond the life of a CEO or even a board. This means stakeholders can build personal and cultural relationships with the purpose and come to understand how to optimally deliver against it dynamically, beyond the declared strategy, which may have become sub-optimal. The persistence and shared meaning of a purpose also means that purpose-driven companies consult the purpose to make and justify decisions, which is particularly useful where these decisions are controversial.

For a BAU company, the highest-level strategic frame is the maximisation of profits. As such, stakeholders can only determine what a 'best' course of action is based on assessing of the likely monetary accumulation outcomes. Strategy built on business-as-usual thinking will provide more details to help decision-making (e.g. optimise market share in market 'x'). Still, this strategy tends to, and usually needs to, change frequently to optimise accumulation change. Profit maximisation, therefore, does not provide a fixed reference point against which an organisation's culture and processes can mature. Additionally, it does not have the tangible quality and quantity features of a wellbeing outcome that a purpose is anchored to because money is a fungible, intermediary asset without inherent value.

To garner support from stakeholders, BAU firms often attempt to convince stakeholders that profit-maximisation strategies (e.g., providing high-quality customer service) are as good as having their best interests as the core firm motivation. At best, such efforts are seen as a temporary distraction. At worst, they build scepticism and confuse organisational identity.

2.1.3 Meaningfulness: 'humanising' the view of human behaviour and motivating action

Purpose is the very central value generation motivation of a company. It is therefore foundational to an organisation's identity, along with its values.^{20,21} Hence, for individuals or a collection of individuals in an organisation, being purpose-driven is fundamentally a motivational stance underpinning action-focused intent. When an organisation shifts from primarily being driven by self-interest to being primarily driven by a desire to serve the wellbeing of others (purposefulness) this necessarily translates to the organisation's view of human behaviour in general. As the sustainable economy academic, Tim Jackson observes, once "the simple economic model of consumer behaviour is abandoned, a host of other possible policy interventions present themselves".²² Whilst recognising that humans are complex, rather than assuming that people (and organisations as a group of people) are primarily *self-interested* and *rational*, a purpose-driven organisation assumes that at a fundamental level they are primarily *purpose-driven* and *emotional*. As Daniel Pink²³, aligned with work by Mihaly Csikszentmihalyi²⁴ summarises, financial interest is a hygiene factor that needs to be met, but purpose (along with autonomy to pursue it and mastery of it) are what fundamentally drives humans. In other words, improving the long-term wellbeing of others and helping solve related challenges is a potentially powerful motivating force for individual and collective human behaviour.^{25,26,27,28} Furthermore, an organisation's senior leadership recognises their core role as building an emotional connection between the organisation's purpose and stakeholders.²⁹

The organisational purpose is, therefore, meaningful to individuals (purposeful) and hence provides a deep motivation to act to deliver the purpose for people within the organisation's stakeholder constellation. As Robert Quinn and Arjun Thakor summarise: "A higher purpose is not about economic exchanges. It reflects something more aspirational. It explains how the people involved with an organization are making a difference, gives them a sense of meaning, and draws their support."³⁰ This means that stakeholders are likely to go 'above and beyond' to achieve the purpose because knowing they contributed to the wellbeing of others through their actions will bring them personal rewards.

A range of pathways connect the core powers of purpose to positive instrumental outcomes, such as customer engagement. The business literature is only beginning to explore these pathways within the context of purpose-driven organisations; however, insights from several other disciplines such as psychology, anthropology and sociology are germane to the theme and have considerable crossover value.

2.1.4 Authenticity: the basis of trust

The third core ‘power of purpose’ is an expression of core, meaningful intent. It encourages openness and transparency about the fundamental motivations of an organisation. This is for two primary reasons: (1) an organisation will be proud of its genuine motivation if and when this motivation is directly related to universal human values - the norms that sit under international norms of acceptable behaviourⁱⁱⁱ; (2) an organisation knows that opening up will aid alignment with stakeholders to help them deliver the organisation’s purpose. Authenticity motivates transparency. Such transparency, in turn, allows deeper connectivity, which forms the basis of trusting relationships with stakeholders.³¹ Relationships of this nature give rise to positive outcomes. Research reveals, for example, that manager trustworthiness increases the performance of pro-socially motivated individuals.³²

Business-as-usual, including CSR and ESV, companies are generally reluctant to be fully transparent about their motivation, i.e., profit maximisation. This is understandable given this is unlikely to engender goodwill among many stakeholders who are unlikely to go the extra mile to enhance the wealth of the firm’s shareholders. This lack of transparency, in turn, leads to problems in winning trust. As a BAU company, exposing, or hiding that the real reason you are providing stakeholders with a product is that ultimately it will make the most amount of money for shareholders – not that it will optimise their wellbeing – is not a good foundation for a trusting relationship. For many stakeholders, this will reduce the amount of goodwill they are likely to afford. Even if a BAU firm thinks it offers the best product compared to alternatives, they are likely to hold back from really opening up about what drives the business. This is because it is generally understood that self-serving motivations create scepticism in others, raise barriers to engagement and increase the costs of transactions. This means that BAU companies are not able to create the level of openness and transparency required for deep trust.

As the following analysis shows, purpose-driven companies can be forthcoming about the very core of their motivations, be honest about their inability to solve such grand challenges alone, and hence build stronger stakeholder relationships. Even if they are early in their purpose journey, they can be open about where on the journey they are and the meaningfulness of their ultimate goal. This can be used to engage stakeholders to help accelerate the journey. Furthermore, purpose-driven companies will be held to account by stakeholders on the extent to which they pursue and achieve their purpose, including but not confined to profit alone.

ⁱⁱⁱ ISO26000:2010 defines international norms of behaviour as: expectations of socially responsible organizational behaviour derived from customary international law, generally accepted *principles* (3.2.1) of international law, or intergovernmental agreements that are universally or nearly universally recognized.

Note 1 to entry: Intergovernmental agreements include treaties and conventions.

Note 2 to entry: Although customary international law, generally accepted principles of international law and intergovernmental agreements are directed primarily at states, they express goals and principles to which all *organizations* (3.1.3) can aspire.

Note 3 to entry: International norms of behaviour evolve over time.

For a business-as-usual organisation that is currently set up to deliver short-term outcomes for shareholders for short-term monetary returns, however, moving to a more open and transparent approach that comes with purpose is not easy. CSR, and even ESV companies, have found that stakeholders remain sceptical about their motivations when they have sought to engage them on plans and strategies to address climate change, biodiversity loss or health, for example. For those facing such barriers it should be recognised that re-building the foundations of good quality relationships takes time and needs to be earned through consistent, authentic actions. Stakeholders need to remain sceptical to provide critical challenge. Purpose, due to its clear, enduring and meaningful nature, provides the frame for that progress.

2.2 How does purpose create sustainability – and what could constrain this?

If the end goal of purpose-led capitalism is to create organisations that deliver genuine sustainability, then tweaks to business-as-usual models, such as CSR and ESV, will not be sufficient to deliver on the task. Instead, organisations need to be structured in such a way as to deliver robustly on the two core bases of sustainability, namely, (1) the ultimate ends (optimising wellbeing over time for all) and (2) the ultimate means (such as resource protection and restoration that ensure long-term wellbeing).

