Greater Expectations

Understanding, setting and implementing real corporate purpose

An #UNTHNKBL leadership paper by Michael Bayler

With special thanks to Professor Colin Mayer, Said Business School; Rahul Malhotra, Shell; Jessica Groopman, Kaleido Insights.

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Introduction

Who is this for?

Greater Expectations is written for business leadership.

Its aim is to enable rapid understanding, clear thinking and decisive, confident action, as firms everywhere recognise and engage with the challenges of setting, implementing and benefitting from their own unique corporate purpose.

This is, we find as we examine the problem closely, the single most important task facing the corporation as the primary engine of capitalism. The way we do business, and how this affects the responsibilities, priorities, behaviours and future success of firms everywhere, need to change.

However, while the subject is under discussion in boardrooms all around the world, the context, principles, reference points, terms and objectives that inform and guide the purpose of the corporation - before we get anywhere near the requirements of a particular firm - have remained unhelpfully short-sighted and nebulous.

For example, the purpose of the corporation has become, perhaps understandably, confused with the overwhelming sustainability crisis that the planet is facing. The two issues are, of course, intimately linked; but as we'll see, in order for the former issue to make a difference to the latter, they must be understood and considered separately.

More prosaically, framing the discovery of corporate purpose as merely a hunt for 'the Why' turns out to be both naïve and limiting. Corporate purpose, at this point, is not simply the statement of a heartening aspiration to keep the firm's external and internal critics quiet. It's a profound and urgent evolution in how we think about, manage and evaluate the activities and performance of the firm.

In other words, this new and far more radical discourse about purpose is, at its root, all about value.

The approach

We look at corporate purpose through three distinct lenses. First, the investor; second, the economist; third, the multinational corporation. The goal is to synthesise and simplify the learnings from each angle; to triangulate on a fresh and applicable understanding of what we can for now, if only to release it from the moribund body of previous thinking on the subject, call 'Real Purpose'.

Greater Expectations also draws on the experience of the author as a strategic advisor to leadership across a wide range of industry sectors and challenges; here, in particular, on recent purpose development and delivery work for clients in pharmaceutical, banking and marketing.

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Why purpose? And why now?

> *Society is demanding that companies, both public and private, serve a social purpose. To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate.*
>
> Larry Fink, CEO, BlackRock, *Letter to CEOs*, 16/1/2018

A new sense of urgency

Famously, Dr Samuel Johnson, that master of the crisp soundbite, commented, on being told of a condemned man's commitment to deliver an autobiography in his three remaining weeks, that having only a short time to live 'concentrates the mind wonderfully'.

The minds of the leadership of many of the world's largest firms are currently wonderfully concentrated - quite suddenly, though for reasons that are not hard to understand - on working out their respective purposes.

The sense of urgency is sharpened by the even more sudden arrival, with potentially disastrous, certainty deeply serious consequences for health and economy across the globe, of the COVID-19 virus.

Today we are still in the middle stages of the pandemic, and while there is some discussion regarding the broader and longer-term commercial implications of this world-stopping emergency, it's hard to imagine that, when the dust settles, the way we think and act will not be radically impacted.

We see a lot of speculation in the media about what the world will look and feel like, when 'the new normal' emerges. Putting aside the relative successes and failures - most notably perhaps in the US and the UK - of both political leadership and state institutions and infrastructures in dealing with the pandemic, people's day-to-day experiences as both citizens and consumers are clearly impacting their ideas about the future.

An April 2020 survey, commissioned by the Royal Society of Arts and The Food Foundation, indicates that only a startling 9% would like life to be as it was before the pandemic.

> *More than half (54%) of 4,343 people who took part in the YouGov poll hope they will make some changes in their own lives and for the country as a whole to learn from the crisis … 61% of people are spending less money and 51% noticed cleaner air outdoors, while 27% think there is more wildlife.*
>
> *Two-fifths said there is a stronger sense of community in their area since the outbreak began and 39% say they are catching up with friends and family more.*
>
> *Sky News*, 17/04/2020

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Neil Ascherson, writing in *The Guardian* in the same week, also examines, with a baleful eye, this renewed longing for change.

