

# **Advancing the common good through purpose-led business: early learning from *A Blueprint for Better Business's* work with some major companies**

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## **Introduction**

In early 2012 a group of UK business leaders approached the Catholic Archbishop of Westminster and asked for help. Concerned by the widespread breakdown of trust between business – especially big business – and society, they saw the need for an initiative that came from society rather than business, which was non-regulatory in approach, and which could help re-set the relationship. A fear they shared was that unless business took the opportunity to change in response to societal expectations, there was a risk of over-regulation creating a compliance mentality, stifling innovation and pushing business and society still further apart, with both losing out as a result. They approached the Archbishop personally because of his previous engagement with leaders in the financial sector<sup>1</sup>, and because they were attracted by the principles of Catholic social teaching (CST). The request was for help in making this thinking about the common good and human dignity accessible to leaders in businesses of any size, regardless of their personal faith.

This led to an initiative called ***A Blueprint for Better Business***, which became an independent UK based charitable trust in 2014 - separate from the Church, and also independent of business, funded by charitable foundations and individuals. Blueprint's core thinking is distilled in two one-page documents – a Framework To Guide Decision Making (Appendix 1) and a set of Five Principles of a Purpose Driven Business (Appendix 2). The charity works mainly with leadership teams in large companies to support and challenge them, fostering a movement of businesses and investors who want to change behaviour and expectations of the role of business in society. Blueprint also works with government, business schools and NGOs. It is not a consultancy practice or compliance body. It does not have members, and engaging with Blueprint's thinking and work is voluntary and free. It is, in effect, a catalyst for change.

Starting a movement for change in business towards respect for the human person and promotion of the common good, especially one focused on big business, was never going to be easy. It needs to focus on the “why?” or “what for?” of business, rather than the “how to?” questions that are addressed by many organisations and groups existing to support businesses in becoming more socially responsible, more ecologically aware or more sustainable. As such, it can risk being compromised and incorporated into existing business thinking, rather than really being a catalyst for change. At the same time, if it is not somehow

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<sup>1</sup> In 2009 and 2010 the Archbishop had convened private seminars of financial sector leaders on the future of the financial sector, drawing on the insights of CST and in particular *Caritas in Veritate*, published in 2009.

engaging with businesses, it will have no chance to influence their mindset and, thereby, what they do. Blueprint engages with businesses, but in order to be able to stay true to its provenance, it needs to experience tensions in doing so, otherwise it could collapse into the current mainstream discourse. Blueprint also recognises and values other actors, those who offer alternative ways of doing business and those who raise critical or prophetic voices, since it needs others who complement, connect, complete and challenge what it is doing. In this paper, we will focus on the dialogue between Blueprint and big businesses, but in the background there is always a recognition that if such a dialogue is to be valuable, it has to draw business people out of their current comfort zone and towards a different mentality, with all the tensions that implies.

### **Blueprint's thinking**

As *Caritas in Veritate* notes, the market never exists in a pure state, "it is shaped by the cultural configurations which define it and give it direction".<sup>2</sup> The starting point for Blueprint's thinking was the recognition that at the core of the deep disconnect between business and society today are two dominant social and cultural assumptions. Over the last 30-40 years these have shaped the ways many established businesses behave, often in tacit or unconscious ways, and particularly in the Anglo-American context. These are not immutable laws, but social constructs. And they are now increasingly being challenged.

One is the assumption that the role of business is to maximise profits for shareholders. The other is that people, at least for the purposes of their work, are best assumed to be self-interested and motivated by money, status and power. Taken together, these assumptions underpin the neo-classical view of the firm. Supported by the development of agency theory they account for how, through the alignment of incentives, individuals seeking no more than to maximise their own utility enable a firm to maximise its profits.

Whilst it is undeniable that large public companies operating to these assumptions in recent decades have helped generate substantial wealth and prosperity, it is also increasingly clear that a narrow focus on profit and self-interest has produced a double-disconnect. Aside from fostering a culture which breeds a regular crop of corporate scandals, it has legitimated more generally a denial of a wider responsibility beyond making money within the law, and in the process produced a range of social and environmental externalities, not least sharply rising inequalities within societies. But in addition to this disconnect between business and

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<sup>2</sup> Benedict XVI, *Caritas in Veritate* (Encyclical Letter, 29 June 2009), 36, [http://w2.vatican.va/content/benedict-xvi/en/encyclicals/documents/hf\\_ben-xvi\\_enc\\_20090629\\_caritas-in-veritate.html](http://w2.vatican.va/content/benedict-xvi/en/encyclicals/documents/hf_ben-xvi_enc_20090629_caritas-in-veritate.html)

society, it has also led many people employed in large companies to feel they live “divided lives” where they cannot bring their whole selves to work, and often do not feel respected or valued as people.<sup>3</sup>

This double-disconnect has been both reinforced and accelerated by an evolution in thinking about what a company is. In Peter Drucker’s seminal work a company was first of all a social organisation.<sup>4</sup> But with the rise of the “maximise shareholder value” paradigm in the 1970s, advanced by Milton Friedman and others, along with the development of agency theory, the idea gained ground that the company was just a nexus of contracts between individuals. As John Kay put it:

*“The nexus of contracts approach treats the corporation as an empty shell. The managers and employees are a group of individuals who find it convenient to do business with each other and with customers and suppliers. There is no collective interest (and, of course, no collective responsibility) only a coincidence of individual interests. The internal organisation of the corporation is reduced to a matter of command and control...the external relationships...are defined by contract, and circumscribed by corporate law.”<sup>5</sup>*

Kay wryly notes too that this financially-driven view of the corporation as the facilitator of transactions between individuals would probably have not become so dominant if it had not offered the prospect of higher returns to those specialising in transactions. It is no coincidence that the tremendous influence of these ideas has accompanied the growth in the financial sector in the 1980s and 90s, and the rise in executive pay in corporations whose purpose is conceived as maximising shareholder value.