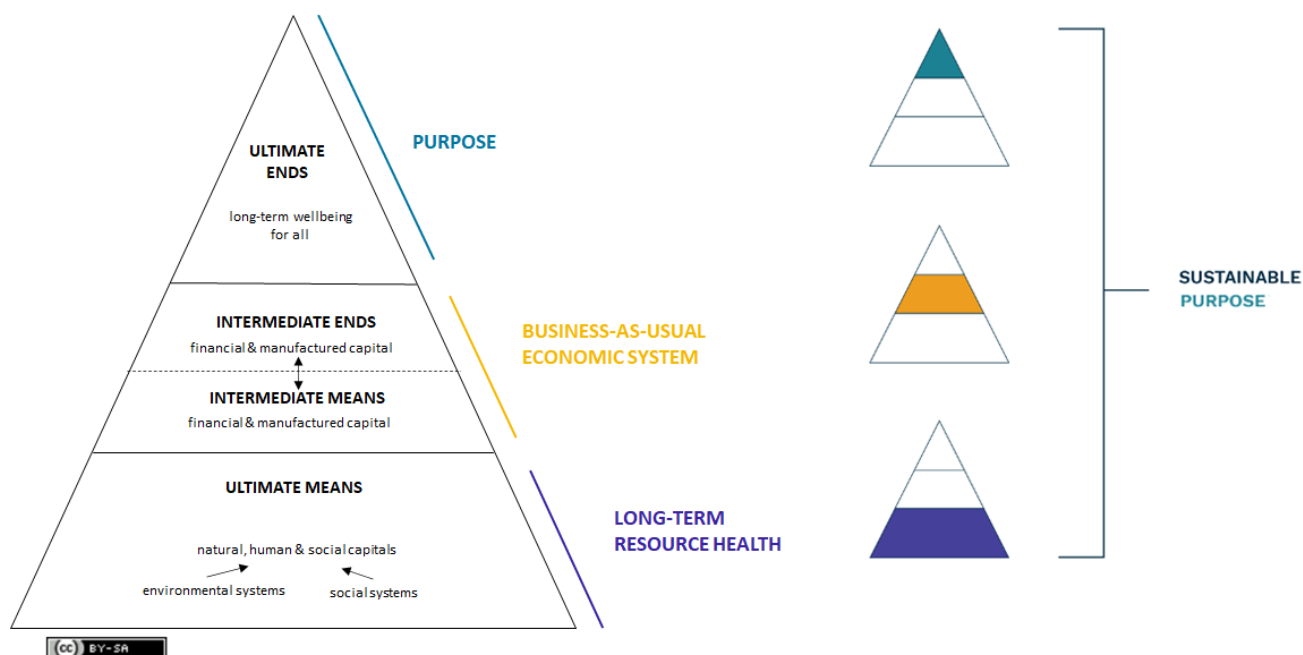
Being purpose-driven involves a company having a clear, enduring, and meaningful reason to exist that focuses on solving problems related to a specified wellbeing issue for an identified group(s) *and* providing unambiguous, values-based guidance about how to achieve this wellbeing outcome. This ethics-led approach is anchored in society's moral landscape and overall priorities. This means that interpreted robustly, purpose represents the operationalising of sustainability. Whereas ESV companies only strategically encompass consideration of the bottom of the triangle, purpose-driven organisations encompass an approach that fully reflects what is needed to deliver a sustainable economy (see Figure 2).

Being purpose-driven involves a company having a clear, enduring, and meaningful reason to exist that focuses on solving problems related to a specified wellbeing issue for an identified group(s) *and* providing unambiguous, values-based guidance about how to achieve this wellbeing outcome.

In more practical terms, this means that while achieving the purpose the firm should specifically ensure that the long-term wellbeing of all others, including future generations, is protected. Given that 'long-term wellbeing for all' serves as the meta-objective of organisational purpose while recognising that trade-offs will be necessary, purpose-driven firms will guard against inadvertently reducing the wellbeing of others in the process of delivering the purpose. In contributing to the ultimate end, organisational purposes either directly improve, e.g. healthcare services, or indirectly advance wellbeing by addressing an issue that underpins it, e.g. helping mitigate climate change, reducing structural inequality or protecting and restoring nature.

In summary, sustainability can be seen as conceptually locked into purpose (as conceptualised in this paper). Purpose serves to align the interests of society, business, nature and the individual's desire for meaning in a way that other operational business sustainability concepts have so far failed to do. This provides the foundation for the accelerated innovation needed to reverse unsustainability, but this will only be achieved through a considerate approach to defining and delivering the purpose.

Figure 2: Purpose and sustainability³³



To be sure of delivering the ultimate means, purpose-led companies and ESV-based companies alike need to undertake a robust^{iv} materiality assessment. As well as focusing on how stakeholders instrumentally affect the business in question, such an assessment must also consider if and how the business in turn affects these stakeholders and their wellbeing and how the relationship changes over time. To ensure the findings of an assessment of this kind drive strategy, they will become the subject of strategic targets. In addition, steps may be taken to embed stakeholder views^v into the organisation's strategy-making process in a way that is meaningful and dynamic. It may well be appropriate to adopt a 'protection floor' objective for each of the resources or means underpinning wellbeing for all. This should be accompanied by an associated implementation strategy. In this way, how a company pursues its purpose should avoid contravening its meta-goal of delivering shared purpose.

^{iv} Standard materiality assessments may not adequately capture the organisation's evolving relationship with its stakeholders, i.e. its impact and dependencies, given the degree of change. Especially where the executives interpreting and acting on it lack sufficient understanding or expertise; such an assessment may prioritise strategies and actions that are short-term and confined to the remit of sustainability teams.

^v For examples of how this can be implemented, see CISL's guide highlighted in Box 2, Leading with a sustainable purpose: Leaders' insights for the development, alignment and integration of a sustainable corporate purpose.

3. Becoming a purpose driven organisation: key steps

Many leading companies talk about purpose as a journey.⁸ This journey towards becoming a purpose-driven organisation is understood to comprise multiple successive phases. Based on an assessment of the relevant literature, we identify the following components and junctures of a company's purpose journey as the most important.

3.1 The purpose statement of intent

The starting point for a purpose-driven company is often its purpose statement. The function of this statement is to provide up-front clarity as to the wellbeing value that a company wishes to create and/or the wellbeing problem that it wishes to solve. In this regard, the statement captures the central **intent** that governs all future decision-making. As Collins and Porras note: "A statement of purpose should quickly and clearly convey how the organization fills basic human needs. A good purpose statement is broad, fundamental, inspirational, and enduring".⁴ A company may sometimes see fit to amplify its statement with an explanatory description of its core intent. This longer document can, in turn, be tailored to different lengths and levels of specificity for different audiences, as appropriate.

Box 1. Determining the scope of the organisational purpose

The following set of questions provide an organisation with an initial steer for determining the scope of its purpose:

What: What meaningful wellbeing threat and/or opportunity are you trying to resolve and/or ensure? Is this sufficiently ambitious given the threats and/or opportunities to wellbeing that exist?