> *Now, unmistakably, there's a feeling that 'things will never be the same after it's over' and 'we can't go back to all that'.*
>
> *Can't we, just? Some of those who govern us can imagine only restoring 'their' Britain, disfigured by inequalities. They will exploit the real and moving solidarity shown in these pandemic months, as they confront the colossal debts left by rescue spending. They will impose another 'we're all in this together' campaign of savage austerity at the expense of social services and the poor.*
>
> *And yet, just as in 1945, voices are starting to say 'never again'. As in: never again 'austerity', which leaves people helpless in an emergency. Never again the emaciation of the welfare state, and the NHS above all. Come to that, never again neoliberalism. But who will do the politics of 'never again' when we open our eyes?*
>
> *The landscape will look different. Mass unemployment, as hundreds of firms go bust in spite of government loans, made much worse if the suicidal idiocy of a no-deal Brexit really happens at the end of this year. Concentration of wealth and power in fewer hands, as big companies cannibalise what's left of smaller enterprises. Bankruptcies devastating those charities and funds that maintained so much welfare and research as public spending withered under austerity.*
>
> *The Guardian*, 19/04/2020

From the point of view of the corporation, this is no time for sentimental, woolly-minded declarations of good intention. A number of the world's largest brands have walked right into this trap, among them The Coca-Cola Company, whose own regrettable 'purpose hijack' we'll be examining further below.

COVID-19 is, therefore, a catalyst, an accelerant and a scene-setter for plain speaking and responsible action. We can see a rare and significant opportunity for corporations to take time to think deeply, to stop just 'standing for' an evolved model of business, and to stand up for it.

Money talks

In early 2018, Larry Fink wrote a letter to the CEO of every firm in which BlackRock held shares. Both unexpectedly and controversially, the world's largest asset manager would be adding to its investment criteria the clear expression of a corporate purpose, and credible plans for its committed, active and accountable management.

Speaking at Davos, Mr Fink expanded upon BlackRock's commitment to these new conditions. And while the immediate impact of the declaration came from its conditionality - essentially, no purpose = no money - this was about far more than a single leviathan flexing its market muscle. He was speaking on behalf of not just BlackRock, nor just the financial services industry.

Mr Fink was speaking to the future of capitalism itself.

His shot across the bows of business-as-usual was naturally and immediately heard around the world. Another task, this one perhaps less familiar, more nebulous, but no less urgent for that, was added to the to-do list of the C-suite of most of the world's larger companies and their brands. Just about everyone began wondering about their purpose.

Rarely (with the notable exception of 'digital transformation') has such a high-profile object of leadership concern been at the same time so widely discussed and yet so fundamentally misunderstood.

The purpose of this paper, therefore, is to unpack what corporate purpose actually means, to clarify how we need to define it as an idea and frame it for an individual business, to demonstrate what good does - and far more often, doesn't - look like, and to establish a set of guidelines to enable leadership to steer clear of the prevalent and pervasive cant, to claim the prize of what we can call 'Real Purpose'.

What just happened?

Without looking closely, it was easy to mistake Mr Fink's radical change of tack for an eleventh-hour crisis of conscience. Had one of the world's most successful, hardest-charging corporate samurai traded in his sword … for the scales of justice?

It was natural - and predictable - that much of the media and many of the initiative's other critics would frame what had happened as a questionable - even cynical - Damascene conversion. Equally natural, indeed, that proponents and practitioners of purpose in business would seize on BlackRock's declaration as a tipping point for their cause.

It was time, finally, for that long-overdue 'examination of the corporate conscience' that boards all over the planet had for so long put off. If 'those guys' have finally woken up, then surely everyone has to. Purpose quickly became the flavour du jour of PR and marketing agencies everywhere, diverting the focus of this challenge towards yet another communications exercise.