The group which came together in 2012 to form Blueprint recognised that the ideas of corporate purpose, human motivation and the nature of the company as a social entity were all profoundly linked and needed addressing together. The linkage was well analysed in Sumatra Ghoshal’s 2005 article “bad management theories are destroying good management practices” which exposed how a narrow and negative view of the human person lay at the root of the problem.<sup>6</sup> In an earlier paper in 1994 Bartlett and Ghoshal had called for more focus on purpose as a business driver but this had been largely ignored, and the 2005 paper draws out the reasons and consequences. It also powerfully exposed the way in which assumptions in social sciences become self-reinforcing: if, for instance, people are treated as if they are purely self-interested, then they will tend to behave accordingly, so apparently reinforcing the validity of the assumption.

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<sup>3</sup> A Blueprint for Better Business, “Fulfilment at Work” (2018), last accessed 31 May 2018,

[http://www.blueprintforbusiness.org/wp-content/uploads/2018/01/Blueprint\\_FulfilmentAtWork\\_Jan2018.pdf](http://www.blueprintforbusiness.org/wp-content/uploads/2018/01/Blueprint_FulfilmentAtWork_Jan2018.pdf)

<sup>4</sup> Peter F Drucker, *Concept of the Corporation: With a New Foreword by the Author* (Boston: Beacon Press, 1962).

<sup>5</sup> John Kay, “The concept of the corporation”, 16 March 2017, <https://www.johnkay.com/2017/03/16/the-concept-of-the-corporation/>

<sup>6</sup> Sumantra Ghoshal, “Bad Management Theories Are Destroying Good Management Practices”, *Academy of Management Learning & Education* 4, no. 1 (2005): 75-91, <http://sawaedy.com/images/pdf/7600-AMLEVolume4Issue1pp75-91.pdf>.

The group were also struck by the remarkable convergence of thinking from different disciplines on the question of human motivation, challenging the dominant idea of people conceived as utility maximising individuals. The evidence is clear that for complex tasks and beyond a certain point money does not motivate most people. People seek meaning and purpose. The quality of relationships is intrinsically important to us as human beings, and respect for human dignity requires autonomy and the possibility to realise our potential. Variants of these ideas are common to the great faiths and found in Greek philosophy. Furthermore, strong empirical support for these same ideas about human motivation and fulfilment are also readily forthcoming from a range of social sciences. For instance, in his book *Payoff*, Dan Ariely, a professor of psychology and behavioural economics, summarises a wealth of empirical studies and concludes:

*“..instead of relying only on money as an incentive, we need to expand our scope and examine other motivational forces – ones that provide a greater sense of meaning and connection to work. As people feel connected, challenged and engaged; as they feel more trusted and autonomous; and as they get more recognition for their efforts, the total amount of motivation, joy, and output for everyone grows much larger.”<sup>7</sup>*

Studies by Grant and others have shown how job design and the way people are able to relate to the beneficiaries of their work crucially affects their satisfaction and motivation at work.<sup>8</sup> Deci and Ryan’s research on self-determination theory identifies how the human needs for autonomy, relatedness and mastery can be influenced for good or ill by job design.<sup>9</sup> Evidence from neuroscience makes clear how brain activity reveals our innate social natures.<sup>10</sup> Results from the ultimatum game, now repeated all over the world, demonstrate that people exhibit a sense of fairness to others which is difficult to reconcile with self-interest as the prime motivator.<sup>11</sup>

The group that formed Blueprint sought to distill these insights along with the wisdom of faith and Greek philosophy into a clear alternative to the dominant assumptions about purpose and people.

First was to articulate a purpose of business which is not to maximise profit but to benefit society and respect the dignity of people, *thereby* generating a fair return for investors as one outcome. Profit – or maximising shareholder value - need not be set as the purpose. Profit is best seen as one outcome of a business operating

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<sup>7</sup> Dan Ariely, *Payoff: The Hidden Logic That Shapes Our Motivations* (New York: Simon & Schuster, 2016), 72.

<sup>8</sup> Adam M Grant, “Relational Job Design and the Motivation of People to Make a Pro-social Difference”, *Academy of Management Review* 32, no. 2 (2007), 393-417, [https://selfdeterminationtheory.org/SDT/documents/2007\\_Grant\\_AMR.pdf](https://selfdeterminationtheory.org/SDT/documents/2007_Grant_AMR.pdf)

<sup>9</sup> Edward Deci and Richard M. Ryan, *Intrinsic Motivation and Self-Determination in Human Behaviour* (Springer, 1985).

<sup>10</sup> Matthew D. Lieberman, *Social: Why our brains are wired to connect* (Oxford: Oxford University Press, 2013).

<sup>11</sup> J. Neil Bearden, “Ultimatum Bargaining Experiments: The State of the Art” (November 2001),

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=626183](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=626183); Alan G. Sanfey, James K. Rilling, Jessica A. Aronson, Leigh E.