Related sub-questions include: What fundamental needs are we filling? What would the world lose if our company ceased to exist? Why do we want to dedicate our precious creative energies to this company's efforts? Collin's and Porras⁴ note that 'Big Hairy Audacious Goals' (BHAG) that encompass impacts that are almost unimaginable can be highly motivating and drive transformative innovation (e.g. "solve cancer", "make sustainable living commonplace"). Given the substantial threats to long-term wellbeing for all it is likely that a purpose will ultimately anchor to a profound ambition, even if the contribution the company can make is only partial or through collaboration.

Who: Who are you trying to benefit? Which stakeholders are you focusing on?

By when: What timeframes are you working to? Does your focal outcome extend in perpetuity (e.g. conserving biodiversity), or can it be permanently delivered in the short or medium-term (e.g. adapting infrastructure in light of climate change)?

Scope: Do any of the above responses extend beyond the subject of your purpose ("statement") to the delivery of that purpose (i.e. strategy)? The answer here will help determine the breadth of your purpose: too broad, and it will lack the benefits of clarity (see 2.1); too narrow and it will lack the flexibility to adapt to changing, dynamic operating contexts and thus endure over time.

A purpose is deeply personal to a firm and should be an expression of a company's core identity. Identities are built via a conversation between an entity and the society on which they exist³⁴. Hence both an 'inside out' and 'outside in' approach to defining the purpose is required.³⁸

A core first step in defining a purpose is assessing and understanding two critical aspects of the worldview that prevails within an organisation, underpinning the company's stated values and specified purpose. Worldviews are also the foundation of culture, which will be explored in detail in the third paper of this series. The two aspects of worldviews comprise:

1. What does the organisation see as valuable to protect, enhance, or avoid? This underpins an organisation's stated values, which are usually specified cultural behaviours of value, both lived and desired³⁵). For example, underpinning the interpersonal values such as 'respecting diversity' or 'treating people and nature with kindness' are assumptions that it is valuable, i.e. to live in a world where people of all backgrounds are included, and people are kind to others. Values can also be about what are deemed valuable ways of working, e.g. 'fail fast' or 'innovate', based on assumptions about what is success and what will drive that. Often values are very similar across companies because they tend to anchor off the shared moral landscape of what is deemed 'good' or 'useful' cultural behaviours. As well as underpinning values, organisational views about what is valuable are also critical for defining the purpose – a purpose is the highest-level expression about what is valuable for the organisation to create or protect.
2. An organisation's position regarding topical beliefs about how the world works and hence how best to protect or enhance what it deems valuable. Here, an organisation must consider what trends and events are impacting the issues that it values. Do these merit intervention, for example? And what use might these issues hold for the organisation?

A full and honest appraisal of these core values and beliefs, which together make up 'worldviews' and how relevant they are to society and important stakeholders, can then be translated into an organisation's stated purpose. For example, the Covid-19 pandemic may have helped a company become more conscious of an underlying shared view within the organisation that social justice and health for all are held as very valuable and a shared belief that these are more fragile than previously thought. Similarly, it may have served to clarify a pre-existing awareness of, and sensitivity towards, the unhealthy disruption that humans are having on nature (as highlighted by the coverage on the relationship between the spread of zoonotic diseases and the destruction of natural habitats³⁶³⁷). Such insights, in turn, may well prompt a company to question its purpose afresh or consider anew how its purpose is being delivered. Such investigations into the meta-purpose of 'long-term wellbeing for all' (sustainability), and the threats facing this meta-purpose, are essential to making a company's articulation of its purpose both legitimate and meaningful. This societal needs assessment and active engagement with stakeholders, are core when defining a purpose to ensure deep reflection that the worldviews the organisation holds are relevant to society and the evidenced threats to wellbeing. Without anchoring worldviews to the moral landscape and evidence base, not only will the purpose jeopardise legitimacy and meaningfulness, but the purpose then risks becoming the pet ideological project of a few powerful managers. This has been used as a core reason for the rise of values-neutral business-as-usual (see 'Unleashing the sustainable business: how the purpose logic can break the hold of business-as-usual and deliver sustainability').

Other central considerations for organisations when drawing up or revisiting their purpose include:

- What internal capacities, resources and systems can support the purpose (strengths) and where gaps exist (weaknesses). Note that this includes evaluating the material resources that the organisation currently depends on and which are under possible threat.
- What 'unstated' purpose is it currently living by (whether stated or not)
- What 'unstated' purpose it would like to live by.
- What purpose it has lived by in the past (its legacy or historical purpose).

Even if these are deeply personal internal questions, they should not be exclusively introspective. When answering such questions, stakeholders (both internal and external) help ‘hold a mirror up’ to aspects of the firm’s identity that management might otherwise miss or be desensitised to. In this regard, it is vital to ensure that the perspectives of the organisation by stakeholders that have a strong relationship with the firm is integrated into this initial, interrogatory phase of purpose-setting. It is not uncommon for companies to face cultural and organisational hurdles when engaging stakeholders and eliciting their true opinions. Utilising external, independent expertise to mediate this process in the role of broker or ‘critical friend’ can often prove highly advantageous.

BOX 2: Leading with Purpose

In 2020 CISL produced a guide to support companies setting out to align and integrate their corporate purpose and strategy to transition to a sustainable economy. Drawing on insights and lessons from DSM, IKEA, Interface and Unilever, the report put forward ten principles, each supported by several applied practices that practitioners can use to inject sustainability into their corporate purpose.

Align organisational purpose, strategy and sustainability	Internal integration	External engagement
<ul style="list-style-type: none"> • Take an ‘outside-in’ view that engages external stakeholders • Take an ‘inside-out’ view that engages employees • Engage the Board to align purpose and strategy and broaden ownership 	<ul style="list-style-type: none"> • Integrate the purpose into strategies and objective-setting • Align rewards and incentives • Integrate the purpose into core business practices • Build the capacity and capability of employees 	<ul style="list-style-type: none"> • Select and build external partnerships and advocacy • Integrate the purpose into metrics and external disclosure • Integrate the purpose into corporate positioning and communications strategy

Adapted from CISL, (2020, November). Leading with a sustainable purpose: Leaders’ insights for the development, alignment and integration of a sustainable corporate purpose.³⁸

3.2 Pre-purpose statement phase

An organisation that does not understand itself well, is not aligned with society’s worldviews and is not consistent with the evidence in the problem it seeks to solve, or an organisation with only distant relationships with its stakeholders will struggle to arrive at a meaningful, ambitious and relevant purpose. For many companies, a pre-purpose formulation stage may be necessary to ensure these foundations are in place. Leading purpose-driven firms consistently describe purpose as a long and important journey.¹⁶ It is better to take the time to do it well or risk eroding trust and goodwill, as well as the possibility to go on a purpose-driven journey when the company is truly ready for it. Developing long-term thinking that incorporates the resource the company depends upon (ultimate means) into its values and decisions, as for example ESV companies do (see first paper), may be a fruitful first phase for an organisation.

