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# Branding and strategic purpose: Relationships are the catalyst for business performance

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ABSTRACT

Organizations are collective human endeavors. Their effectiveness depends on establishing trust-based relationships built on collaborative value creation and exchange. Although we measure the performance of an organization based on its transactions, it is the quality of its relationships that determine its potential for growth and ability to withstand challenges. This article outlines the business case for purpose and the role it plays in strategy, and how it can be authentically operationalized through brands. It argues that the foundation for effective, outcome-oriented relationships is a shared sense of purpose that aligns and defines expectations among the different stakeholders. It identifies how purpose is different for government/not-for-profit organizations versus commercial organizations. For the former, purpose is defined in prosocial terms and has strong ethical foundations that transcend commercial considerations. For the latter, purpose is a more nuanced concept because it is ultimately subordinate to the profit imperative under which every commercial organization operates. Over recent decades, the key drivers of value creation for commercial organizations have shifted from tangible assets to intangible assets. The latter comprise two main types – formally-codified *intellectual property* such as patents, contracts, trade secrets, copyrights, and trademarks; and *relationship-based assets* such brand equity, employee engagement, corporate reputation, and stakeholder goodwill. Both forms of intangible assets are the product of human ingenuity and collaboration. The objective of every organization that depends significantly on human capital is to harness this human ingenuity to pursue market opportunities. Because of this, purpose has frequently been exploited for commercial benefit. The consequence is that purpose now suffers from the same level of skepticism as marketing more broadly, with critics suggesting that both are little more than forms of emotional manipulation. We discuss how this business leaders should use – but not abuse – purpose.

## 1. Introduction

Organizations are collective human endeavors where individuals come together to pursue outcomes that they could not achieve alone. A shared sense of purpose and values provide the “North Star” that aligns and directs the many stakeholders whose direct or indirect contributions are required to achieve the common goal (Handy, 1976; Morgan, 1997; de Geus, 1997; Kramer and Porter, 2011).

Purpose provides a useful lens through which to view the logic for the three major types of organizations (Knowles, 2023). Public sector organizations typically define their purpose in terms of societal well-being – ensuring that public resources are equitably and efficiently used in pursuit of the mandate they have been given (whether to provide education, healthcare, defense, transportation, social services or to collect taxes). Their motivation is to deliver the “commons” – goods and services that form the basis of a desirable civil society and are used by a majority of the population. Their purpose is intrinsically ethical and, if criticisms are made of them, it is generally in respect of the efficiency with which they are operating and/or the degree to which they are “straying from their mission.”

Not-for-profit organizations complement the work of the public sector by focusing on minority interests (such as employment opportunities for marginalized individuals or rare diseases in healthcare) that are overlooked by both the public sector (because of their minority nature) and by the private sector (because there is insufficient profit to be made in serving them). As with public sector organizations, the purpose of not-for-profit organizations is intrinsically ethical in orientation.

Purpose is a more nuanced topic for private sector organizations because their orientation is ultimately commercial. Their primary purpose is to generate financial prosperity by ensuring that resources are allocated to their most productive use. Private sector organizations are

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engines of prosperity and technological advancement, but not necessarily social progress.

This commercial orientation means that private sector organizations do not have an incentive to consider prosocial outcomes unless it increases demand (through attracting customers, employees, partners and investors) or reduces risk (by avoiding regulatory or community opposition). "Doing well" and "doing good" are not intrinsically linked.

This creates the paradox of purpose for private sector organizations. For purpose to be motivating, it needs to be about more than just money (Durand and Huynh, 2024). But unless the purpose serves the company's commercial interests, it will be financially unsustainable.

There are two things that allow the purpose paradox to be resolved:

- First, recognizing that purpose is not a synonym for morality
- Second, recognizing that authenticity is an important component of purpose

Let's consider each of these in turn.

## 2. Purpose is not a synonym for morality

Purpose is a broad concept, whose meaning depends on context.

When we speak about the purpose of an object, we understand this to refer to its function. When we speak about purpose in the context of behavior, it refers to the intentionality of that behavior. But when we speak about a person, we intuitively understand that we are referring to what gives their life meaning (i.e. their "higher purpose") and guides their ethical orientation.

Note that the functional and behavioral meanings of purpose are devoid of moral judgement – they simply provide an indication of the degree to which the object is meeting requirements; or whether a pattern of behavior is designed to achieve a stated outcome.

In our Harvard Business Review article (Knowles et al., 2022), my co-authors and I described how each of these three senses of purpose apply in the in the context of private sector organizations:

- Competence – the functional benefit that is delivered to customers/users
- Culture – the intentional way in which the business is run
- Cause – the social good that the business seeks to promote

Any of the three types can provide a powerful "why" for the organization. A competence-based purpose (such as Netflix's "to entertain the world") expresses a clear value proposition to customers and the employees responsible for delivering it. A culture-based purpose (such as Zappos's "to live and deliver WOW") can create internal alignment and collaboration with key partners. A cause-based purpose (such as Patagonia's "in business to save our home planet") promotes the idea that it is possible to do well by doing good.