In fact, BlackRock's startling commitment to, and very public demand for, corporate purpose, was nothing more than sound business sense.

While, since the firm's initial declaration two years ago, Mr Fink's subsequent annual letters to both investors and CEOs have further ramped up the focus on sustainability - most recently, in early 2020, shining a brutal light on climate change, its implications and imperatives - the message has never wavered.

The way the world does business needs to change, if the role of business in the world is to recover its seriously diminished credibility and meaning.

The realpolitik of purpose

BlackRock's stated corporate purpose - 'to help more and more people experience financial well-being' - is clearly and simply dedicated to supporting its investors in delivering their money goals. These are, typically, long-term in nature, and will not be delivered on should the companies in which their money is invested fail to grow over the long term.

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In Mr Fink's eyes, a critical risk to that growth - and let's recall that BlackRock currently has some seven trillion dollars under management - is a chronic short-termism on both sides of the market - asset management and the C-suite. Particular weight is placed on a lack of leadership commitment to, and active engagement with, long-term strategy, and - its shady twin - a reluctance to front up to and actively manage future threats and hidden, toxic trade-offs.

> *For far too long, asset managers have focused on selling products without placing them in a broader context. The goal of managers has been to deliver returns either in excess of or in line with a particular market benchmark over a 1-year, 3-year or 5-year period …*
>
> *… Our responsibility as a fiduciary is profound. Our clients are teachers, nurses, firefighters, CIOs of foundations and pensions, scientists, business professionals and so many others. They are mothers, fathers and grandparents. And their financial goals are investing for retirement, buying a house, paying for college. People want help and guidance in reaching those goals ...*
>
> *… I've written to CEOs, as an investor in their companies on behalf of our clients, about the importance of publicly articulating how they will execute their strategies and sustain financial performance over the long term. BlackRock has a responsibility to do the same: to articulate how we invest in, operate and evolve our business to deliver sustainable, long-term financial performance that benefits all of our stakeholders – our clients, shareholders, employees and the communities where we operate.*
>
> ***Only by meeting the needs of our various stakeholders can BlackRock achieve sustainable profitability, and only by achieving sustainable profitability can we continue to meet our stakeholders' needs over the long term.***
>
> *That is what I mean when I say companies need sustainable business models. It's not about imposing anyone's personal environmental or social values on the companies we're invested in on behalf of clients, nor is it BlackRock taking political positions. It's about providing a strategic and risk management framework that supports and enhances a business's ability to operate and deliver value to its key stakeholders over the long term …*
>
> *… More than half of US households regularly worry about their finances. A staggering 41% of adults cannot cover an unexpected $400 expense without borrowing money or selling a personal item. I believe this issue needs BlackRock's leadership, now more than ever. This February, we launched a Flagship Savings Initiative to help low- and moderate-income families build an emergency savings buffer …*
>
> *… Our initiative will fund and retain the expertise of three leading non-profits who will work with corporate partners that directly reach financially stressed households in order to scale high-quality, proven savings strategies. Just as we have a fiduciary duty to build better financial futures for our clients, we have a social responsibility to help millions of people create a more secure financial future for themselves and their families.*
>
> Larry Fink, *Letter to shareholders, BlackRock Annual Report*, 16/1/2018

If we are in any doubt that BlackRock is utterly and pragmatically focused on the financial implications of Real Purpose here, we should also note his comment on the problems recently introduced by the rapid rise of index funds:

> *Globally, investors' increasing use of index funds is driving a transformation in BlackRock's fiduciary responsibility and the wider landscape of corporate governance. In the $1.7 trillion in active funds we manage, BlackRock can choose to sell the securities of a company if we are doubtful about its strategic direction or long-term growth. In managing our index funds, however, BlackRock cannot express its disapproval by selling the company's securities as long as that company remains in the relevant index. As a result, our responsibility to engage and vote is more important than ever. In this sense, index investors are the ultimate long-term investors – providing patient capital for companies to grow and prosper.*
>
> Larry Fink, *Letter to CEOs*, 2018

This is a million miles away from any sort of well-intentioned tree-hugging. While the firm is keen to actively point out - and indeed convincingly and tangibly respond to, track and report back on - the most pressing social and sustainability issues, this is not what Mr Fink is primarily referring to when he bangs the drum of purpose.