3.3 Intent maturity: Bringing people on board

As a public declaration, a company's release^{vi} of its purpose statement marks a landmark step in its purpose journey. However, a substantial difference exists between agreeing and publishing a purpose statement, on the one hand, and attaining purpose intent maturity, on the other. Intent maturity is gained when a large majority of internal stakeholders understand an organisation's stated purpose, concur that the organisation genuinely exists to fulfil this purpose, and believes that sincere efforts are being made to embody this purpose in practice. If the worldviews that underpin the purpose (as described above) are only weakly held by internal and external stakeholders, then a carefully planned realignment of these stakeholders is required. In the literature on organisational strategy, this process within values-based companies is referred to as 'indoctrination'³⁹.

3.4 Realised intent: Aligning the organisational system to the purpose

Just as there is a world of difference between the purpose statement and intent maturity, a significant distinction also exists between intent maturity and realised intent. This refers to the point where purpose is not simply desired by an organisation's actors but is also displayed in all aspects of its culture – its *cultural hardware* such as systems, processes, structures, materials, investments, artefacts and all strategic decisions, and its *cultural software*, such as assumptions, practices and behaviours. The cultural system is discussed in detail in the next paper in the series.

As outlined previously, purpose is based on very different ideas about what is valuable and how to deliver it from those underpinning business-as-usual models. The existing culture will have been optimised for delivering profit maximisation. For the hardware and software and organisation to be optimised for delivering wellbeing outcomes instead, it is highly probable that a substantial modification, if not a complete transformation of its organisational system, will be required.^{vii} The literature refers to this process of reform and reorganisation as 'radical change'⁴⁰, 'large-scale change'⁴¹, 'organisational transformation'⁴² and 'paradigmatic institutional change'⁴³ among other terms.

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The level of change represents a significant management challenge, especially for incumbent organisations with long-standing legacies. In large part, this is due to organisational inertia⁴⁴ that arises over time from

^{vi} Some organisations choose to carry out a *soft launch* of their purpose to road test it with key audiences. This can help ensure its resonance with internal and external stakeholders while also providing space for modifications should these be required. Depending on where companies find themselves on their purpose journey from intent to practice, a period of delay between setting a purpose statement and making that statement public may be deemed appropriate. Such a delay allows a company the opportunity to embed its purpose intent through all levels of its organisation and, as with a soft launch, make amendments as necessary.

^{vii} Four different levels of organisational change have been identified: fine-tuning, incremental adjustment, modular transformation, and corporate transformation (Dunphy, D., & Stace, D. (1993). The Strategic Management of Corporate Change. Human Relations, 46(8), 905-920. doi:<https://doi.org/10.1177/001872679304600801>)

established habits, identities and cultures, as well as from socio-technical lock-in⁴⁵. Effecting an organisation-wide shift to a purpose-driven model of business therefore requires a realignment of commonplace routines and expectations, many of which exist – and persist – at an unconscious level⁴⁶. Extensive use of proof points can assist in this process of realignment, according to recent research (Hurth et al., 2018). The same study also finds that the use of storytelling to elaborate and reinforce the meaning of an organisation's purpose is a technique often used by leading purpose-driven firms.

3.5 Maintaining the momentum for purpose

The problem of misalignment caused by the legacy of a business-as-usual model extends to stakeholders as well. Stakeholder expectations of a company will most likely be oriented towards the delivery of the organisation's previous central value, i.e. profit maximisation in the case of BAU companies. It can take considerable time to reorientate such expectations following an organisation's shift to a purpose-driven model as each aspect of the stakeholder relationship – most notably concerning the value proposition (value expected to be given and received) – requires reassessment and probably transformation.

As with all change management processes, organisations also face the challenge of effectively juggling two co-existent organisational systems when embarking on a purpose-driven model, namely, the previous system being replaced, and the new system being introduced.

A final challenge facing organisations in their transition to a purpose-driven model is resistance from within the business community more widely. While, as explained previously, the idea of purpose is now very much in the mainstream of management discussions, cultural attachment to 'orthodox' business-as-usual models of business continues to run deep. This is also true for prevailing attitudes towards business in the public and voluntary sectors, and among consumers and the public at large. As dynamic systems, organisations are also subject to a wide range of social, economic, cultural, and other pressures that can stymie the speed and effectiveness with which change processes occur. All these factors can inhibit momentum and even persuade companies to revert to business-as-usual decision-making. This is true even for organisations that evidence mature intent and those with a realised purpose. The best defence against such pressures is for an organisation to maintain a persistent and ongoing approach to the implementation of its purpose.

3.6 Overcoming the gap between purpose intent and realisation

It is tempting for a company to refrain from declaring its purpose-intent and actively engaging its stakeholders because of fears that it will face criticism for not delivering on its purpose intent immediately and therefore be accused of purpose-washing. While many organisations may declare a false intent towards a purpose, which poses a real threat to those who are genuine, such criticisms are unjustified when it concerns a gap between a genuine intent and realisation of that intent.

Companies with a strong purpose intent based on genuine worldviews aligned to delivering on long-term wellbeing for all (sustainability) need to be transparent about it and clearly map out the strategic path for transition, no matter how long or difficult. This is vital because if all companies waited until they had a perfect system before declaring their purpose, they would never become purpose-driven.

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This is because purpose is, in large part, endogenous. Purpose emerges from an organisational transition towards an already declared intent, supported by the pressure and collaboration of stakeholders to deliver against that ambition. Intent prefigures a shift in organisational realities, and therefore it ushers these very realities into being. For this reason, leadership styles associated with purpose-led transformation have been characterised as “courageous and vulnerable”.⁸ This form of leadership is critical to managing the tension between a strong intent and the lag in organisational system change that follows it.

While, with strong leadership and dialogue, stakeholders are likely to support the company on the initial phases of its purpose journey, this goodwill will erode without progressive transparent action that matches, or adjusts, the declared transition path.

4. Key approaches and principles of a purpose-driven organisation

4.1 Purpose and organisational structure

Some have argued that because of the meaningful motivation purpose is driven by, purpose is best achieved by removing an organisation's existing structures and hierarchy, placing them within a less mechanised and more organic structure, or even becoming completely self-organising (Laloux, 2014). Similarly, it has been argued that senior executives should limit their leadership focus to orientating staff and other stakeholders towards the organisation's purpose and allow the wider employee base to define a delivery strategy²⁹.

Both options have their pros and cons. A more mechanistic, rules-based system, for example, offers a high level of assurance that employees are clear on what is expected of them to deliver on an organisation's purpose strategy and allows for efficient adjustment to the behaviours of a firm. A more organic organisational structure, on the other hand, has the advantage of being grounded in a more values-based approach to purpose implementation that benefits from intrinsic motivation towards the purpose. Additionally, it can help develop a sense of shared direction that allows for emergent strategy against a fast-moving operational context (Challagalla et al. 2014).