Nystrom and Jonathan D. Cohen, “The Neural Basis of Economic Decision-Making in the Ultimatum Game”, *Science* 300, issue 5626 (June 2003), 1755-1758, <http://science.sciencemag.org/content/300/5626/1755>

to a purpose that benefits society through the production of goods that are truly good, services that truly serve, while minimising harm, and within a social organisation which puts people at the heart of business success.<sup>12</sup>

Second was to start with a different more realistic view of what it means to be human, bringing back to the fore the idea that a business is a social organisation where people are motivated by more than self-interest. Using the approach of virtue ethics the group sought to describe clearly the set of minimum and aspirational behaviours needed to form character and to “switch on” the desire to care for others and commit to a shared worthwhile enterprise. It was an attempt to spell out what habitual behaviour would release untapped potential in people, where the quality of relationships and the desire for meaning bring out latent capacities beyond the desire simply to earn a living.

Third, starting with the quality of relationships and what it means to be human had implications not only for relationships within a business but also with everyone a business touches - as customers, suppliers, communities, investors, NGOs or regulators. It invited a view of a business as a series of relationships and so the group sought to enable the insights to apply to all of these relationships, recognising that none of them should be seen as just instrumental to maximising profit, but as having intrinsic worth as human relationships of dignity and respect.

Blueprint’s first document is a one-page Framework To Guide Decision Making distilling these insights (set out in Appendix 1). It contains two sections. The first is a definition of what it means for a business to have a purpose that benefits society. Referencing explicitly the core principle of human dignity, the first heading is that “each person is a someone, not a something” and states:

*Show respect for the dignity of each person and for the whole person; never use people merely as a means to achieving business objectives. Respecting the whole person includes thinking of people in all their various roles in relation to the business: as employees, customers, suppliers, investors and citizens. Demonstrating respect means setting a purpose and seeking outcomes that enable each person to reach his or her full potential, not least being able to contribute fully to building relationships and communities both within the workplace and beyond. Such purposes and such outcomes engender trust between people and between business and society.*

The second heading “delivering value by serving society” references the common good and states:

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<sup>12</sup> In drafting these formulations we drew (with permission) from an excellent document produced by the Holy See. Pontifical Council For Justice and Peace, *Vocation of the Business Leader: A Reflection* (Rome: Pontifical Council for Justice and Peace, 2014).

*Genuinely aim to promote the good of society as a whole through the provision of goods and services that benefit society; never use stakeholders, and society as a whole, as a mere means to business success. This gives meaning to the purpose of the business within society and demands innovation to achieve that purpose alongside a financial return. Society and communities of people determine the licence, and freedoms, of business to operate and grow; these will be broader if business actively aims to reduce harm and produces goods that are truly good and services that truly serve.*

Beneath these two paragraphs the Framework then has a second section on “behaviours needed to build character and achieve purpose” with a second section that focuses on five aspects:

- Other people matter (solidarity)
- Freedom with responsibility (subsidiarity)
- Building trust and trusted relationships (reciprocity)
- Valuing diversity and building bridges (plurality)
- Stewardship of people, values and resources (sustainability)

For each of these a short description sets out both a minimum behaviour needed as a first stage, and then an aspiration of a higher behavioural goal.

At an early stage the group tested the Framework with a range of different disciplines. One important test was with other faiths, through the formation of an interfaith group. They quickly arrived at the view that the Framework was consistent with the main tenets of all the main faiths<sup>13</sup>, and in fact it opened up a promising agenda for inter-faith co-operation at the service of more human-centred business. All agreed that faith can play a distinct role in illuminating human realities, and that Blueprint’s framing deliberately left open deeper questions of ultimate meaning and purpose and recognised the importance of dialogue including with faith.

How did Blueprint’s thinking sit with those of no faith? Again, we explored this question with a range of people. The conclusion was well summed up by an atheist member of the design team who said she had no difficulties at all because Blueprint is “faith-enabled but not faith-led”. Part of the original inspiration was to escape from the silo mentality where not only people’s lives but also institutions in society were divorced from each other’s insights. So it was important that the faith connection be clear and honoured. But whilst acknowledging the provenance of the thinking in CST, Blueprint itself was bringing this way of thinking about the common good founded on an understanding of human dignity and what it means to be human in a way that could be shared by people of all faiths and none.

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<sup>13</sup> The group included experts from Judaism, Islam, Hinduism, Sikhism, Buddhism and the Church of England. Interpretation of what following the Blueprint Principles might mean in a particular context was part of the discussion, and questions such as Islamic finance were discussed in that context, but were seen as completely compatible.

Having constructed the Framework, in the autumn of 2012 Blueprint tested the thinking by holding a conference convened by the Archbishop of Westminster and attended by over 100 companies. One of those who spoke, Paul Polman CEO of Unilever, said privately afterwards “I really like this Framework, but it needs turning into something which is more immediately accessible to a business. I’m happy to help”.<sup>14</sup>

A steering group was formed to address this challenge drawn from business, academia and civil society, co-chaired by Sue Garrard from Unilever<sup>15</sup> and Loughlin Hickey from Blueprint. This resulted in Blueprint’s second core one-page document - the Five Principles of a Purpose Driven Business (set out in Appendix 2) - and a nascent theory of change to direct how the work should be taken forward.

As a derivation from the Framework, the Principles provide a picture of the complete system within which a business operates understood as a series of relationships. The lay out of the Principles was designed to show that these relationships are inter-dependent and inspired by a common purpose (including the relationship with investors which is referred to in the central section). A third feature is that the principles include an illustrative set of responses to characterise the quality of these relationships. These seek to embody a consistent way of being with and alongside people rather than doing things to and for them, and by being in dialogue with people rather than simply asserting the company’s view.