In the private sector, truly cause-driven companies are rare (Hajdas and Kłeczek, 2021). Certain companies are fortunate to operate in industries that have a pro-social agenda (healthcare and green energy spring to mind) so pursuing success in these industries gives these companies the veneer of moral motivation. Because the whole category is focused on delivering prosocial progress, there is room for multiple healthcare companies to talk about "breakthrough that change patients' lives" (Pfizer) or "discover and deliver innovative medicines and solutions that address complex health issues and enhance people's lives" (Abbvie).

However, most private sector companies operate in ethically neutral industries where the focus is simply on delivering the products that customers want. Societal progress is orthogonal to the pursuit of profit. In such industries, cause-based purposes that focus on "improving lives" or "saving the planet" provide a potential source of differentiation. There is only space for one clothing company that cares more about the planet than its own profitability. There is only space for one car company that defines its purpose in terms of accelerating the transition to sustainable energy rather than just selling means of transportation. We pay companies to produce things we want to buy, not to focus on public wellbeing.

Companies that can't credibly claim positive externalities or a direct connection to a social cause should accept that satisfying the functional and emotional needs of consumers can be a sufficient foundation on which to build a business. It is OK to have a competence-based purpose. McDonald's is right to define its mission as "to be our customers' favorite place and way to eat and drink" – just as Nordstrom is right to define its purpose as "to give customers the most compelling shopping experience possible." This is not to say that McDonald's shouldn't take steps to enhance the nutritional value of its menu or to improve the environmental footprint of its supply chain. But its motivation for doing so is likely to be commercial – they know that such investments will be good for business in the long term because they reduce the risk of consumer or regulatory blowback.

The key point is that the dynamics of your category will play a major role in determining whether your corporate purpose should be defined in terms of competence, culture or cause. Espousing a cause-based purpose in a category where customer demand is largely focused on functional requirements risks the kind of derision that greeted Hellmann's mayonnaise when it defined its purpose as being to reduce food waste, rather than simply to make food taste good.

The key takeaway is that purpose is a function of strategy for private sector organizations – a deliberate initiative to articulate a "why" that is effective in aligning the stakeholders upon whose support the commercial success of the business depends.

## 3. Authenticity is an important component of purpose

Because people want to feel good about the companies for which they work of from which they buy, there is a clear incentive for companies to claim to be "purpose-driven". However, this only delivers a sustainable benefit if you take concrete steps to pursue your espoused purpose.

Notwithstanding Niccolo Machiavelli's advice in his classic 1513 book "The Prince" that "it is not necessary for a prince to have all the good qualities I have described, but it is very necessary to appear to have them", this is unsound advice for private sector organizations as stakeholders have developed a good sense of who is authentic and who is just "purpose washing".

The competence/culture/cause construct provides a useful framework for analyzing the disconnects that arise in the customer and employee experience:

- The competence-cause gap. This occurs when the connection between the nature of your business and your espoused cause is not intuitively obvious—a danger for even highly successful companies. For instance, a difficulty increasingly facing Facebook and Google is that their advertising-driven business models are at odds with their respective missions "to build community and bring the world closer together" and "to organize the world's information and make it universally accessible and useful".
- The competence-culture gap. This arises when a company is successful at creating value for customers but is less well regarded as an employer, a business partner, or a corporate citizen. Amazon and Walmart have historically enjoyed high levels of customer approval (reflecting their respective commitment to "be Earth's most customer-centric company" and "saving people money so they can live better") while regularly being criticized for their perceived reluctance to recognize workers' rights, and their lack of transparency in the supply chain.
- The culture-cause gap. If your company has a clearly stated, cause-related purpose, yet your employee engagement scores are low, you have a culture-cause disconnect. This suggests a need for greater

focus on culture and behaviors or a reevaluation of your purpose's authenticity as currently defined. That is the challenge the new management at Uber faced in 2018 (Moon and Frei, 2018) and the new executive team at VW faced in 2022 (Smith and McCormick, 2018): how to reinvent a culture that turned a blind eye to toxic behavior (in Uber's case) and illegal behavior (in VW's case).

The key takeaway is that authenticity is the precondition for creating effective relationships. The true test of purpose is whether it is manifested in how the organization behaves.

## 4. Getting serious about purpose

An effective purpose needs to be an authentic statement of how your business improves the quality of life. Notwithstanding the backlash against "woke" business in the US, most business leaders still want to be seen to be running a "good" business, not just a financially successful one. They genuinely aspire to being a business that people want to buy from and work for (Berry et al., 2025).

Despite the temptation to view purpose as the opportunity for a self-promoting statement about "how the world would be worse of if we did not exist" (the starting point of many purpose workshops) and commitment to some worthy cause, most commercial organizations are better served by articulating a purpose that focuses on their competence and culture, and modest about their role in "saving the planet".