Purpose-driven companies, as a form of value-driven organisations (Mintzberg, 2003), are potentially, therefore, more likely, but not necessarily assured to, benefit from and embrace emergent strategy-making and flatter hierarchy structures. This, in turn, may be consistent with the likelihood of introducing broader ownership structures for employees, reinforcing the alignment with and ownership of the purpose outcomes by staff. However, research is not developed in this area and there is no evidence that flatter hierarchies and broader ownership is necessary to be a successful purpose-driven firm. Instead, they should be viewed as possibilities arising within organisations that adopt a purpose-driven strategy. Where strong internal alignment and ownership do emerge, this is likely to optimise employee effort, workforce agility, and strategic decision-making towards the purpose.

4.2 Purpose-driven organisations and marketing

Marketing is the heartbeat of value creation for an organisation. It sits at the nexus between the company and its stakeholders, making sure that the value attained by all parties helps optimise towards the ultimate value that the organisation is trying to generate. This central role is summarised in the latest (2017:1) definition of marketing by the American Marketing Association: "Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large."

Marketing is also a key means by which an organisation exerts long-term influence over society. The power of marketing lies in its profound social, cultural, and psychological influence among consumers at large through the behaviours and values it associates with the different social identities that we all relate to. Marketing's influence on unsustainability is particularly powerful due to the 'symbolic meaning' connections that marketing creates between wellbeing and modes of consumption^{47 48}. Hence, it is critical that an organisation's marketing strategy and practices are fully aligned with its stated purpose and the meta-purpose of long-term wellbeing for all. If not, it is highly unlikely that the organisation in question will accrue the full value it expects from transitioning to a purpose-driven strategy and structure. This is equally true for consumer facing or B2B organisations.

The marketing paradigm in orthodox business-as-usual firms usually takes the form of either ‘make-and-sell’ (aligned with a classical economic view of value creation) or ‘sense-and-respond’ (aligned with a neo-classical ‘marketing concept’ view)^{viii}. In the case of purpose-driven companies, a profoundly different “guide-and-co-create” approach to marketing, and hence value creation, is needed. Here, an organisation’s marketing strategy is characterised by the following features: (1) a commitment to make marketing decisions with wellbeing in mind; (2) a positive acknowledgement of social and cultural leadership; (3) a focus on building deep, co-creative relationships with stakeholders; (4) a long-term and systemic approach to decision-making; (5) a central role for marketing in company decision-making, thus ensuring the adequate representation of stakeholder voices in all value creation decisions; (6) an emphasis on the continuous innovation of new guide-and-co-create metrics to monitor real marketing success⁴⁹.

4.3 How is success measured in a purpose-driven organisation?

Despite market protestations to the contrary, success in business is not a fixed concept. Instead, it is defined company by company according to the value that each organisation seeks to create. A company’s purpose statement represents the base foundation for defining the value that it sets out to achieve and hence against which its success should be judged. Across all companies, success is likely to be most fully realised when there is an organisational system to support it. To do so, a system must be geared towards the delivery of a company’s defined value at every level of its operations – from how it develops and shapes its portfolio of brands through to how it makes strategic and other decisions in individual business functions⁵⁰. In well-run business-as-usual companies and in the minds of their stakeholders, success at all levels is understood almost exclusively to financial measures. Success has therefore become “hyper-financialised”⁵¹. In this respect, the importance that financial measures play in how a company measures its success serves as a strong indicator of the degree to which its purpose is defined by profit maximisation.

The previous paper explains in detail the specific assumptions of business-as-usual that underpin the moral and logical case for a financialised view of business success. Hyper-financialization is perfectly aligned with a short-term profit-maximising model. Purpose-driven organisations share a similar single-mindedness, but their orientation is entirely different. For them, success is irresolutely tied to the tangible wellbeing outcomes fixed in their stated purpose. This, along with adhering to their values and other organisational parameters regarding how the purpose is achieved, ultimately defines their success and which they are accountable for (see the final paper focusing on Governance, for an exploration of the governance implications of purpose).

For purpose-driven companies, success is irresolutely tied to the tangible wellbeing outcomes fixed in their stated purpose. This, along with adhering to their values and other organisational parameters regarding how the purpose is achieved, ultimately defines their success and which they are accountable for

Therefore, as with the organisational systems, the business strategy of a purpose-driven organisation needs to delineate a pathway towards the realisation of strategic outcomes considered the best indicators that the purpose will be achieved.

Measuring *the extent to which* an organisation delivers on its purpose requires a specific and tailored set of success indicators. These will differ from the success indicators used to determine *how* an organisation delivers on its purpose⁵². This may include the extent to which this aligns with organisational values or the impact on the ultimate means of social and natural systems and hence the extent to which the wellbeing of non-beneficiary stakeholders was affected. Other examples relate to a company’s ability to deliver on

^{viii} See first paper, section 2.4

explicit obligations that it might have made to particular stakeholders, such as returning dividends to shareholders at a pre-agreed level or improving working conditions in line with voluntary commitments. It is important for a company to understand which indicators are used to measure the purpose outcomes and which indicators are used to measure how these outcomes are delivered. In this way, an organisation's success can be evaluated more accurately, and areas for improvement can be easily identified and promptly addressed.

4.4 How does a purpose-driven organisation view the 'market' and business growth?

For business-as-usual companies, the market represents a space where financial value is captured, and profits are maximised. A purpose-driven company, by contrast, perceives the market as a place where business-led activities give rise to opportunities for wellbeing outcomes to be conceived and delivered. A 'marketplace of wellbeing', in short.

Business growth is often viewed as a negative outcome in the context of sustainability due to the correlation between economic growth and unsustainable resource use (see for example Steffen et al⁵³). Hence, growth of a firm that maximises profits earned at the expense of people and the planet is not desirable. In their quest to maximise profits, BAU companies may try and adjust the market itself: rather than compete by increasing their market share of a specified size that reflects current demand, BAU companies have opted instead to grow the market as a whole through marketing techniques that stimulate demand where this would otherwise not exist. Such tactics grow the market for all players at the expense of more sustainable levels of consumption. Take the hypothetical example of a retailer that seeks to grow demand for jackets. It opts to do so through a marketing campaign that endeavours to persuade consumers to increase the volume and frequency with which they purchase jackets (due to changing styles, different uses, and so forth). In the business literature, this is described as 'category' level growth.

Such an approach to company growth is antithetical to a purpose-driven company. This is not to say that purpose-driven firms do not seek growth. The opposite is true. Such companies routinely talk about how they actively pursue aggressive growth *precisely because* of the purpose – seeking to grow market share in existing markets or enter new ones to take business away from those who aren't purpose-driven.

This is perfectly legitimate in cases where the company is confident that it delivers long-term wellbeing in an optimal manner that exceeds that of other companies in its industry sector ('wellbeing competitors'). Simultaneously, it will be logical for a purpose-driven firm not just to prevent growing the category, but also to shrink the category (one such example was Patagonia's

'Don't Buy This Jacket' campaign). The more mature a company becomes in delivering its purpose, the more its employees, impact investors, and other stakeholders will witness and appreciate the link between growth and optimised wellbeing delivery. This should set in motion a self-enhancing process whereby these two interlinked phenomena – growth and wellbeing – grow in tandem.