It's critical to clearly land this point. Where many - if not most - previous manifestations of corporate purpose, most notably the ill-fated and largely dismissed notion of corporate social responsibility, have been focused on 'the good we do in the world *aside from our day-to-day business'*, this pragmatic approach is in sharp contrast.

Real Purpose is about a fundamental and integral change to business-as-usual.

This anticipates our considerations in the next section, where we focus on clarifying what can meaningfully be considered Real Purpose. There we review Oxford Professor Colin Mayer's framing of purpose as 'providing profitable solutions to problems of people and planet'. In this radical and fresh approach, purpose and strategy - indeed, purpose and a company's value proposition, are from here on increasingly joined at the hip. They may well, sooner than we might expect, come to be seen as one and the same.

His laudable commercial clarity and pragmatism notwithstanding, Mr Fink's demands on business have not met with universal acclaim. Business is nothing if not deeply conservative. Like animals in the wild, leadership only moves fast when it sees something it wants a lot, or something it really doesn't like the look of at all. We'd be surprised to find that, for example, any US-based hydrocarbons business had embraced his vision, especially as the BlackRock focus has tightened from its 2018 demand for purpose, to, in 2020, the brutal economic impacts and implications of climate change.

At Davos this year, Mr Fink spoke of a 'fundamental reshaping of finance', with a significant reallocation of capital set to take place 'sooner than most anticipate'.

'I actually thought we were going to have a severe backlash on this one … because we manage money for countries that are big hydrocarbon producers (and) we manage money in the United States where the states are totally dependent on hydrocarbons for their economy … And yet, we can talk about the public narrative, but the private conversations we had with our clients I would say was 99:1 in favour.'

Impacts on investment

Broadly, outside of those with existing and primary commitment to sustainable business and similar causes, the investment community has been slow to respond to BlackRock's invitation to dance.

It's premature to draw any conclusions; it's in fact unsurprising, given the typical conservatism - not to mention the chronic short-termism - in this community.

However, an important underlying challenge, within the type of purposive business and investment models that Larry Fink is pointing to, is a lack of clearly joined dots, *actively connecting and balancing financial returns with societal benefits*.

Simply put, while certain individual firms in certain sectors are already creating impressive alpha, the rules of this new game have yet to be understood and accepted beyond specialised funds and analysts.

The trends towards SRI (socially responsible investing) and ESG (environmental, social and governance screening) have been generally perceived as window dressing to keep activists and other disruptors at bay. More subtle yet more concerning is their application as generic hygiene factors, that make no differentiation between firms in a specific sector who are keeping their side of the street more or less clean, and those who are strategically discovering and exploiting truly exciting and lucrative new market opportunities and innovations.

When everyone's a sustainability winner, in other words, everyone ends up a loser: in particular, for now, those innovators whose future growth - and thus investor returns - can only be seen as compelling when their entire market vision and precise strategic narrative are fully and formally understood.

There's a long road ahead, as a useful October 2019 article in *Institutional Investor* has convincingly articulated:

> *Most corporate leaders view their sustainability efforts primarily as a way to enhance their reputations and attract socially aware consumers, employees, and investors. Outside of SRI and impact investing funds, most investment analysts who consider ESG factors at all tend to treat them either as a way to attract socially responsible asset owners or as a tool to reduce the regulatory or reputational risks of their portfolio companies. The impact of social innovations on competition and economic-value creation are not fully understood or even considered. As a result, corporate executives, analysts, and investors alike are missing a powerful value driver.*
>
> Michael Porter, George Serafeim, Mark Kramer, *Where ESG Fails*

In this case, these very credible co-authors draw on Porter's well-established 'shared value' model to recommend a way forward. I'm not 100% comfortable with the genuflections that his thinking continues to inspire, my concern being that some of his models are rooted in a rather retro context of industrial value creation, and that the application of these in analysing more recent, informational businesses is questionable. That said, the article is a rewarding, worthwhile, and above all encouraging read.