The Principles were then tested for relevance in a number of ways, including with various groups from business and society. They were mapped against a set of common causes of mistrust in business (at an early stage these had been distilled as ten “toxic ills”<sup>16</sup>) and also mapped to the behavioural traits set out in the Framework.

Blueprint’s hypothesis is that organisational purpose in fact serves a double function. It first of all directs and guides decision taking, setting a clear direction of travel for the business as a whole. Secondly, if it is inspiring, authentic and practical it can move people to commit to a shared worthwhile endeavour, whether they are employees, customers, suppliers or citizens. Under the right conditions (that is, where the structures, systems and tools within a business are founded on this view of people) it can help employees to contribute way beyond what any contractual mind-set can deliver, and so build the strong relationships and development of character which both create a better business and a positive social impact. At the same time

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<sup>14</sup> Remarks made in a private conversation.

<sup>15</sup> Sue Garrard is Senior Vice President for Sustainable Business Development and Communications at Unilever. She is now also a Blueprint Trustee.

<sup>16</sup> The ten toxic ills were: 1. Anything illegal; 2. Mis-selling; 3. Selling harmful products; 4. Employing people in unsafe or harmful conditions or child labour; 5. Aggressively avoiding tax, even if strictly legal; 6. Taking risks with the environment, even if strictly not illegal; 7. Shutting factories without regard to the impact on communities; 8. A pay and bonus culture divorced from performance or proportionality; 9. Cheating for corporate or individual advantage; 10. Taking advantage of weak regulation and weak consumer pressure to maximise profits at the expense of consumers.

it helps people outside the business to contribute and 'lean in' because they feel respected and connected in some way to a worthwhile venture. Purpose-led businesses unite the production of worthwhile goods and services with the fulfilment of people through meaningful work and a set of external relationships characterised by respect, dialogue and positive engagement.

A central feature of the Principles therefore is a move away from command and control towards the idea that a business is a collective venture. This is exemplified in the central commitment to dialogue by enabling and welcoming public scrutiny of the alignment between stated purpose and actual performance. It is a commitment to accept being challenged. This is an antidote to the real risk of work on purpose within organisations being hijacked as a reputation or rebranding exercise. The truth is that for large companies in particular this is a journey to a different state which cannot be made overnight and that it will be achieved only with and alongside others, not by doing things to and for them. Openness about the journey and welcoming challenge is both a vital sign of authenticity and a continuing necessity to sustain and embed a different way of thinking and behaving.

### **Drawing out the links to the common good**

The derivation of Blueprint's thinking from CST is made explicit in the bracketed references in the Framework to a number of core CST principles.

There are three particular ways in which CST's idea of the common good is reflected in Blueprint's approach. First the definition of purpose makes clear that the dignity of each person affected in any way by a business's decision matters. People should never be treated simply as instrumental to business success. Just as a zero in a multiplication sum renders the whole a zero, a purpose-led business cannot think and act in a purely utilitarian way but has to apply a clear dignity test to all affected in whatever way by the actions of a business.<sup>17</sup> This idea that the common good is vitiated if anyone is exploited or has their dignity violated is of course central to CST.

Second, by defining purpose in terms of promoting "the good of society as a whole through the provision of goods and services that benefit society..." business is clearly located as part of society, interdependent with other social actors and seeing itself as contributing distinctively to a broader common good understood as the conditions for human flourishing. Market relationships are there to serve people not the other way round and a common basis for dialogue is created with other actors in society. It validates the distinct role business can play alongside NGOs or public authorities and offers a healthier basis of partnership work between

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<sup>17</sup> This is just one of a number of interesting parallels between Blueprint's approach to business purpose and the theory of business developed in Thomas Donaldson and James P. Walsh, "Toward a theory of business", *Research in Organizational Behavior* 35 (2015), 181-207, <https://www.sciencedirect.com/science/article/pii/S0191308515000088>



organisations which are all part of society and which increasingly need to work together to help tackle complex problems.

Third, at the core of Blueprint's approach is the idea of people as relational beings with the potential to form strong relationships based on respect, creating common goods through the development of character. Here Blueprint combines the wisdom of CST with the insights of Greek philosophy, and many empirical studies, to offer a more realistic view of people. This is not to deny self-interest but merely to recognise that it is not the whole picture: we are individuals but at the same time we are also relational. There are shared goods – common goods – that arise only because of the quality of our relationships, through being with and alongside others with a degree of openness and vulnerability. They are the product of care and co-creation.

Friendship is a classic example. It cannot be split up and shared out between individuals and it arises only as a result of shared commitment. Friendships do not limit freedom but create possibilities of shared pleasure, joy and fulfilment which did not exist before. The business analogy is clear. On average over 80% of the value of listed companies today lies in intangible assets, according to a study which looks at intellectual property and brand value.<sup>18</sup> In Blueprint's view, much of this value is ultimately derived from the people working in the business: the investment is in them and the quality of relationships they have internally and externally. Thinking differently about people invites us to see differently what the best businesses really create.

### **Blueprint's theory of change**

We noted at the outset that we are dealing here with a social and cultural construct. Blueprint has a theory of change which is based on creating the conditions for thoughtful leaders to move to a more human-centric view of business. The high-level aim is simple. The dominant narrative should become "profit is not the purpose of a company; profit is one outcome of identifying and pursuing a purpose that benefits society." This requires changing the dominant narrative both in businesses and within the eco-system surrounding leaders, including academia, investors, NGOs, politicians and media.

