PUTTING PURPOSE INTO PRACTICE

30 October 2014

This booklet gives an overview of the presentations and discussions that took place at a conference held in October 2014.

For more information on a Blueprint for Better Business and on the content of the Conference, to include videos of the sessions, visit www.blueprintforbusiness.org/
OVERVIEW OF THE DAY

Welcome
Charles Wookey, Acting CEO, Blueprint Trust & Loughlin Hickey, Trustee, Blueprint Trust

Why Purpose Matters
Sir Mike Rake, President of the CBI, introduced by Cardinal Vincent Nichols

The future of Purpose Driven Business
John Kay, academic and commentator

Can Purpose be Measured? - An Investor Panel
Saker Nusseibeh & Louise Dudley, Hermes Investment Management
James Macpherson, BlackRock
Andy Howard, Didas Research
John Kay
Ben Andradi (panel chair)

The Challenges of Putting Purpose into Practice - A Business Panel
Andrew Dunnett, Vodafone
Julia Rebholz, Centrica
Alex Rees, Rugs of Petworth
Paul Feeney, Old Mutual Wealth

Partnering with Critical Friends
Louise James, Accenture

Looking back - Looking forward
Paul Polman, Unilever in conversation with Prof. Rebecca Henderson, Harvard Business School

The conference was chaired by Jon Snow from Channel 4 News, and Christophe Stourton.
Charles and Loughlin gave an overview of what a Blueprint for Better Business is seeking to achieve, the work it has been doing and the answers to some of the most commonly asked questions they get when discussing Blueprint.

**HOW INDEPENDENT IS BLUEPRINT?** We have established a charity, the Blueprint Trust which is independent of business and inclusive of wider society. We are funded from charitable foundations rather than from membership fees or fees for services. Our constitution requires an Advisory Council drawn from business and wider society. The body of learning from which Blueprint draws much of its inspiration and from which our Framework to Guide decision Making and Five Principles of a Purpose Driven Business is drawn, is from sources beyond business, including philosophy and faith teachings, supported by evidence from social sciences, including behavioral economics, positive psychology and neuro-science.

**HOW DOES IT FIT WITH MY EXISTING PROGRAMMES?** Blueprint provides a ‘society lens’: an independent, external challenge; a positive force from outside to help company leaders go on the journey. A company must own its own purpose and language. Blueprint helps to challenge, coach and connect.

**MANY ORGANISATIONS TALK ABOUT RESPONSIBLE BUSINESS - WHAT IS SO DIFFERENT ABOUT BLUEPRINT?** We work in collaboration with other organizations and initiatives that focus on responsible behaviour and responsible business. The Blueprint focus in on the WHY - why business exists and why people contribute their talent, skills and innovation - and so provide an overarching narrative for other initiatives that focus more on the HOW.

**WHAT ‘TEETH’ DO YOU HAVE?**
We are deliberately NOT a compliance organisation. We ask business to make a public commitment to the Blueprint Principles to the people (within and outside the business) that they rely on to be sustainable. They are accountable to them and a commitment to public scrutiny and dialogue is a key commitment. The Blueprint does have the power to comment and also to withdraw the use of its intellectual property.
WHY PURPOSE MATTERS

Cardinal Vincent Nichols introduced Sir Mike Rake. He referred to a dinner he had attended with chairmen from large businesses where one chairman had said - what we need is something of the leadership shown by Pope Francis “we need to get out there and wash a few feet” the Cardinal continued “…gestures are fine and symbols are powerful but they need to be connected to a deeper sense of purpose”

Sir Mike acknowledged that the question of purpose can be met with a barrage of cynicism, but purpose has to be thought about. “Purpose is important because it brings together a road map for long term sustainable” engaging employees, supply chains etc. It is about delivering for society and gaining political acceptability and - if we do the right thing for society we will inevitably do the right thing for shareholders.

He referred to surveys which showed that only 53% believe business is good for society and only 32% believe business is ethical. The recession and various business scandals have affected trust in business and other institutions - the bigger the institutions the less trust. This has led to unattractive social consequences such as xenophobia - more based on emotion than fact.

He explained that everyone, and not just business, needs to engage, that is why the CBI has launched its ‘Great Business Debate’ and why he is supportive of Blueprint for Better Business. He believes it can make a real difference over time but it will take time - it will take years. It is important to recognise what business does do that is good for society but also to recognise what business needs to do to restore trust - and we need to look at actions beyond words. It is critical that the economic recovery is for everyone - too many jobs created are low paid. “Business wants what unions want - well paid consumers who can buy our goods.... we believe in long term sustainable growth in earnings - why wouldn’t we? “

Businesses have to engage, listen & learn how to become relevant and credible. We have to be credible with the public and to do this we need to treat people fairly. And we all need to do this. Then, we will create a society that respects business. Business must be a force for good because in many ways business is society.
“Profit is no more the purpose of business than breathing is the purpose of life”.

John Kay discussed the different views on the purpose of business from the perspective of lawyers, economists, management consultants, anthropologists, linguistic and moral philosophers and environmental scientists. He began by dispelling the myth that a business’s purpose is to make money for shareholders. “I think it is quite important to note that the law does not state that the purpose of business is to make money for shareholders.” instead, he said, the duty of directors is to promote the success of the company.

On the question of transparency he said “transparency is not so much the vehicle to trust as the demand for transparency is an indication of the absence of trust.”

He looked at the different ways we could view a ‘firm’ to include the business journalists view of businesses as centred around a ‘heroic individual’. He felt that the fact that some people “regard being chief executive of a business as a prize rather than a responsibility” encapsulates what has gone wrong with business over the last few decades.