The thinking does link back usefully and tangibly to BlackRock's imperatives. Here we see not only prescribed changes for investor approaches, but a potent example of real success, where societal value and financial outcomes are systematically and causally connected.

> *Shared-value investors must start, rather than end, their analysis with a review of salient social issues that affect company prospects, such as climate change, the growing focus on nutrition, the emerging global middle class, the spread of non-communicable diseases, the low productivity of small-holder farmers, changing employee and customer demographics, and the effects of water scarcity. Understanding these social and environmental dynamics will help investors anticipate changes in industry structure and identify opportunities to create shared value ...*
>
> *… For example, London-based Generation Investment Management was ranked by Mercer Analytics in 2018 as the highest-performing fund out of 169 long-only global investment funds over its 12-year history. A key tenet of Generation's strategy is 'The impact on society is the driver of value creation'. The firm uses a road map to a sustainable, low-carbon future to determine which industries will contribute to and benefit from that trajectory. Rather than separate sustainability analysis from fundamental valuation criteria, Generation includes experts in environmental issues on the investment team and searches for companies with distinctive competitive strategies based on their environmental impact.*
>
> Michael Porter, George Serafeim, Mark Kramer, *Where ESG Fails*

Strategy, value, risk and uncertainty

While it may suit critics to position Larry Fink as a dangerous St-Johnny-come-lately, calling out the plays from an ivory tower of undoubted wealth and privilege, he and BlackRock have been, as far as we can see, just about entirely consistent in their thinking, their pronouncements and their actions.

What's not good for their customers - millions of investors world-wide - is certainly not good for BlackRock. Mr Fink is not thinking like a climate activist or an NGO. He's thinking like a smart, forward-looking and responsible business leader, who runs the world's largest asset manager.

Real Purpose, as he lays it out, is a potent - and utterly common sense - brew of clear long-term growth strategy and risk management, with no more toxic skeletons in closets tolerated.

His stance on purpose offers far more than idealistic inspiration. It teaches hard commercial lessons for any leadership looking to get a hold of their own purpose. It's about making very tough calls on tough changes, ones that reflect a reality that may originate outside the walls of the enterprise, but must now land at the very heart of long-term strategy and governance.

This approach to purpose is too rarely, however, the departure point for most corporate purpose initiatives. So we turn now to tease apart and clarify why purpose continues to be misunderstood and misused, to separate the fake and the feeble from the real and robust.

Clarity of purpose

When we read the corporate purpose statements, we as employees, customers, suppliers, investors, communities and nations states should know precisely to what we are committing our livelihoods, money, offspring, health and well-being and what we can legitimately expect in return. At the moment we know none of these with any precision or credibility whatsoever.

Colin Mayer, *Prosperity*, Oxford 2018

The logic of Real Purpose

Analysing BlackRock's call to action provides a sharp and tangible summary of the new imperative for Real Purpose. We turn now to clarify the muddled and diverse discourse around the subject, and in the following section, to review how one global firm - Shell - has both approached and activated its own Real Purpose, in the face of the widest imaginable variety and force of headwinds.

Professor Colin Mayer of Said Business School, a noted economist and the author of two seminal books on corporate purpose, has been most generous with his valuable time and support.

As the quote above from his most recent work *Prosperity*, suggests, his thinking and his argument are informed, acute and passionate. He is also direct and uncompromising about the locus of the problem that Real Purpose must address.