Culture-based purpose statements are a great option for companies that provide necessary products and services but cannot credibly describes themselves as agents of positive social change (Holt, 2002). This is especially true when their success derives from high levels of employee engagement and collaboration with both suppliers and distributors. Those stakeholders are primarily interested in what the company is like to work with or for rather than in its aspirations to have a broader impact on society.

Defining your purpose in terms of culture—as operating in a thoughtful, disciplined, ethical manner—is both pragmatic and genuine. Consider Mars, a family-owned CPG company, which in 2019 unveiled its first purpose statement in more than 100 years of operation: "The world we want tomorrow starts with how we do business today." While this expresses aspiration for a better future, its focus is on the "how" of the company's culture—specifically the Five Principles (such as "we base decisions on mutuality of benefit to our stakeholders" and "we harness the power of efficiency to use our resources to maximum effect ") that had actively guided the attitudes and behaviors of all Mars associates since they were first published in 1983.

Contrast that with the initial approach to purpose of their rival Nestlé . In 2014 the company began describing itself as "the world's leading nutrition, health and wellness company"—a descriptor it was forced to retract when commentators observed that nearly three-quarters of its earnings were from snacks and confectionary. The company subsequently retreated to the more believable "Good food, good life."

The key takeaway for business leaders is to focus on how purpose relates to the overall operations of the company, not just to desired position in the eyes of consumers.

### *4.1. The purpose of your purpose*

For any business, defining your purpose is an important business decision that must be rooted in strategy. The objective is to identify the most authentic and motivating basis for alignment among the key stakeholder groups on which the commercial success of your business depends.

Purpose sits at the intersection of four business agendas:

1. For marketing and sales, it plays a role in demand generation
2. For HR, it can attract, engage and retain employees
3. For corporate governance, it can enhance the emphasis placed on sustainable business practices and good governance
4. For strategy and finance, it can guide how resources are allocated, and risks managed.

#### *4.1.1. Marketing and purpose*

There is no more powerful lever on the performance of businesses than changes in the purchase behavior of consumers.

Customers assess the relative appeal of competing offerings based on a combination of three major factors:

- Function – what is the outcome that the product or organization enables?
- Feeling – how does the product/service/organization make me feel?
- Foundation – what are the goals of the organization behind this service?

A key learning from brand management is that the consumer should be the hero of the brand narrative. Successful brands derive their appeal from the sense of empowerment that they generate and the strength of the emotion they create (Park et al., 2016).

Corporations would do well to heed this lesson. They have frequently over-reached in this area by running campaigns that associate their products with social causes that are tangential to the drivers of consumer preference in their category (examples include Gillette suggesting that eliminating toxic masculinity is the basis for choosing a razor; and Pepsi suggesting that considerations of racial justice drive soda preference).

#### *4.1.2. HR and purpose*

Work is an important component of our individual identities, and our choice of employer is significantly shaped by our perception of their reputation and culture. Employees like to feel they are working for a "good" company.

This makes purpose a significant point of leverage for attracting, motivating and retaining employees.

Using data from Fortune magazine's "Best Companies to Work For", Alex Edmans of London Business School has shown that the S is the only one of the ESG factors that provides a consistently reliable source of financial outperformance (Edmans, 2011). The importance of the S is consistent with the conclusion of my Harvard Business Review article that a culture-based purpose is likely to be relevant no matter the sector, while a cause-based purpose may only be relevant in sectors where the pursuit of profit and social good are perceived to be broadly aligned (such as green energy and healthcare).

#### *4.1.3. Corporate governance and purpose*

There is some evidence that companies that have emphasized the importance they place on sustainable business practices are successful in attracting not just like-minded consumers and employees, but also suppliers and distributors (Richardson and O'Higgins, 2019). While it may be a stretch to claim that they attract favorable regulatory treatment, it is true that a reputation for being blind to considerations of social justice – especially ones that involve predatory pricing and privacy violations – may attract the attention of regulators.

When Mylan raised the price of its EpiPen and justified its behavior in terms of shareholder value maximization, the move was widely condemned across the political spectrum as harming vulnerable patients. Lawmakers did not accept that the pursuit of profit maximization was appropriate within the context of providing vital medicine to vulnerable groups. A similar reaction was provoked by Martin Shkreli when he raised the price of the lifesaving antiparasitic medicine, Daraprim (for which he had recently acquired the exclusive manufacturing license), by a factor of 54 times.

### 4.1.4. Finance and purpose

The fourth business agenda to which purpose is relevant is the organization's commercial prospects and long-term sustainability. Investors favor "good" companies that enjoy stable customer demand and low levels of regulatory and other risk.

The financial logic for this is that more than 70 % of the value of most companies is in the cash flows that it will generate more than five years out (Damodaran, 2012). Purpose and brand equity are important components of establishing a durable foundation for the company – and hence an attractive terminal value for the business.

## 5. Purpose, brands and business valuation

Tim Ambler, the CMO of the predecessor company to Diageo and a senior fellow at London Business School, famously described marketing as "the sourcing and harvesting of inward cashflow" (Ambler, 2000). This articulates the key insight that the success of any business relies on attracting customers – a point made by Peter Drucker when he observed that "the purpose of a business is to create a customer" (Drucker, 1954).