He explained that, though an economist, he had come to realise that business does not maximise profit - in fact, it does not maximise anything. Firms are complex organisations which respond to the interactions between the people that comprise them. He discussed the concept of ‘corporate personality’ - asserting that successful firms have characteristics - they are not just a ‘nexus of contracts’. A successful firm adds value because it is a more than the sum of its parts. A firm is a construct that has Purpose not in terms of maximising profit or anything else, but of balancing its objectives and goals with its obligations to its employees, suppliers, customers and society as a whole.

Finally in response to the rhetorical question of why a business should be allowed to exist in society he concluded that the only way that business can actually justify its existence “…is because of the services they deliver to consumers and employees and to society in general.”
The panel discussed the results of an exercise looking at whether it is possible to use publicly available information to assess companies’ alignment to the Blueprint for Better Business Principles. A number of metrics were identified to help measure a company’s alignment to some of the Blueprint Principles, although the exercise showed that it is currently not possible to measure directly the extent to which a company is purpose driven, as the Blueprint Principles define this. The nature of the metrics available also mean that companies in industries under increased public scrutiny such as extractive, tobacco or energy industries are likely to demonstrate compliance with more available external measures, and to have better-funded corporate social responsibility initiatives, both of which result in a better score against the metrics.

The exercise also looked at whether there is a correlation between alignment to the Blueprint Principles and financial performance - and showed there was no negative or positive correlation, concluding “it doesn’t hurt you to be good”. The exercise highlighted that if companies are serious about being, and being seen to be, purpose driven then they need to seek new measures and methods of disclosure to help assess their progress on this journey. Clearly, any new measures need to be pertinent to each individual company and its individual purpose. There is also a need for a better quality of dialogue between investors and companies about their purpose journey.
Andrew Dunnett spoke about Vodafone’s purpose journey and how they plan to use the Blueprint to help challenge their behaviour. He said businesses are good at the ‘what’ and the ‘how’ but Blueprint helps them to focus on the ‘why’ and sometimes the why needs to be brought much more into focus.

Alex Rees talked about Purpose from the perspective of a small business owner, describing how having a clear purpose that his employees understood and bought into helped them keep him focused on what his business should be doing.

Paul Feeney explained how Blueprint had made him really think about Purpose and how important it is that the purpose resonates with people. He explained how purpose does exclude - defining a purpose isn’t about trying to please everybody it is about being honest and being brave. He felt it was important to show yourself and he even wrote a poem to try to help make purpose personal, a section of which is below:

“Here’s to the change makers, to the determined and the brave....To those who guard our children’s future, who stand apart, and make a stand.......To those whose values are their wealth irrespective of the value of their wealth.....To those who built their lives with their own hand, and now seek to build a better one for their children”
Louise talked of the benefits of working with business to NGOs, and to business of having a ‘critical friend’ and opening themselves up to the scrutiny of civil society. She drew on examples from Barclays working with Plan and Care, a labour rights study between Unilever & Oxfam, Care working with Anglo American and what she called the ‘halo and leverage’ effect of the Oxfam’s ‘Behind the brands’ campaign, which targeted the top 10 food and beverage companies.

She said the benefits of partnering to business included helping to drive the internal dialogue that they know they probably need to have and holding up a mirror to help them look at how their business is operating.

Partnerships are not easy and can be frustrating. Her recommendations to help make partnering work were:

- Trust - investing the time to build this trust - a friend that is only critical will lose that trust;
- Transparency - being clear on expectations and objectives on both sides; and
- Tenacity - working through challenges and being honest when challenges exist.

Her advice to NGOs included

- Engaging with business and taking the time to understand the industry and in getting the facts right;
- Being prepared to engage and turn debate into action,
- Not to spring surprises on organisations you are critical friends with - communicate and consult; and
- Not being afraid to go to businesses and say you want a strategic dialogue if you think it will have an impact on peoples lives.

She ended by encouraging business to ask civil society to help them on the purpose journey.
Paul Polman spoke to Rebecca Henderson about how he first heard of a Blueprint of Better Business and how Unilever got involved.

He explained how he did not want to be known for increasing sales in soap or adding to share value, but for making a difference. He talked about what he has been doing at Unilever, such as abolishing quarterly reporting and how he places less emphasis on shareholder value and more on long term sustainability. He also explained why he introduced the Unilever Sustainable Living Plan - “our focus is to make a positive contribution to society”.

Part of this involves working in partnership with NGOs - this helps drive business but also improves society.

He went on to talk about the moral obligations of business and how we need to create the leaders of the future. But you do not need to be a CEO to make a difference - individuals make change. Everyone needs to work out what their purpose is.

Business cannot be bystanders “even if you don’t believe what I believe...the cost of not acting now is bigger than the cost of acting”

He ended by talking about how people are attracted to working for companies with a strong purpose. “Trying to make humanity better... that gives you a reason for being”
As well as thanking all the speakers, Charles wrapped up some key messages from the day.

He stressed how important it is that the purpose journey becomes real - there is a risk that purpose becomes the fad of the year and becomes something that loses its power. It is key that the companies that wish to do it take it seriously and are seen to take to seriously - that would be transformative.

This is a difficult thing and will take a long time - it is not something you can get results in even a year - it will take years. Blueprint wants to be part of that journey in encouraging a culture change in business.

He talked about the importance of a much better dialogue between investors and companies around the purpose journey. One of the things Blueprint wants to do is to help increase the quality of the debate and dialogue about the business journey both between the public and the press, and between investors and companies. We are not planning to produce new metrics - but we can and should be part of the conversation between companies and investors.

He ended by throwing out a challenge to businesses to join the journey - a small group of businesses have now committed to the Blueprint Principles and discussions are taking place with more. The Principles have been tested with different organisations and they can help and make a difference. It is an independent movement and movements are about people and personal commitment.

“What we can achieve together is so much more than what can be achieved by companies or individuals on their own”