

Why your board should be talking about your organisation's purpose.

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Why is purpose increasingly important?

Purpose has always been important, but factors like climate change, social inequality and political instability have increased the focus on how business can help to address current societal problems. Increased stakeholder scrutiny means businesses may now face being boycotted if their operational methods are deemed harmful to people or the planet. Regulation is reinforcing this shift with increased requirements around accountability and transparency.

What is the benefit for purpose-driven businesses?

Organisations can choose to see the requirements as a chance to realise untapped potential and discover new opportunities rather than just regulatory compliance. Those who do are more likely to develop the long-term resilience needed to survive and thrive, particularly in times of instability. Those who demonstrate a genuine commitment to providing value to society are also more likely to be supported by the societal systems on which they rely.

What do we mean by “Purpose”?

Purpose is not merely synonymous with altruism. It's about knowing what you want to do, but also being able to demonstrate that you know why you are doing it and how it benefits society.

Blueprint for Better Business, founded after the 2008 Crash to explore the connection between business and society, defines purpose as two core principles which are backed up by research:

- ✓ Business can, and should, operate to a purpose which benefits society. Profit for shareholders should be an outcome of a purposeful pursuit.
- ✓ A business is a series of human relationships. As such, people have a right to inherent dignity at work. They are not “tools” which exist to achieve business objectives. A purpose-led business seeks to enhance the quality of all business relationships, internal and external.

What is the Board's role when it comes to organisational purpose?

The board's role is to act as custodians of purpose for their specific organisation.

While the law and regulators are increasingly setting requirements about what a board needs to do, this is an opportunity for organisations to revisit and rethink what purpose means to them.

How does all this affect governance and the apparatus of decision-making?

It's unlikely that the inputs and outputs for the board will change radically. This means a mindset shift is required rather than structural changes, including things like:

- ✓ **Agree the purpose:** If the Board isn't clear about an organisation's purpose, how can anyone else be? It's important to get clarity on why the organisation exists and how it contributes to the common good. This will take time.
- ✓ **Align business decisions:** The common purpose then becomes a metaphorical North Star to guide decision-making. It can be helpful to think in terms of Hardware (processes, operations, metrics) and Software (culture, dialogue, relationships, stakeholder perspectives) and ensure both align with the purpose.
- ✓ **Monitor performance:** The Board has a key role to play in assessing how the purpose is being lived throughout the organisation. It will need to identify suitable proof points that demonstrate this.
- ✓ **Assess the evidence:** Reliance on data metrics alone is unlikely to suffice. The Board needs to carefully consider how qualitative as well as quantitative measurements will be obtained and used.
- ✓ **Understand the impact on stakeholders:** The Board needs to spend time understanding the concerns of stakeholders and deciding how best to balance diverse stakeholder needs.
- ✓ **Exercise judgement and explain:** A purpose-led approach works both for difficult decisions as well as pleasant ones. As the Board shifts to operate with longer-term, purpose-led benefits in mind, it will need to communicate how decisions align with the purpose and relevant timeframes.

Are there any examples of companies we can learn from?

We can learn a lot from organisations who have thought about what purpose means and how it defines their decision-making. Patagonia is known for having purpose woven in since its inception. Unilever has been overtly reevaluating its product range and engagement with stakeholders. Severn Trent has spoken about attracting shareholders who share their purpose-led vision of long-term success.

The key to success is to think holistically. Some organisations may have ticked the ESG box but their goods and services remain ultimately harmful for society and the environment. Others may be producing planet-friendly products but have a toxic culture which is harmful to employees. Doing things well requires a consistent approach that covers the whole business.

Where do we start?

Organisations who truly want to be purpose-led invite scrutiny from all stakeholders, seek dialogue and take responsibility for the impact of their decisions on the understanding that this will make them stronger. However, achieving this requires time and nuanced thought. Blueprint for Better Business has a helpful list of questions boards can use to start the conversation. You can access further resources via their website

<https://www.blueprintforbusiness.org/>

Let us help your board define its purpose. For more information, contact:

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