The wisdom of these observations has become evident as the proportion of the enterprise value of companies has shifted from tangible assets to intangible assets. The most valuable assets are no longer land and factories, but intellectual property and relationships.

Marketers should think of assets as falling into three main categories:

1. What a company owns - its tangible capital
2. What a company knows its intellectual captial
3. Who it matters to - its relational capital

Only the first form of capital always appears on the balance sheet.

Intellectual property can appear on the balance sheet if acquired from a third party as part of a transaction. Relationship assets will only be accepted as accounting assets when there is a change in the requirement that a resource be legally "owned and controlled" to qualify as an asset for the purposes of financial reporting.

Relationships are, however, real economic assets, because they represent your stakeholders' preference to do business with you – and, as such, an "upstream reservoir of cash flow" (Ambler and Puntoni, 2003).

The relative scale of each form of asset can be observed when companies are acquired and perform a "Purchase Price Allocation" (PPA) exercise. This identifies what proportion of the net transaction price was represented by the different assets acquired.

Type 2 Consulting's analysis of more than 4500 US-based merger transactions over the period 2009 to 2020 shows that tangible assets represented only 29 % of the purchase price; legally-enforceable intellectual property (IP) assets represented 33 %; and "goodwill" (the unaccounted value of the target company's relationships above and beyond its customer lists and trademarks which appear as IP) represented 38 %.

These proportions vary significantly by industry. The chart below shows the proportion of enterprise value that is represented by tangible assets (net working capital plus fixed assets) for 20 industry sectors. Note that this data is for the global economy, not just the US:

Certain industries (such as energy, utilities, steel, mining, and heavy manufacturing) rely heavily on physical assets, while other industries (consumer products, software companies, healthcare, and media companies) have relatively little by way of physical assets but rely heavily on intellectual property and relationship assets. Of the 20 industries shown in Fig. 1, intangible value represents more than 50 % of enterprise value in all but five. This holds true when you look at the industry subgroup level, where 43 of the 58 industries have more than 50 % of value represented by intangibles.

The notion of relationship assets was the subject of the seminal 1998 Journal of Marketing "Market-Based Assets and Shareholder Value: A Framework for Analysis" (Srivastava et al., 1998) that was the first to argue that quality of an organization's relationships with customers and suppliers was critical for understanding the true resource base of a business. The authors argued that the residual value of a business was in direct proportion to the size, loyalty, and quality of its customer base.

The asset perspective appeals to accountants but CEOs and CFOs are much more interested in things that accelerate the speed and scale at which the company converts its invested capital into cash flow. This is why innovation is always a key topic on earnings calls. Innovation is known to influence current earnings (for example, observe how often AI is described as a source of cost savings) and the trajectory of future earnings (for example, the impact of GLP1 drugs, such as Ozempic, on the future demand for snacks and processed foods is expected to reduce the future cash flows of the likes of Kellogg and Kraft Heinz).