The corporation is the creator of wealth, the source of employment, the deliverer of new technologies, the provider of our needs, the satisfier of our desires, and the means to our ends. It clothes, feeds, and houses us. It employs us and invests our savings. It is the source of economic prosperity and the growth of nations around the world.

At the same time, it is the source of inequality, deprivation, and environmental degradation, and the problems are getting worse. They are getting worse because the corporation is getting bigger to a point where in some cases it is larger than nation states. And as nations find themselves unable to service their debt obligations, they turn to corporations to supply the goods and services that they provided in the past. But is the corporation capable of bearing the responsibilities that are being placed on its shoulders?

The evidence is not encouraging. Over the past few years there has been a steady erosion of trust in business. At first we associated this with just banks and financial institutions after the financial crisis of 2008, but we are increasingly recognizing that it afflicts everything from automobiles to energy, from food to pharmaceuticals.

At the same time, technological advances offer greater opportunities today than at any time in the past for business to transform our lives for the better … How can we ensure that we harness business as a source of societal benefits and avoid its detriments? How do we make it the creator

> *of prosperity for the many not just the few, and of the future not just the past?*
>
> Colin Mayer, *Prosperity*, Oxford 2018

What is especially important for this project is his deep analysis of the historic, present and required future role of the corporation itself. He concludes in *Prosperity* that what is required of a corporation must be firmly rooted in how profit, and thus growth and value for all stakeholders, are defined and regulated.

> *"**The purpose of the company is the way in which it creates value both for its various stakeholders and for the company**. The value proposition revolves around creating a resolution to problems.*
>
> *The reason why there is that very direct relationship is what I talk about as "the purpose proposition". **Companies should not profit from producing problems for people.***
>
> *As soon as you make that clear, it means that the value - in the sense of benefit to the company and its owners - can only derive from making a positive benefit. **Because if you correctly define what the profitable firm is, it rules out the possibility of deriving a benefit from anything else.***
>
> *So there is an immediate relationship between the notion of a purpose as being there to promote positive benefit, and the realisation that an appropriate definition of profit - and therefore value creation - does not include activities where one is causing harm."*
>
> Conversation with the author, February 2020

Professor Mayer, at the heart of his argument in *Prosperity*, examines corporations' historic - and, as it now turns out, often disastrous - capture and exploitation of forms of capital that have hardly, if ever, found their way onto the balance sheet. The brutal depletion of the planet's natural capital is of course the most obvious example.

If we accept the hard logic of his imperatives for the future of the corporation, we can't help but take a rueful look back at its past, indeed also its present. The sources of the unimaginable profits, growth and wealth achieved by our most successful - and in many cases revered - corporations and their owners, begin to look a lot like wholesale corporate theft. What do we need to take from these brutal lessons?

One thing is crystal clear. Where we see explosive, unprecedented growth in a sector, as we saw in financial services leading up to the crisis of 2008, or in a firm, as we continue to see with technology giants such as Google, Facebook and Amazon, magical thinking has no place.

We can be sure that there are, beneath the ostensibly benign surface narratives and declared so-called 'social purposes', hidden trade-offs, which will at some later point surface.

This is not, by the way, to point a judgmental moral or ethical finger at the apparent winners of this game, the astonishingly rich and successful founders of, and investors in, such firms. They are, we must remember, doing nothing more than playing hardball (more or less) within the existing rules of business competition.

That said, it's entirely in their commercial interests, in the current regulatory context (especially in the currently laissez-faire US market), to postpone as far as possible the time when the environmental, societal - and, in the end, financial and economic -

consequences of these underlying trade-offs - Professor Mayer's 'problems for people and planet' - come to light.

The transparent accounting for and active management of such trade-offs are a primary concern of Mr Fink and Professor Mayer, and should concern any business leader who seeks to move the corporation into a future that is both truly productive and truthfully profitable.

We are beginning to understand Real Purpose. Before we move on to its effective practice, however, we need to distinguish it, once and for all, from what it is not.

Conscience or commerce?