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4.5 How does a purpose-driven organisation view profit?

A rejection of profit maximisation as a single-minded priority does not negate the importance of profitability and robust financial sustainability as a vital marker of success in *how* the purpose is delivered. For purpose-driven firms, therefore, financial success is defined as generating the financial resources, such as cash flow, assets and profitability necessary to deliver the organisation's purpose over the longer term. This is true for ongoing liquidity, necessary investments and profits needed to meet the expectations and requirements of certain stakeholders, such as shareholder dividends, employee bonuses and tax contributions.

While most purpose-driven companies report financial success by moving from business-as-usual to purpose (Unilever and the success of its Sustainable Living brands are a case in point), a company's success at delivering its purpose may also be marked by a deliberate strategic *reduction* in its profit margin or overall profits. This is because the creation of excess profits, i.e. more than is necessary to be financially sustainable, represents a red flag for a purpose-driven company that it may be forgoing opportunities to deliver the purpose through its business model. Whereas for a business-as-usual ESV company, excess profits may indicate a lack of investment in future profits, for a purpose-driven company it may primarily indicate that financial value is being transferred from the customer (or other parts of the value chain) to the company in a way that is detrimental to the company's purpose or the intended way in which it is to be delivered (for example not investing in staff or suppliers enough).

A rejection of profit maximisation as a single-minded priority does not negate the importance of profitability and robust financial sustainability as a vital marker of success in how the purpose is delivered

A key question facing purpose-driven companies is how best to distribute profits to optimise the delivery of the purpose in the long term. This can be achieved through stakeholder disbursements, such as employee bonuses, shareholder dividends, or charitable donations, including to a foundation that it sets up. Another option is to make investments in future and ongoing operations, such as IT capacity or new product development, that can optimise the company's purpose.

There are two core risks when it comes to financial management in purpose-driven firms. On the one hand, the company may become too focused on the purpose and lose track of the vital role that profitability plays in its ability to deliver the purpose and, as a result, become financially unsustainable and fail. On the other hand, when a company is on the journey to becoming purpose-driven, a habitual focus on profit generation blocks or obstructs its strategy for maximising its purpose. This risk can materialise despite an organisation's strong commitment to executing its purpose strategy. An illustrative example might be a company's decision to prioritise purpose-driven projects that return high or fast rates of financial capital at the expense of projects that optimise protection of social and environmental systems, e.g. not replacing unsustainable inputs into its manufacturing process with more expensive sustainable inputs.

A persistent focus on profits in a way that skews the decision-making of purpose-minded organisations should not be under-estimated. This is a particular risk given the continued prevalence and persistence of profit-maximising logics in the private sector. This is true for companies with strong purpose commitments, but with a legacy of business-as-usual thinking, for example, long-standing staff or with elements of such thinking still embedded within its external systems, for example through the attitudes of suppliers. Consequently, company leaders need to work hard to create an organisational decision-making system that persistently optimises towards purpose.

4.6 How does a purpose-driven organisation approach corporate accountability, change, innovation and competition?

It may seem natural to assume that purpose-driven companies are more likely to play nice or face less stakeholder scrutiny, which may, in turn, make them less dynamic, accountable and innovative. Because, however, they are driven by and focused on a clear set of goals reflected in a transparent purpose, are less constrained by short term shareholder demands and are accountable to and dependent upon a broad range of stakeholders to deliver their purpose rather than relying on narrow measures of financial performance, mature purpose-driven companies have stronger systems of accountability and greater incentives to innovate and take difficult decisions internally and in the marketplace to succeed. See Box 3 for a detailed discussion.

Box 3 – Business-as-usual backlash against purpose

Following the landmark revised statement on purpose by the US-based Business Roundtable in August 2019, *The Economist* magazine (a renowned champion of business-as-usual thinking) dedicated an issue dedicated to the topic⁵⁴. Faithful to the classical shareholder capitalism of US economic theorist Milton Friedman, an article in the issue declared definitively that “however well-meaning, this new form of collective capitalism will end up doing more harm than good”. At the heart of such a viewpoint lies a particular view of corporate accountability and of company dynamism.

In respect of the first of these themes, the article in question notes that purpose “risks entrenching a class of unaccountable CEOs who lack legitimacy. And it is a threat to long-term prosperity, which is the basic condition for capitalism to succeed.” (Economist, 2019:9). The authors go on to say that the new move to purpose the basic “framework” of capitalist-based prosperity (namely, the maximisation of shareholder value) “is under assault” (ibid).

By connecting the theme of purpose to both managerial and collective capitalism the article presents purpose as a complicit lever, by which the state can increase its power over the actions of private companies – a move that *The Economist* and those that share its shareholder capitalist orthodoxies interpret as injurious to business efficiency.

The first basis of this accountability argument, that purpose is equitable to managerial or collective capitalism (which is akin to stakeholder capitalism) that therefore a relatively small group of managers who decide on social investment priorities in a manner unaccountable to wider society is erroneous. This is because purpose creates clear accountability to a singular, socially aligned and transparent purpose, as outlined by Levillain and Segrestin⁵⁵ (see the first paper for a detailed discussion on how purpose is, or is not, aligned with stakeholder capitalism). Purpose-driven companies are, in fact, able to make and justify hard choices in the pursuit of long-term wellbeing for all. In contrast, companies beholden to business-as-usual have shown themselves to be often incapable of making choices that harm short-term profits.

Further, done well, purpose locks-in a robust system of stakeholder accountability to wellbeing outcomes, through the nature of the purpose and the stakeholder approach to delivery – whereas these outcomes are just assumed to result from the business-as-usual system and there is no accountability currently for them or innate drive for meaningful stakeholder engagement other than the extent to which they help or hinder profit maximisation.

It could be argued that much power is held by individuals who have amassed vast amounts of wealth created through business-as-usual. Consider the Gates Foundation, for instance, which is now the second largest funder of the World Health Organisation (after the US government) or influential investors like Warren Buffet or George Soros, who can single-handedly affect the fortunes of a country via their stock-market decisions (as seen in the East Asian financial crises of 1997).

Individuals who use private wealth generated through business-as-usual activities to finance wellbeing initiatives of their own design will invariably fall below expected standards of accountability. Purpose, however, aligns the organisation with the moral landscape and guards against a lone-wolf syndrome. Furthermore, it builds in accountability mechanisms beyond the inadequate yearly financial statement, adherence to investor focused governance codes, and partial non-financial disclosure.

With regards to the second theme, company dynamism, the general assertion of The Economist article is that purpose will reduce capitalism's capacity for creative destruction because: (1) the purpose-based logic inherent in collective capitalism (as inaccurately equated to purpose in this article) "leans away from change" (Economist, 2019:9) and disinclines its corporate adherents from making important business decisions that may cause harm to one or more of its stakeholders; and (2) purpose-led companies become insulated from scrutiny because of their assumed role in society and thus lack a vital trigger for innovation.