While the 1998 Journal of Marketing is mostly remembered for

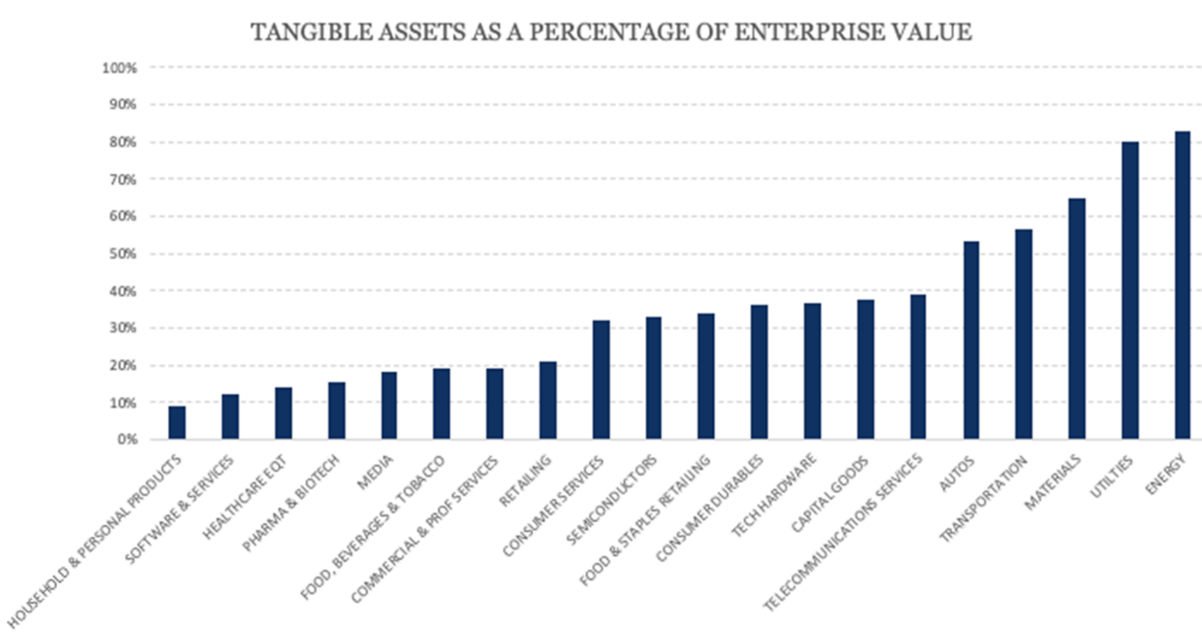


**Fig. 1.** The proportion of enterprise value represented by tangible assets varies greatly across industries.

introducing the concept of "market-based" assets, the authors offered a second perspective on the role that brands play in accelerating, increasing, and sustaining cash flow by attracting more people to buy more often and at higher prices. They argued that brands shifted the profile of the cash flows of the business, thereby magnifying the value of the underlying operating model of the business.

Only a few years after the article was published, I was fortunate to have the chance to opportunity to integrate two data sets that allowed us to measure the symbiotic relationship between the "operations mindset" and the "marketing mindset." By how much did the value of the business increase by exceling on either of these dimensions – or on both?

BrandEconomics was a joint venture between Young & Rubicam, the storied advertising agency and the creator of BAV (the 'BrandAsset Valuator' methodology for measuring brand health), and Stern Stewart, the financial advisory firm and the creator of EVA (the 'Economic Value Added' methodology for measuring financial performance).

By integrating the BAV and EVA data for a large sample of companies, we measured the degree to which the value of a business was a function of the efficiency of its operating model (measured by its EVA performance) and the strength of its customer franchise (measured by its BAV performance).

The results can be summarized in this simple two by two grid in Fig. 2 that shows the relative impact of improvements in operational efficiency versus customer franchise:

The bottom left quadrant contains the companies that performed below average on both dimensions – we indexed their value to sales ratio at 1.0 so we could observe the change in value from moving to the other quadrants.

Companies that strengthened their customer franchise (measured in terms of their BAV brand strength score) but did not improve their operational efficiency only increased their value by 20 % (their value to sales ratio rose to 1.2). This quadrant consists of companies that have developed strong brands but struggle to monetize this brand strength.

Companies that focused on improving their operational efficiency (measured in terms of their EVA margin) nearly doubled their value (their value to sales ratio rose to 1.9). This quadrant consists of "no name" companies that are extremely good at the technical and operational side of their business. The market rewards companies with a proven ability to generate cash flow.

Businesses that managed to improve their performance on both dimensions nearly tripled in value (their value to sales ratio rose to 2.9). This quadrant consists of companies that are both excellent operators and great brand builders.

The single most important insight that comes from this research is that brands act as multipliers of the value of the underlying business.

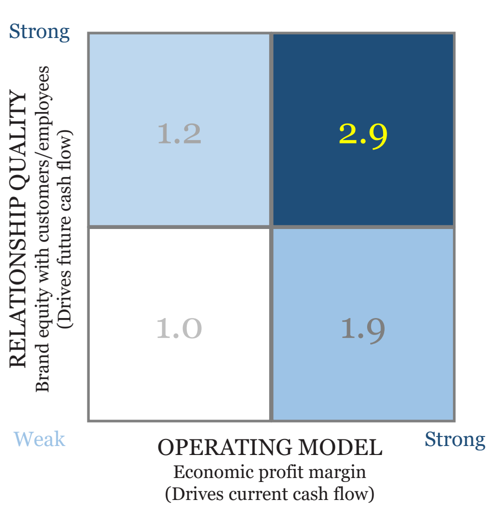


**Fig. 2.** Operating efficiency and relationship quality drive valuation multiples.

Observe how brand strength increases the value multiple of a company with a weak operating model by 20 % (moving it from the 1.0 quadrant to the 1.2 quadrant) but by 50 % for a well-run company (moving it from the 1.9 quadrant to the 2.9 quadrant). Brands are most valuable to companies with strong operating models.

Let's dig deeper into the mechanisms by which brands increase the value of business.

### 5.1. *The six levers of value creation*

The simplest model for valuing a business is the Gordon Growth Model which says that the value of the business with a stable growth rate is equal to its profit divided by its cost of capital minus its growth rate (Gordon, 1959).

This makes intuitive sense – you can increase the value of a business by increasing its profit margin or increasing the rate of growth of its profits or increasing the certainty of those profits (or, as importantly, reducing the risk of them not materializing).

The relative importance of each dimension will depend on the context of the business – growth has the greatest value to companies with high margins (such as many tech and pharma companies) while improvement in profitability is the greatest driver of value for companies in mature and declining industries. The impact of risk on business value is evident from the market's response to earnings "misses" where the value of a business is written down to reflect the lower expectations and/or uncertainty associated with the size of its future profits.