For any country or context this is a hugely ambitious goal which demands the active engagement of many actors. There is a need for campaigning groups, and the reinvigoration of familial, societal as well as regulatory and political institutions. These all have a vital countervailing role as bulwarks to help both shape societal expectations and order the limits within which markets operate. Blueprint's own primary focus of work is to identify and work directly with the CEOs and leadership teams of a number of large global businesses, challenging assumptions about purpose and people and helping them to apply Blueprint's

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<sup>18</sup> Ocean Tomo, "Intangible Asset Market Value Study", last accessed 29 May 2018, <http://www.oceantomo.com/intangible-asset-market-value-study/>

thinking. The idea is that these early adopters then in turn become advocates for it through their supply chains and among their peers. At the same time Blueprint seeks to influence those who influence company leaders, in particular mainstream investors through creating a community among them who recognise the business and societal case for investing in well-run purpose-led companies.<sup>19</sup>

Blueprint is working in collaboration with others - including academics, NGOs and government - both to influence the common narrative about what the high-level aims of change should be and to use its independent convening power to bring business and societal voices together on specific issues. In this way Blueprint has a role in fostering and helping promote the societal change in expectations of business which is also part of the transformation needed. As a UK-based charity, at this early stage Blueprint is focused on UK-based companies, many of which have global operations. International interest in Blueprint's approach is also growing.

Blueprint has not sought to pursue its aims through seeking legislative or regulatory change. An early question asked at our first conference in 2012 was the extent to which company law (in the UK the 2006 Companies Act) in fact required directors to maximise shareholder value. The answer given by the Professor of Commercial Law we asked to speak at that conference was that, though imperfectly drafted, the core section of that Act does not say this. Section 172 of the Act makes clear that the duty of directors is to promote the success of the company for the benefit of members and having regard to a specified range of other groups affected by their decisions.<sup>20</sup> Their fiduciary duty is to the company, and they are not simply agents of the shareholders. There is also latitude in determining what is meant by "the success of the company". Studies have established that there is in fact a similar latitude in many other jurisdictions and that part of the problem is a common misunderstanding of what corporate law actually requires of company directors.<sup>21</sup>

More generally, the problem with regulatory approaches is that they tend to lag behind the problems they address (fixing the last problem not the next one) and they also reinforce a compliance mentality appealing to self-interest (sticks rather than carrots). The core issues we are dealing with are the social and cultural constructs which are of course influenced but not wholly determined by legal structures. So the approach is to help create the right social expectations of the role of business and what is acceptable behavior, and then

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<sup>19</sup> Our recent investor report is an example. A Blueprint for Better Business, "How can investors identify purpose-led companies?" (May 2018), <http://www.blueprintforbusiness.org/wp-content/uploads/2018/05/Blueprint-how-can-investors-identify-a-purpose-led-company-May-2018.pdf>

<sup>20</sup> Companies Act 2006, Part 10, Chapter 2, The general duties, Section 172, <https://www.legislation.gov.uk/ukpga/2006/46/section/172>

<sup>21</sup> Lynn Stout, *The Shareholder Value Myth: How Putting Shareholders First Harms Investors, Corporations and the Public* (Berrett-Koehler, 2012); Generation Foundation and kks advisers, *The value of corporate purpose: a guide for CEOs and entrepreneurs* (2017), 21-22, [https://www.genfound.org/media/1429/j0129\\_lok\\_gf-and-kks-value-in-corporate-purpose\\_v13.pdf](https://www.genfound.org/media/1429/j0129_lok_gf-and-kks-value-in-corporate-purpose_v13.pdf)

use that to align law and regulation to be consistent with those expectations and remove any blockages or inconsistencies.

### **Early learning from working with some major companies and investors**

One of the first global businesses to explore the Blueprint Principles was Vodafone.<sup>22</sup> They first asked all their external affairs directors in 26 countries across the world to sense check the Principles. They were unanimous in saying they did not come over as Western, faith-led or exclusive, which was helpful assurance for them and for us in the care taken over the wording.

The Vodafone CEO then convened a half day meeting of their top 40 global leaders at which they challenged themselves against the Principles, using them as a mirror from society. This led to a number of tangible outcomes, including a change on payment days to benefit suppliers, a project on a new global maternity leave policy and a programme of work to identify social outcomes associated with the core business which could be built into the next business plan. An 18-month project then ensued during which Blueprint acted as a critical friend. This resulted in identifying three social outcomes they wanted to embed in their core business plan over 10 years: women's empowerment, clean energy and youth employment. This shift, away from conventional Corporate Social Responsibility (CSR) programmes that sit to one side of the core business activities towards identifying social outcomes associated with the success of the core business, is a part of the change in thinking which purpose can inspire.

A number of other major companies have used the Principles in a similar way at Executive Committee (ExCo) level to test themselves and provoke a different conversation about the social outcomes associated with the core business. As an entry point to dialogue about Blueprint's thinking, the Principles have proved very helpful, and people seem to like both the clarity and the depth of thinking which went into them from society. The airline EasyJet, for instance, has used the principles as a way to set out and describe the key relationships they have internally and externally. By illustrating what is important to them in each relationship they have underlined the human dimension of these relationships, and this has been given added weight by the way they have adapted the framing of the Principles in their public reporting.<sup>23</sup>

One risk with the Principles is that, taken in isolation, people can use them as a "one-off" test and checklist, and then file them in a drawer. Or even if the Principles are used regularly, they could be seen as a quasi-compliance tool, with action taken to pursue them but no deep challenge to the prevailing mindset about

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<sup>22</sup> This early work is described in an Oxford Said business school case study, last accessed 29 May 2018, <http://www.blueprintforbusiness.org/wp-content/uploads/2017/07/Blueprint-Vodafone-Case.pdf>