It could be argued that purpose-driven companies are more inclined to innovation and creative destruction than their business-as-usual peers because they seek to tackle the biggest challenges of humanity. Evidence from a range of purpose driven companies indicates that elevated levels of innovation is one of the main consequences of purpose and central to their ongoing market relevancy (for example, DSM's transformation from a national mining company to a global nutrition business). Not only are purpose-led companies driven by a clear set of goals, and are energetically motivated towards them, but their ability to pursue these goals is less constrained by the short-term demands of shareholders (assuming their stakeholder systems are effectively realigned).

Business-as-usual thinking credits competition as the optimum route to corporate accountability on the grounds that it keeps a check on individual self-interest.^{ix} A purpose-led mode of business contests this line of thinking, arguing instead that corporate accountability is best pursued through a robust purpose and related strategy that is created, implemented, and continually evaluated through broad stakeholder participation. In this way, not only are corporate decision-makers held to constant account, but the long-term wellbeing of stakeholders remains at the centre of a company's purpose-led activities.

This rationale holds when considering company dynamism, i.e. a company's desire and ability to change and take decisions against one or more stakeholder priorities on the one hand and its appetite and capacity to innovate on the other. While it may seem natural to assume that purpose-driven companies play nice and have less exposure to criticism and fewer incentives to transform, the opposite may, in fact, be true.

While stakeholder capitalism companies aim to balance the demands of all stakeholders, which can make it difficult to operationalise, purpose-driven companies may take decisions that feasibly harm the interests of certain stakeholders if such decisions benefit the organisation's overall purpose, ie the long-term wellbeing for all. This means that purpose-driven companies are able to pursue specific goals efficiently and effectively.

Business-as-usual companies, on the other hand, are often incapable of upsetting short-term profits – sometimes called corporate myopia⁵⁶⁵⁷ – for the benefit of long-term wellbeing and even for the long-term benefit of shareholders. It follows that because they are less constrained by short-term shareholder demands and their clear set of goals reflected in the purpose, mature purpose-driven companies are more inclined to innovation and creative destruction.

^{ix} As *The Economist* unequivocally states: "Accountability only works if there is competition" (2019 p.9)

For a business-as-usual company, competition marks a threat to its ability to capture financial value. For a purpose-driven one, in contrast, its core competitors comprise those organisations that are better at delivering the wellbeing outcomes that it aspires to through its purpose or those that can deliver the same level of outcomes but more efficiently. Just as for a business-as-usual company, competition is likely to be felt as a threat (motivation for change) that points a purpose-led company towards necessary reforms or changes. A purpose-driven company will use such a threat as a signal that the pursuit of its purpose lacks sufficient innovation or that its internal systems, culture, and people are insufficiently aligned to optimise the cost-effective delivery of its wellbeing goals. Again, this realisation should prompt an organisation to innovate. Here, there is an essential difference between business-as-usual and purpose-led companies: in the former, an inability to outcompete could eventually lead to a change in its business model- but not its purpose, ie profit maximisation. For the latter, on the other hand, the same could generate a change in the scope of its purpose.

Competitors that are also purpose-driven will have a similar shared purpose and are therefore likely to be a source of collaboration. Alternatively, a company may go further and seek to advance its own purpose by merging with or acquiring a close competitor. A challenge for purpose-led companies when assessing their competitors is the current lack of standardised information around wellbeing delivery. This makes benchmarking its own relative performance or accurately assessing that of its competitors difficult. Even with greater standardisation, however, the complexities and variety of different companies' purposes will always prove more challenging than assessing competitors on conventional financial metrics. At the same time, the level of collaboration between organisations within sectors that can be observed with many purpose-driven companies suggests that deeper 'competitive' information may flow in different, less formal ways. A good example in this regard is the decision by carpet manufacturer Interface to share details of its eco-innovations with its competitors as well as its suppliers to accelerate the delivery of its purpose.

4.7 How does a purpose-driven organisation see its relationship with society and with nature?

Purpose-driven companies see themselves as key constituents in social and natural systems, not as separate entities divorced from the social and environmental realities around them. This sense of innate interdependency is critical to the framing of their engagement with, and concern for, the wellbeing needs of the world in which they operate. This same understanding is manifested in the wellbeing and functional requirements of the stakeholder systems on which the design and delivery of their purpose rests. Through constant feedback loops, these same stakeholder systems enhance purpose-led companies' sense of connectedness.

Whilst recognising that some companies will choose a purpose that is focused on the wellbeing of nature and not related to the instrumental role they play in human wellbeing, most purpose-driven companies are anchored in the wellbeing of all society in the longer term. By connecting persistently and transparently to long-term wellbeing for all of society, companies are able to: (1) collaborate in highly innovative ways with other purpose-driven firms, thus bringing scale to their shared purpose; and (2) avoid the risk of senior managers pursuing subjective interests or being influenced by cronyism when determining a purpose for their organisation or designing a strategy for its delivery.

With respect to nature as a means to human wellbeing, purpose-driven organisations are generally well attuned to the symbiotic relationship between business activities, purpose, and the natural world- as mature

ESV companies will be. As active and cognizant members of society, the health benefits, social importance, and economic value of natural resources such as clean water and air are likely to be high on their radar.

Several people are beginning to argue for 'regenerative' leadership and 'regenerative' organisations which emphasise restoring degraded systems and learning from the wisdom of nature in order to enhance business resilience and sustainability^{58, 59}. Such models emphasise the value of restorative business activities (such as the restoration of degraded land through sustainable agriculture practices), as well as the importance of nature-based solutions to issues such as climate change. Because purpose-driven organisations focus on long term systems, a mature purpose-driven company is expected to prioritise the restoration of ecosystems given the growing recognition of their significance to resource security.

4.8 How does a purpose-driven organisation see its relationship with stakeholders?

All stakeholders are important to an organisation as the basis on which an organisation can exist and deliver anything of value in the first place. The level of this importance varies depending on their place within, or influence upon, the organisation's ability to deliver the value it intends, in the way intended.

For purpose-driven organisations, stakeholders (both those the company impacts and those who impact the company) play a number of critical roles. They help the organisation to understand itself and the strategic decisions it should take. They do this in their capacity as external commentators, critical friends, those affected by the purpose and how it is delivered and those who understand the resources the organisation depends on. Hence, engaging a diverse set of stakeholders is vital so that a company understands the subtle yet often significant social, cultural, and behavioural dynamics that underlie their purpose and therefore how they should best devise and deliver strategies to achieve it.

Meaningful and transparent stakeholder engagement is also the key mechanism to avoid issues of managers using the firm to pursue their own ideals, as discussed previously, and therefore undermining the potential of purpose.

4.9 What is the approach to values and ethics in a purpose-driven organisation?

A purpose with a long-term frame should automatically imply a mode of delivery aligned with certain values^x and ethical conduct. By anchoring their purpose to the meta-purpose of 'long-term wellbeing for all', ie to sustainability, companies become accountable for delivering their purpose in a way that is long-term oriented and non-harmful to the wellbeing of others. To do otherwise would be to undermine the ultimate point of the organisation's existence as well as the macroeconomic assumptions upon which purpose theory relies (see the discussion in the first paper).