Decomposing these three factors into their component parts reveals that there are six levers that marketers can use to increase the value of business:

- Growth: The combination of the number of customers and their lifetime value
- Profit: The combination of price and cost
- Risk: The combination of earnings stability and "positive surprises"

Let's review these levers in turn:

#### 5.1.1. *Branding increases customer acquisition (growth driver)*

There is a good reason why some CMOs prefer the title of Chief Growth Officer – they are in businesses where the #1 responsibility of marketing is to drive customer acquisition (Keller, 1993). Their key responsibilities are for the promotion and place aspects of the 4Ps to ensure that the company and its products are top of mind and easy to locate in relevant purchase situations (or, as Ehrenberg Bass Institute would say, they enjoy high "mental and physical availability" among target audiences).

#### 5.1.2. *Branding improves customer lifetime value (growth driver)*

Marketers care about relationships, not just transactions. A sustainable business is one that attracts the right customers (those to whom the company offers distinctive value) and who have the potential for high CLV (Customer Lifetime Value) (Reinartz and Kumar, 2003). This exposes the fallacy that underlies "performance marketing" – namely, that the value of every dollar of revenue is equal. It is not – "one off" transactions are worth considerably less that revenue from a customer with whom a recurring revenue relationship can be established.

#### 5.1.3. *Branding improves pricing power (profit driver)*

Customers buy based on value. And value for the customer is based on the ratio between the benefits that a product or service is perceived to offer and the price that the customer is being asked to pay. The single most powerful measure of brand equity is whether the customer views the brand as "worth paying for" and/or "offers good value for money" (this can be measured either qualitatively via survey or quantitatively via price elasticity research) (Rust et al., 2004).

*5.1.4. Branding delivers cost efficiencies (profit driver)*

This is a harder financial argument for marketers to prove, because it involves the value that results from the business being aligned around a clear and compelling brand positioning. The impact of this alignment is seen externally (the same media spend produces higher sales response; the business achieves higher overall awareness and social engagement) and internally (employee hiring and retention is improved; suppliers seem more eager to work with the business) – all indicators of being a recognizable and respected brand.

*5.1.5. Branding improves earnings stability (risk mitigator)*

Warren Buffett is famous for his ability to identify companies with economic "moats" – sources of competitive advantage that mean that their earnings stay stronger for longer. The more that a brand can rely on being consistently chosen by its target audience, the higher the predictability of its revenues and the stability of its earnings (Simon and Sullivan, 1993). Achieving this relies on a specific type of creativity – the ability to keep a brand feeling fresh, relevant and attractive to its existing audiences and new customers. It is why ideas like "priceless" (Mastercard) and "there is a glass and a half in everyone" (Cadbury) are so valuable – with fresh executions, the ideas never lose their appeal.

*5.1.6. Branding creates "positive surprises" (risk mitigator)*

There is a second form of marketing creativity that is associated with positive earnings surprises. This is the "disruptive" form of creativity that aims to change the way in which a category is perceived so that the brand in question is perceived to offer new and distinctive value (see pricing power above; also customer acquisition). This is the strategy used by Chobani, Red Bull, and Salesforce to change how we think about specific categories.

The relationship of these six levers to revenue and profit generation, and then to valuation, is illustrated in Fig. 3:

*5.2. Defining your purpose and how it is expressed through brands*

We have reviewed how purpose – operationalized through well-defined brands at the corporate and products levels – aligns and engages key stakeholders. We have explored the four business agendas to which purpose is relevant – demand generation; employee engagement; governance and sustainability; strategy and business value. We have also reviewed the evidence for the scale of the business value that can be unlocked through effective work on purpose and how this is expressed through brands at both the corporate and brand levels.

Let's now consider the process by which purpose can be defined and operationalized.

*5.2.1. Step 1 – Assemble the team*

Because purpose is relevant to such a broad set of business agendas, it is important that the process of developing a purpose should include representatives of the key constituencies to which the purpose is relevant. Each constituency is likely to have strong opinions about how purpose can be leveraged for maximal impact on its own agenda.

*5.2.2. Step 2 – Keep the aperture broad*

There are two techniques for keeping the aperture broad:

- Using the competence/culture/cause framework as the starting point
- Distinguishing between brand and reputation

*5.2.2.1. Competence/culture/cause.* By obliging each constituency to consider how its agenda might be served by a focus on each of these three possible foundations for the corporate "why", the tendency towards the expression of a narrowly instrumental version of the corporate purpose can be averted.

This approach recognizes that each type of purpose has inherent advantages. A competence-focused purpose articulates a clear value proposition to both customers and employees (Vargo and Lusch, 2004). A culture-focused purpose creates internal alignment and appeal to business partners. A cause-focused purpose galvanizes multiple stakeholder groups around the societal benefit that the company seeks to deliver.

A useful exercise is to generate a version of each of the three types of purposes for each of the key stakeholders (e.g. customers, suppliers, partners, employees, communities, shareholders). What would a competence-based purpose focused on communities? Or a cause-based purpose focused on shareholders?