<sup>23</sup> Easyjet plc, "Corporate Responsibility: Our commitment", last accessed 29 May 2018, <http://corporate.easyjet.com/corporate-responsibility/our-commitment>

purpose or people. This is one manifestation of the tension referred to at the start of this paper, when the action orientation of business seeks to colonise any new thinking as just a “tool” to be deployed within existing structures and mindset. The art is to be helpful, but without selling out on the depth of challenge which the thinking embodies. This is not easy. One way of going deeper has been to organise two-day immersion workshops which explain the provenance of the Principles and Framework in CST and virtue ethics, and the evidence base in support. Over 80 coaches, consultants and corporate change agents have attended these. A consistent finding is that the focus on the human person through understanding philosophy and rootedness in society was the most important workshop element which helped them think differently. Our experience with these courses has been mixed. Some participants found the depth of thinking stimulating but overwhelming and even disabling. Those who seem to have got most from attending were reassured by the depth of thinking but confident enough to try something and use Blueprint as a sounding board or critical friend.

Not everyone has the time to attend such a course and Blueprint’s work is evolving to find quicker routes to make the thinking more widely accessible to corporates. We also no longer ask companies to “commit to the Principles”. Rather we seek to use the Principles to engage with the thinking, and focus on bringing into the room the underlying assumptions being made about purpose and people, and the appetite a company may have to undertake a purpose journey seriously. We then use our network and convening power to bring CEOs together, and create action learning groups for change agents within businesses and for consultants working with them.

Taking this approach with Anglo American in 2017, we worked closely with the company leadership and a consultancy practice over a year as they embarked on a project to explore if their purpose was fit for purpose, and what a new framing of it might look like and deliver for them as they approached their 100<sup>th</sup> anniversary. Blueprint acted as an unpaid critical friend, which gave a freedom to challenge and provoke including at two ExCo meetings and a conference of their top 100 in South Africa in late 2017. In March 2018 the company went public with its new purpose statement entitled “Re-imagining Mining to improve people’s lives”<sup>24</sup>

Part of our work is to raise awareness within a company that - whether explicit or not - there is always an operating assumption being made about people and how they are motivated. Standard ways of behaving and the design of structures and processes within a business - such as the basis of decisions to hire, promote and reward people - are all very revealing of the dominant assumptions, which are often unspoken. The shift needed is often away from a command and control mentality to more of a sense of collective venture, where

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<sup>24</sup> Anglo American, “Our Purpose: Re-imagining Mining To Improve People’s Lives”, last accessed 29 May 2018, <http://www.angloamerican.com/about-us/our-purpose>

people are empowered as much as possible. There can often be fear in taking steps along this route, especially for long-established businesses.

The different mindset which Blueprint proposes has to be led from the top, it has to be genuine and it needs to permeate throughout the organisation. Cognitive dissonance is created when people see a disconnect between the words and the actions of the leaders. It is important to create a safe space within the leadership to be open about the opportunities and challenges, as CEOs can easily get in the way of their own success by not allowing dissenting voices to be heard in psychological safety. Modelling the behaviours they wish to see, especially through being authentic and vulnerable, is fundamentally important.

The evidence bears out a crucial aspect of change within large organisations, which is that becoming purpose-led depends on whether middle managers are inspired and empowered. They are at the centre of the relationships within a company – managing upwards, downwards and sideways – and they are crucial in helping the leadership’s aims to live within an organisation. A number of studies have pointed to the central role this group play in enabling or disabling change programmes<sup>25</sup> and how they are engaged and given co-ownership of what it means to become purpose-led is critically important.

Another learning is that “purpose work” can easily become either just another HR or communications exercise, or be siloed within HR or CSR departments. It has to be something led from the centre, involving the whole business. And it cannot just be “rolled out” as a traditional change programme - that simply reinforces the command and control mindset which is part of what needs to change.

Since Blueprint’s work started interest in “purpose” has exploded. There is now a whole “purpose industry” which has grown in the last couple of years with many communications and branding consultancies recognising a business opportunity. But the result is that the word “purpose” is being devalued, especially when people see it being subverted to simply re-clothe or rebrand existing initiatives.

Aware of this trend, and sensing the importance of companies putting purpose at the heart of what they do, investors are looking for ways of discerning those who are serious. In 2018, Blueprint worked with a group of senior investors with combined assets under management of over \$8tn to compile a short list of questions for CEOs and Chairs to answer.<sup>26</sup> These simple questions, used alongside existing engagement activities, allow

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<sup>25</sup> Claudine Gartenberg, Andrea Prat and George Serafeim, “Corporate Purpose and Financial Performance”, unpublished (2018). Previous version available as a *Harvard Business School Working Paper*, No. 17-023 (September 2016), <http://nrs.harvard.edu/urn-3:HUL.InstRepos:30903237>

<sup>26</sup> A Blueprint for Better Business, “How can investors identify purpose-led companies?” (May 2018), <http://www.blueprintforbusiness.org/wp-content/uploads/2018/05/Blueprint-how-can-investors-identify-a-purpose-led-company-May-2018.pdf>

investors to get under the skin of how business leaders think and whether they clearly and consistently connect purpose to their strategy and operating plans. They also probe the quality of human relationships, appreciating that this is hard to measure. It is, however, directly experienced, and crucially influences how far a business is able to become a healthy human system, which is of course an integral part of what it means to have a purpose that benefits society.

