

point
Stakeholder
person, grow
own a sha
in a com



Business Roundtable

Purpose-led or Purpose-washing?

Taking stock on the 1-year anniversary of the US Business Roundtable Declaration on the Purpose of a Corporation

A year of great expectations and unprecedented challenges

The [declaration](#) by 181 major American companies on 19 August 2019 that the purpose of a corporation is to deliver value to all stakeholders - not only its owners - was hailed as a major step in the evolution of responsible business. It affirmed that companies and their leaders should generate long-term value for shareholders in a way that is consistent with improving society and addressing common challenges. The implication of the statement is that its signatories will systematically build social and environmental concerns into their corporate strategies and measure their impact on society and the planet with the same rigour as they measure their financial performance.

COVID-19 put that commitment to the test within a few months. The pandemic has demonstrated the critical societal role that business can fulfil, going back to its original purpose of delivering on what people truly need. Many companies have worked in partnership with government and civil society in tackling the multiple and complex challenges associated with the outbreak. The Business Roundtable (BRT) itself says that through a time of crisis, its companies have "[held to their commitment and risen to the challenge](#)".

While the pandemic allowed many companies to demonstrate their social value, this does not mean that there is a clear link between business strategy and corporate purpose. The real measure of whether companies are living up to the commitments made a year ago in the BRT Declaration is what happens after the pandemic subsides, and how they will use corporate purpose to guide decision-making into the future, integrating it with sustainability and business strategy.

Mixed success

There are a few examples of companies that have adopted a multi-stakeholder purpose-led strategy with clearly articulated sustainability goals. Examples include [Coca-Cola's](#) rediscovered purpose of refreshing the world and making a difference, which will guide their next stage of growth and [BP](#), where new CEO Bernard Looney announced a purpose and ambition for the company to guide its transition to becoming a net zero company by 2050. Mastercard's purpose manifesto is underpinned by a "[decency quotient](#)" which underpins how they treat all stakeholders.

There are more notable and recent examples of companies coming together to address pressing social and environmental issues, without embedding a long-term approach in corporate strategy. For example, the Black Lives Matter movement put a much-needed spotlight on persistent racial and structural inequalities which business cannot ignore, considering the commitments in the BRT Declaration. Last week signatory CEOs from Microsoft, Amazon, Accenture, IBM and JPMorgan Chase, among others, created the [New York Jobs CEO Council](#) which aims to hire 100,000 people from low-income Black, Latino and Asian communities by 2030. The UN Agenda 2030 with its 17 Sustainable Development Goals, provides a long-term framework for business which many make at least passing reference to.

There are even more examples of BRT signatories that appear to have treated it as a statement of intent, or ideology, rather than a call to change behavior. There is research suggesting that, in fact, the BRT Declaration signatories have been [less responsible citizens](#) than the average company. As we reach the 1-year anniversary of the declaration, this is bound to lead to some justified questions – what did the declaration really mean? A [WSJ commentary](#) earlier this month examined whether corporate leaders treated joining the statement as an important corporate decision, based on whether they asked their boards to approve or ratify it. A significant majority did not.

Developing a purpose that drives performance

Purpose as a concept has matured and is no longer just about the *why* – it is about *how* it is used to guide strategy and make better decisions. By using purpose to drive performance, companies will reap business benefits in terms of talent attraction, employee engagement, customer loyalty, trust and reputation. Innovation in tackling social and environmental issues can lead to new product development, growth opportunities and cost savings. Increasingly socially conscious consumers fall in love with sustainable brands and marketing campaigns. More and more investors are factoring ESG considerations into portfolio decisions. These are all factors that contribute to ultimately driving superior financial performance.

Businesses that are looking to identify a corporate purpose at the core of their business and use it to drive performance should address three key areas:

- Defining an authentic purpose that builds on their heritage while looking to the future
- Setting clear goals and measurable targets
- Developing a framework that integrates purpose, sustainability and business strategy, and provides a compelling internal and external narrative

The demand for corporate responsibility and multi-stakeholder purpose is no longer a theoretical debate – it is about delivery. Business has an opportunity to leverage the role it has played during the crisis, embrace a more equal, distributive model, and help build back better, more resilient societies. If they are to live up to the Business Roundtable Declaration of one year ago, companies need to do this in a clearly articulated way with measurable goals and show commitment to real change.