*5.2.2.2. Brand vs. reputation.* The second technique for focusing the purpose discussion is to use the distinction between brand and

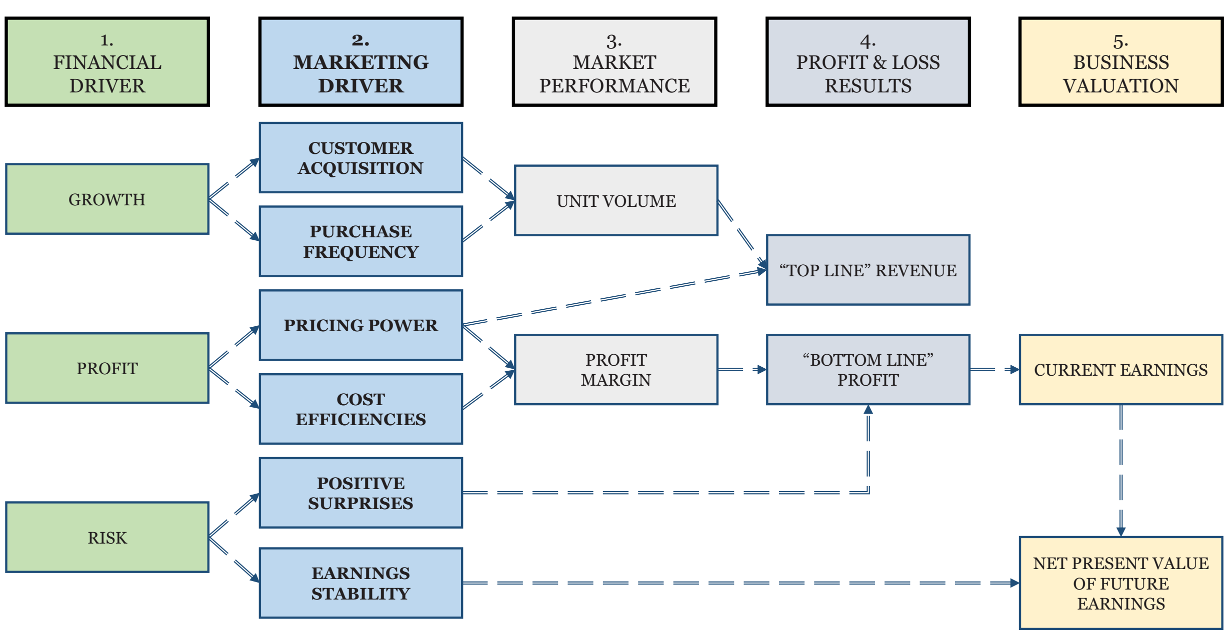


**Fig. 3.** Marketing enhances business value in six ways.

reputation to clarify the role that purpose plays in corporate strategy.

The brand/reputation distinction focuses on the direct/indirect ways in which different audiences impact the performance and valuation of the business. The goal of a brand is to promote a direct commercial relationship with the company (typically as a purchaser of its products; but also potentially as an employee). Brand is a customer-centric construct with the objective of increasing customers' propensity to *buy*.

By contrast, reputation aims to achieve *buy-in*. Reputation is about increasing the perceived social legitimacy of the business in the eyes of those stakeholders who have an indirect influence on the success of the business (such as communities, regulators, and potential business partners). Reputation does not directly drive revenue, but it determines the discount rate at which the earnings of the business should be discounted.

These two techniques ensure that the working team can identify how the corporate purpose should be expressed in a way that creates an umbrella under which compelling brand promises can be made. By their nature, these may be more biased towards "buy" rather than "buy in" and targeted at consumers rather than the broader set of stakeholders.

The goal of this step is to explore the full range of options that the company faces in terms of articulating how its purpose relates to its strategy, and to the positioning of its brands.

#### *5.2.3. Step 3 – link purpose to strategy*

The third step in the process is to view all these possible ideas for purpose through the lens of the factors that will have the greatest impact on the success of the business over the next decade. Is talent acquisition and retention the key business driver? Or is product innovation? international expansion?

The point is to develop a clear sense of the business objective that your purpose supports. With which audiences and in what way does your firm's purpose need to "move the needle" in terms of enhancing the fit to purpose of your business (the relevance and sustainability of the company's value proposition to customers and other stakeholders) and strengthen its relative advantage (its perceived distinctiveness and vulnerability to substitution)? For example, Unilever defines its corporate purpose as "to make sustainable living commonplace" and this creates a broad umbrella under which its core product brands (such as Dove, Vaseline, Lipton, Seventh Generation and Ben & Jerry's) can define their own purpose statements relating to the functional, environmental or social aspects of sustainability most relevant to the consumers of that product category.

This process typically results in a shortlist of three to five key ideas for how your purpose might be defined in a way that aligns directly with the strategy of the business.

#### *5.2.4. Step 4: transcend siloed thinking*

At this point, the working team needs to recognize that purpose cannot be authentic if it is only motivated by self-interest and opportunism. The next step is to find an idea that acknowledges but transcends the vested interest of each constituency.