It may seem fanciful to think that a relatively small charity with limited resources could really have an impact on how large companies behave. Blueprint's early work as a critical friend to CEOs and their leadership teams at a small number of big companies has been encouraging but is only a first step. Blueprint is now seeking to build on this through a "social contract" with a limited number of companies who wish to work with the charity over given a period of time.<sup>27</sup> Accompanying company leaders, and offering insight as a critical friend alongside key change agents and consultants, we believe we can help sustain a raised level of consciousness about purpose and people and so help embed new habits of thinking and action. In turn this creates the possibility of amplifying and accelerating a movement of change without creating dependency. This is a key aim for the next phase of Blueprint's work.

## **Reflections**

As Blueprint's work has developed, alongside other initiatives and a growing research base, the frailty of the dominant assumptions which have so shaped business has become clearer, and the strength of the critique, with its genesis in society and CST, has grown.<sup>28</sup> A Blueprint sponsored inter-disciplinary academic conference at London Business School in 2016 brought together an international group of scholars to explore the evidence.<sup>29</sup> More recently an excellent summary of the business case for purpose was compiled in the UK by The Purposeful Company Taskforce.<sup>30</sup> More work is needed to deepen understanding of the causal factors in play and also to more effectively assess and measure the quality of relationships. However, there is already good evidence and a growing number of case studies which challenge the dominant assumptions about business.<sup>31</sup>

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<sup>27</sup> We are using the term "social contract" in a specific way to cover Blueprint's work with corporates and not in the context of wider research social contracts.

<sup>28</sup> Elaine Hollensbe, Charles Wookey, Loughlin Hickey, Gerard George, Cardinal Vincent Nichols, "Organizations With Purpose", *Academy of Management Journal* 57, no. 5 (2014), 1227-1234, [http://www.academia.edu/16489780/Organizations\\_with\\_Purpose](http://www.academia.edu/16489780/Organizations_with_Purpose)

<sup>29</sup> Blueprint summary of the Nov 2016 academic conference, last accessed 29 May 2018, <http://www.blueprintforbusiness.org/academic-conference-summary/>

<sup>30</sup> Big Innovation Centre, "The Purposeful Company Interim Report", 2016, <http://www.biginnovationcentre.com/media/uploads/pdf/The%20Purposeful%20Company%20Interim%20Report.pdf>

<sup>31</sup> Joseph L Bower and Lynn S. Paine, "The Error at the Heart of Corporate Leadership", *Harvard Business Review*, 2017. Available at: <https://hbr.org/2017/05/managing-for-the-long-term>; some case studies are included in Blueprint, "How can purpose-led businesses contribute to inclusive growth and how can policymakers help them?", April 2018, <http://www.blueprintforbusiness.org/wp-content/uploads/2018/03/63654-Inclusive-Growth-Pamphlet.pdf>

There are also growing external influences now prompting more businesses to reflect more fundamentally about their purpose. Major investors are now increasingly demanding that they do so. A good example is Larry Fink, Chairman and CEO of Blackrock, the world's largest asset manager. In his annual letter to CEOs in January 2018 he said: "without a sense of purpose, no company, either public or private, can achieve its full potential."<sup>32</sup> Furthermore, large companies are increasingly finding that in the competition for talented young people it matters to them whether the company has a clear purpose that benefits society.<sup>33</sup>

Societal expectations of business are rising fast too.<sup>34</sup> Rapid inequality needs to be addressed alongside tackling climate change, requiring humanity to find a new safe space to operate between providing a social foundation for everyone and without exceeding our planet's finite environmental boundaries.<sup>35</sup> The UN Sustainable Development Goals set out an ambitious programme to help this happen but the goals cannot be met without the engagement of business. The UN Business and Sustainable Development Commission noted in a 2017 report that achieving the global goals in just four economic systems could open up \$12tn of business savings and revenue by 2030 and 380million jobs, but that "business as usual" is highly unlikely to restore trust and seize these opportunities.<sup>36</sup> More business leaders are recognising these wider expectations and the urgency of the social and environmental challenges we face. Meeting them demands reintegrating business into the heart of our societies and there is not a lot of time.

We are dealing with a whole eco-system and many things are needed to contribute to the kind of shift needed. Beyond the thinking and behaviour of companies, the role and responsibilities of investors is a critical one. There too is a purpose challenge, namely to change the thinking of institutional investors so their decisions are increasingly informed by the needs of the ultimate beneficiaries of the investment returns (that is, people with savings) rather than the intermediaries who handle the shares.

Another important part of the ecosystem is business schools, and associated with that the training and selection of business leaders. The rise in artificial intelligence and automation, and the astonishing speed of change is rapidly reshaping businesses and their interactions. Paradoxically this places much greater responsibility on business leaders to have the capacity to navigate complexity and discern which strategies

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<sup>32</sup> Larry Fink, "A Sense of Purpose" (2018), last accessed 29 May 2018, <https://www.blackrock.com/corporate/en-us/investor-relations/larry-fink-ceo-letter>

<sup>33</sup> A. Smiley, "What Millennial Employees Really Want", *Fast Company Leadership* (June 2015), <https://www.fastcompany.com/3046989/what-millennial-employees-really-want>

<sup>34</sup> Edelman, "2018 Edelman Trust Barometer Global Report" (2018), 29-31, [http://cms.edelman.com/sites/default/files/2018-02/2018\\_Edelman\\_Trust\\_Barometer\\_Global\\_Report\\_FEB.pdf](http://cms.edelman.com/sites/default/files/2018-02/2018_Edelman_Trust_Barometer_Global_Report_FEB.pdf)

<sup>35</sup> Kate Raworth, *Doughnut Economics: Seven Ways To Think Like a 21st-Century Economist* (Random House, 2017).