This goes beyond the instrumental motivation that comes with merely taking a long-term view of business, which is the approach of a mature enlightened shareholder value (ESV) company, in other words, beyond a

^x A value is "a desirable trans-situational goal varying in importance, which serves as a guiding principle in the life of a person or other social entity" (Schwartz, 1992:21). Schwartz, S. H. (1992). Universals in the Content and Structure of Values: Theoretical Advances and Empirical Tests in 20 Countries. *Advances in Experimental Social Psychology* *Advances in Experimental Social Psychology* Volume 25, 1-65. doi:10.1016/s0065-2601(08)60281-6

motivation to take care of stakeholders and the environment merely because it serves the firm's specific purpose in the long run.

Because of this inbuilt attention to how the purpose is delivered, companies that are purpose-driven will proactively govern and manage their cultural behaviours so that they align with the purpose. Hence, they are more likely to have values statements and codes of conduct that delineate their responsibilities in specific terms. These would clearly inform all members of the organisation what behaviours are expected of them. This explicit direction would be both aspirational in terms of spelling out ideal behaviours and cautionary in terms of describing undesired behaviours. Additionally, there would be mechanisms for assessing whether these behaviours have been demonstrated. Values and expected ethical behaviour form a central part of the guardrails that help direct how the purpose should be delivered (see first paper, section 3.2.6) so that the firm remains true to a commitment to not profit from doing harm (something that the British Academy's Principles of Purposeful Business endorse). Clarity on their values provides companies with an essential foundation when initially defining their purpose (see section 3.1).

Table 2. Business-as-Usual versus Purpose: core approaches and principles that guide organisational leadership and management

	BAU/CSR	BAU/ESV	PURPOSE
CORE MEASURE OF LEADERSHIP/ ORG SUCCESS	Profits	Profits	Purpose-aligned wellbeing outcomes
INSTRUMENTAL MEASURES OF LEADERSHIP/ORG SUCCESS	Financial health metrics other than profits	Financial health metrics other than profits	Stakeholder system health metrics, including environmental health Profits and other financial health metrics
OVERALL SUCCESS HORIZON	Short-term	Long-term	Long-term
STRATEGIC SUCCESS HORIZON	Short-term	Short-term and Long-term	Short-term and Long-term Timescale for success will be optimised to deliver overall success in the long-term
FORMALISED MARKET	The central domain of value creation	The central domain of value creation	One domain for value creation along with other non-market domains (e.g. philanthropic, non-market collaborations)
MARKET GROWTH	Key and highly cost efficient way to grow profits for shareholders	Key and highly cost efficient way to grow profits for shareholders	Depends on market. Unsustainable markets will be seen as needing to be shrunk (e.g. disposable clothing) and others to grow (e.g. solar panels)
MARKET SHARE	Sign of competitive strategy success of and customer satisfaction	Sign of competitive strategy success of and customer satisfaction	Sign of wellbeing delivery success (direct or in direct)
COMPETITION	Signal to innovate harder and/or change strategy. Source of M&A	Signal to innovate harder and/or change strategy. Source of M&A.	Signal to innovate harder, change strategy and/or change purpose. Source of collaboration. Source of M&A
INNOVATION STRATEGY	Asset-based or based on market research of short-term demand	Asset-based or based on market research of short-term and longer-term demand	Based on co-creation with stakeholders and/or marketing leadership from research regarding ways to achieve long-term wellbeing outcomes whilst transitioning short-term expectations
INCENTIVES	Financial (or financially deductible) rewards and punishments	Financial (or financially deductible) rewards and punishments	Focus on allowing people to pursue the company purpose in autonomous ways and through skills building incentives (e.g. personally determined training) Financial (or financially deductible) rewards and punishments used sparingly and carefully
MARKETING STRATEGY	Primarily viewed as the way in which sales are optimised short-term	Primarily viewed as the way in which sales are optimised short and long term	The means to realign stakeholders to expect and support delivery of the purpose value outcomes

5. Conclusion: unleashing the sustainable business and preparing for transformation

In recent years purpose has entered the mainstream of management discussions with strong signals of endorsement across the business and investment community, as the failure of the business-as-usual logic to deliver equitable, lasting wellbeing and safeguard vital underlying social and environmental natural systems has been exposed. The Covid 19 pandemic has slashed the long-held BAU principle that companies should remain detached from society, made business leaders more conscious about the challenges affecting their stakeholders and accelerated the need to revisit their role and contribution to improve long term wellbeing for all.

Drawing on existing academic literature and practitioner insights, in this second paper of the series, we have sought to provide management-focused responses to critical questions about the nature of purpose-driven organisations; the first steps towards a corporate purpose; how purpose reorients corporate imperatives such as competition, growth, and innovation, and; how it enables a true integration of sustainability into the core of the organisation. In doing so, the paper also provides a high-level frame that business leaders can use to understand and evaluate their current organisational system and the scope of their transformation.

Purpose done well, we argue, operationalises sustainability. It aligns the individual's desire for meaning with the interests of society, business, nature in a way that other operational business sustainability concepts have so far failed to do.

Purpose provides clarity and meaning across the company about what value and for whom it is trying to create. It can genuinely motivate not only employees but also stakeholders to deliver a shared objective- something that has proven extremely difficult when that objective is the maximisation of profits. Because of a meaningful and genuine intent to create wellbeing for others, purpose-driven companies can be transparent about the core motivations they are in business and the challenges to achieve their purpose, building trust with stakeholders, their key delivery partners, at a time when CSR and ESG companies find stakeholders remain sceptical about their intent.

Contrary to the defence laid out by business-as-usual proponents, purpose-driven companies are particularly dynamic and focused on success- defined through tangible wellbeing outcomes fixed in their purpose. They pursue profitability and financial sustainability as a vital marker of success in delivering that purpose. They can pursue growth aggressively precisely because they believe in the importance of that purpose – and so are motivated to take market share or new business away from BAU firms with less positive impact. Whereas BAU companies struggle to take decisions that harm short-term profits, purpose-driven companies can justify and create space to make hard choices toward the greater good of the organisation's overall purpose, in the context of long-term wellbeing for all.

A mature purpose-driven company will be increasingly displaying its purpose in all aspects of organisational culture – its cultural hardware such as systems, processes, structures, materials, investments, artefacts and all strategic decisions, and its cultural software, such as assumptions, practices and behaviours. For most companies, a legacy of business-as-usual thinking means the existing culture will have been optimised for delivering profit maximisation. For the hardware and software, and organisation to be optimised for delivering wellbeing outcomes instead, a transformation of the organisational system is required.

As they guide their company through this, from the initial step of the purpose statement of intent through to its realisation, business leaders will need to acknowledge and explore important questions about what is strategically valuable and how to deliver it. They will need to be masterful and courageous in managing the tensions of the two organisational systems, the business-as-usual one being replaced and the purpose one being introduced .

Companies with a robust and genuine intent to deliver long-term wellbeing cannot and should not wait until they get everything right. They need to, and can, be transparent about their goals and carve a robust plan for the transition to build momentum with employees and stakeholders to deliver their shared purpose.

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