The following questions can be a helpful guide to reaching a consensus on the most effective definition of the company's purpose.

- Is the usefulness of what we provide so self-evident that this is all we need to say? If so, then a competence-based approach such as "saving people money so they can live better" (Walmart) could be the best fit.
- Does the nature of our business make it credible for us to assert that "we are in the business to do good?" If the focus of your business is making consumer technology, then "bringing the best user experience to customers through innovative hardware, computer software, and services" (Apple) might be.
- Does the behavior of our leadership make it credible for us to assert that "we are in the business to make the world a better place" even if that is not the core focus of our business? An activist CEO can project a halo onto what is otherwise a rather mundane business. Salesforce CEO Mark Benioff's public activism on social issues has undoubtedly given credence to Salesforce's elevated claim that their CRM services are intended to "unify people to help business and communities pursue their loftiest goal". Yvon Chouinard's values and leadership are what makes it credible for the clothing company Patagonia to say that it is "in business to save our home planet".
- Are we successful in delivering value to customers while also being an attractive employer, partner, and corporate citizen? If so, then a culture-based purpose might be the best fit. Zachry Group (a provider of engineering, procurement and construction services) focuses their purpose on how they want to be in the world ("a principle-based enterprise that combines the best in people and technology to create a special business experience, seeking always to make a difference") rather than what they do (design and build industrial facilities).
- Does the way we choose to do business create value for society in ways that are not the norm in our industry? Companies that make their IP open source (as Allbirds did with the technology for creating shoe soles that required no hydrocarbons) or that offer "you buy one, we donate one" (such as Warby Parker) enjoy significant credibility in positioning themselves as "leading the way for socially conscious business".

These questions help clarify what ideas are best expressed at the corporate level and what ideas live at the product level. For example, some companies with strong cause-based purposes eschew using this as the focus of their advertising because it risks of trivializing or hyping something central and sacred to the organization. Starbucks defines its purpose as "to inspire and nurture the human spirit – one person, one cup and one neighborhood at a time," but their advertising largely focuses on the quality and novelty of their products. Likewise, JetBlue's advertising largely focuses on what drives ticket sales rather than their corporate purpose "to inspire humanity – both in the air and on the ground."

#### *5.2.5. Step 5: embed purpose in behavior*

The final step of the process is without doubt the hardest – as anyone who has been involved in any form of change management will attest. This is where new modes of behavior that bring the purpose to life need to be modeled by senior leaders and reflected in performance reviews and promotions, recruitment business decisions and the culture more broadly.

It is important to recognize that the only people who experience purpose as a "top down" phenomenon are the executive leadership. By contrast, the experience of most customers, employees, partners, and other stakeholders is from the "bottom up" - meaning that they experience the company through their interactions with the products and services, employees, physical locations, and communications.

From a "top down" perspective, it seems logical to begin an exploration of corporate purpose with the question "how would the world be worse off if we did not exist?". But from a "bottom up" perspective, it is more important that corporate purpose increases the sense of authenticity, coherence and engagement derived from the day-to-day experience of consumers, customers, employees, partners and the communities in which the business operates.

This way purpose will serve its intended purpose of engaging and aligning a broad set of stakeholders, creating a set of expectations about the behavior of the company that can serve as the basis for high-trust relationships.

## 6. Conclusion

Appreciation for the human dimensions of business tends to be cyclical. The dehumanizing impact of "time and motion" studies (Taylor, 1911) prompted the Hawthorne experiment to investigate the important interaction between workplace satisfaction and productivity (Mayo, 1933). After decades when mechanization and standardization ruled supreme, the role of technology in creating "knowledge workers" saw a spike in popularity for the concepts of vision, mission, and values throughout the 1980s and into the 1990s. The advent of the consumer internet then swung the balance back in favor of automation. Perhaps in response to the dehumanizing effect of technology, the 2020 s have seen a spike in popularity for the concept of purpose – but a reaction against some of its more "woke" expressions.

So long as organizations are collaborative human endeavors, purpose (or whatever new guise it takes on) will remain a powerful element of strategy because of its ability to align and motivate people in pursuit of a shared goal. But we can also be certain that this power will often be exploited for narrow commercial benefit. The 2020 s saw claims by a company whose business was renting office space that its purpose was "to elevate the world's consciousness" (WeWork) and a tobacco company proclaiming that it is in the business of making "a better tomorrow" (BAT). These examples echo the experience of a previous generation of business leaders with vision and values (the 1980s version of purpose) when some of the companies that touted "integrity" as one of their core values included Enron, Arthur Andersen and WorldCom.

These abuses should not dissuade business leaders from addressing how purpose relates to corporate strategy, and to the effective positioning of their brands. Purpose is a powerful strategic tool because it speaks to four separate business agendas – how attract and retain customers; how to attract and engage employees; how to reinforce the social legitimacy of the business; and how to improve the strategic and risk profile of the business. Purpose provides an appealing, coherent, and compelling narrative for the organization, imbuing its brands with a sense of meaning that transcends their functionality.

## Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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