<sup>36</sup> Business and Sustainable Development Commission, *Better Business Better World* (2017), 12-13, 38-39, [http://report.businesscommission.org/uploads/BetterBiz-BetterWorld\\_170215\\_012417.pdf](http://report.businesscommission.org/uploads/BetterBiz-BetterWorld_170215_012417.pdf). The four areas are food and agriculture, cities, energy and materials, health and wellbeing.

and approaches will humanise rather than de-humanise. They must keep the good of people and the benefit to society front of mind.

Blueprint's work is in its early days. Its success so far, as one contribution to this vital and multi-faceted ecosystem change, owes something to keeping in tension the depth of challenge which CST and wisdom traditions bring and offering a practical bridge for businesses to apply the thinking. One role Blueprint can play is to help business and societal leaders to become more aware of the latent assumptions each may be making about the other, and to understand how business opportunities and commercial pressures find their place within a wider social context. This is not to propose a dominant source of wisdom which crowds out others, but rather to have the curiosity to learn from each other, the generosity to share what we have learned and the wisdom to listen and build something better to be held and enjoyed as a common good. A constant temptation is to try and resolve the tensions that such exposure can bring, but in fact the act of seeking to hold diverse perspectives together whilst sometimes uncomfortable is also is powerfully creative and generative of building a stronger bridge to reconnect business and society.<sup>37</sup>

Much of the load so far has been carried by the word "purpose", which as we noted above is now under strain as the word is being overused and becoming hollowed out. For this reason we are seeking now to identify a number of other words which can also tie back to the richness of CST and virtue ethics, and link to the Principles and Framework. We need to find words that are mutually reinforcing, accessible to a business audience, and connect with people's lived experience. We need to convey in a more robust way the more realistic view of what it means to be human which a bridge from society needs to carry. If Blueprint can help to do this, it will help to promote the vital importance of the quality of human relationships on a small and larger scale which is the core of what is needed if the good of people is to be at the heart of business success.

Charles Wookey

Helen Alford

Loughlin Hickey

May 2018

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<sup>37</sup> Gillian Tett, *The Silo Effect: The Peril of Expertise and the Promise of Breaking Down Barriers* (New York: Simon & Schuster, 2015).



## **Appendix 1 – A Framework To Guide Decision Making**

### **DEFINING PURPOSE**

#### **Each person is a someone, not a something (DIGNITY & VALUE OF PEOPLE)**

Show respect for the dignity of each person and for the whole person; never use people merely as a means to achieving business objectives. Respecting the whole person includes thinking of people in all their various roles in relation to the business; as employees, customers, suppliers, investors and citizens. Demonstrating respect means setting a purpose and seeking outcomes that enable each person to reach his or her full potential, not least being able to contribute fully to building relationships and communities both within the workplace and beyond. Such purposes and such outcomes engender trust between people and between business and society.

#### **Delivering value by serving society (THE COMMON GOOD)**

Genuinely aim to promote the good of society as a whole through the provision of goods and services that benefit society; never use stakeholders, and society as a whole, as a mere means to business success. This gives meaning to the purpose of the business within society and demands innovation to achieve that purpose alongside a financial return. Society and communities of people determine the licence, and freedoms, of business to operate and grow; these will be broader if business actively aims to reduce harm and produces goods that are truly good and services that truly serve.

### **BEHAVIOURS NEEDED TO BUILD CHARACTER & ACHIEVE PURPOSE**

#### **Other people matter (SOLIDARITY)**

Judge decisions as good, or not, in the context of best values, expectations and needs of those with whom we should seek to build relationships. Do not make decisions in a self interested, self determined, closed world that does not weigh sufficiently the impact on others. Make a fair contribution to society and avoid actions that cause inequality. Opportunities should be sought to serve the broadest community, including the undeserved, the underprivileged and the excluded; not to emphasise the divide but rather to bring people together, through new job opportunities, innovative goods and services, and new markets.

#### **Freedom with responsibility (SUBSIDIARITY)**

Allow people to develop by being able to contribute to making decisions at all levels. Do not create dependency through reserving decisions unnecessarily to higher levels in the hierarchy, or lose accountability through inappropriate delegation. Give people the freedom, and support where necessary, to take on the

risk of decision making and to have a voice in their work, thus fostering innovation, creativity and a sense of shared responsibility.

### **Building trust and trusted relationships (RECIPROCITY)**

Start with basic honesty and integrity so that each and all receive what they are entitled to or can reasonably expect. This is the first stage of building trust. Then go beyond this minimum using knowledge and capabilities to provide benefits that people desire and value, but cannot expect or demand, in particular in situations of information asymmetry or power imbalance. Fair and efficient markets depend on trust and trusting relationships.

### **Valuing diversity and building bridges (PLURALITY)**

Be clear as to who you are and what you stand for, combining this with an openness to enrichment from others, valuing diversity of thinking and cultures. Favour curiosity and inclusion over suspicion and exclusion of those who think differently. Maintain consistency of purpose and values whilst embracing diversity, encouraging closeness to people, markets, innovation and growth.

### **Stewardship of people, values and resources (SUSTAINABILITY)**

Acknowledge and seek to measure the impact the business has on people, values, resources and the environment. Accept responsibility for those impacts. Then take steps to develop people, nurture values, preserve and restore existing resources and create new ones where possible so that others may enjoy their benefits. Use your knowledge, influence and experience in collaboration with others for the benefit of all.

## Appendix 2 – Five Principles of a Purpose Driven Business

### FIVE PRINCIPLES OF A PURPOSE DRIVEN BUSINESS