Much of the current discussion of so-called 'purpose-led' businesses and brands focuses on firms that would not come close to meeting the intentions, objectives and criteria that Real Purpose requires.

Corporate social responsibility programmes, cause-related marketing, sponsorship of good causes, philanthropic activities, 'doing well by doing good' and other socially positive initiatives are, in themselves, often enough commendable. However, these approaches are, more or less by definition, exogenous, as in separate from a company's business-as-usual.

As we're coming to see, Real Purpose is required to be both entirely *strategic* and completely *integrated* with - as opposed to being a distraction from, compensation or apology for - the firm's core value proposition, its management of risk and uncertainty, and its resulting activities and impacts.

Piggybacking on a cause that is external to its day-to-day activities is, as we'll see below, often attractive and sometimes broadly beneficial. But to mistake this for purpose is to entirely miss the point.

Trading in the bad for the good

In the case, for example, of corporate social responsibility, while few would deny the halo effects that such efforts can achieve, they are close to irrelevant to sustainable growth per se, and in fact, far more often than we'd like, found to conceal highly negative social impacts.

Historically - and this point has recently been conclusively made by John Browne, the former CEO of BP, who had been an early and vocal proponent, and now firmly rejects them as peripheral - CSR initiatives have too often been used to minimise or otherwise distract from the negative by-products of a firm's day-to-day activities.

Even at its least corrosive, CSR is best viewed as a kind of sleight of hand, a superficial trade-off of 'the bad for the good'.

Permission or forgiveness

We should pause here, to consider the common narrative of 'giving something back' to society. Whether this informs a corporate or personal project, while not long ago such declarations met little if any public criticism, today they are exposed as often disingenuous, and at worst downright cynical.

Whatever form this giving back may take - and in the case, for example, of Bill and Melinda Gates, both good intentions and positive impacts are undeniable - a corporation's assumed right to take from 'people and planet' in the first place (indeed the rights of businesses in the future to do the same) must be sharply challenged.

The enormous growth and profitability, alongside the unimaginable personal wealth, of the great industrial capitalists was contingent on the unchallenged assumption that natural capital is the property of whoever has the ingenuity and resource to extract and monetise it. This is of course a drastic simplification. But social and economic positives notwithstanding, the climate crisis we now face is a direct consequence of such assumptions.

While it's easy to generalise in hindsight, the huge philanthropic gifts of the Rockefellers, the Carnegies and the Vanderbilts can leave a bitter aftertaste, when we reflect on both their contemporary business practices and the environmental consequences. It's hard not to see these projects as far too little, far too late for any significant repair or reparation, 'giving back' a tiny fraction of what was taken, without either permission or acknowledgement of consequences.

Today's hidden trade-offs

Our industrial journey has played out over some 250 years. Today, over just the last 20 years, we are seeing a comparable trajectory in cyberspace, where in the explosive new market for predictive services, an unforeseen and rich form of capital, human experience and attention, is being mined by the so-called 'surveillance capitalists', including Google, Facebook, and Amazon.

At the time of writing, by the way, in the context of the COVID-19 crisis, when Amazon is reported to be making on average $11,000 per second, a gift of £250,000 to an organisation supporting struggling UK book sellers has been announced. Gratefully received no doubt. But isn't there a deeper, far less generous trade-off that needs reckoning?

It's not necessary or appropriate here to dig deeper into the moral and societal implications of these alarming trends. The point is that if we mistake 'giving something back' - whatever form a particular variant may take - for Real Purpose, we are utterly misguided.

Asking - or indeed just paying - for forgiveness sometime in the future, as opposed to asking for permission, right now and from here on, is no longer acceptable.

We need to be able to understand, evaluate and actively manage a far wider and far more demanding range of trade-offs between the firm and its stakeholders.

Homage to Patagonia

A frequently referenced and admired poster child for purpose is the premium outdoor clothing brand, Patagonia. This is, however, a significant category error, as well as a source of confusion for firms seeking to engage with their Real Purpose.

Patagonia provides a useful and sobering example for the separation of a brand cause from a corporate purpose.

The company was established with the declared goal of furthering the cause of positive action against climate change, and indeed its policies, behaviours and communications are, as such, admirably aligned.

However, while its positioning and execution are world class, and the firm has achieved a highly ownable market space, powerful brand equity and loyalty alongside large revenues, Patagonia's goal is simply to sell lots of expensive clothing to lots of affluent consumers.

Were we to take a punishingly sceptical view, the Real Purpose of Patagonia - what its core business is about, what it does day-to-day - is nothing to do with meaningful impact on climate change. The design and manufacture - albeit of the highest quality and using the most sustainable and ethical practices - of clothing, are at best peripheral to solving the fundamental problems facing the environment.

Patagonia the brand is not in any sense criticised, judged or mocked here. It's a great case study for the model of 'doing well by doing good'.

But how many global corporations - the firms that actually stand to make a tangible difference in the world by defining and then living and working with their own Real Purpose - have this luxury?

Not The Real Thing

At the bottom end of the spectrum, we find certain major global firms hijacking the badge of purpose to feed their communications. This, we could say, is purpose as strapline, or perhaps fig leaf.

Despite the entirely obvious challenges of the tobacco industry, too many critics use it as a convenient distraction and punch-bag. However, with thanks to Dominic Mills, the respected media and marketing commentator, this from British American Tobacco is either bracingly cynical … or just stupid.

> *We believe in purpose. We aim to reduce the health impact of our business by offering consumers greater choice in new product categories.*
>
> *Mediatel News,* 09/03/2020

We would, though, tend to expect a bit more from The Coca-Cola Company. Mr Mills - who has made something of a hobby in his weekly Mediatel column of hunting down fake purpose - has this to say about their own deeply unconvincing hijack.

> *The ad shows a fractious New York, where everyone argues (so what's new?). People shout at each other. Buildings collapse. A rat gnaws at an abandoned toy. Two superheroes have an unedifying scrap in the street.*
>
> *And then Natasha Lyonne, of American Pie and Orange is the New Black fame, emerges. 'Hey guys, this isn't how you save the world,' she admonishes the super-heroes. 'The thing is, everyone's obsessed with being right about everything. If you asked yourself 'could I be the one who's wrong?', maybe things would change for the better.'*
>
> *Lyonne is correct: what passes for discourse these days is characterised by certainty that you are right and everyone else is wrong. Cue rat and toy clinking bottles of Coke together, and the endline "Everything's better when we're open".*
>
> *In many ways (and over many years, minus the odd deviation) this is classic Coke territory, with a direct lineage back to the 1970s blockbuster 'I'd like to teach the world to sing': Coke as unifier, as socialiser, as harmoniser, as the vehicle through which ordinary citizens come together ...*

> *… But the thing about Coke's latest iteration is this: under an overall heading of 'Uplift and Unite', a proposition which aims to bring together an increasingly polarised world, it's being badged as brand purpose.*
>
> *Here's Coke Europe marketing boss Walter Susini giving it the full grandstand: 'There is a fundamental truth that no matter where you look today, in any country around the world, we are more divided than ever. Coca Cola is a brand that needs to embrace different angles and facets, and we need to talk about the problems that are relevant today. We will never shy away from social issues.'*
>
> *Hmm. Well I have no argument with Coke's proposition that it is a brand that brings people together ('in purrrfect harmoneee', as the song goes). But to claim this is taking a stand on social issues is several steps too far. Taking a stand (as any politician can testify) invariably involves displeasing some people. Being in favour of world peace etc hardly qualifies.*
>
> *Mediatel News,* 24/02/2020

With a glance back at our earlier point about toxic trade-offs and creating problems for people and planet, this purpose fail by Coke is, of course, exacerbated by not only their ongoing chronic and unresolved challenge - alongside plenty of other global FMCG brands - of plastic waste. The brand, alongside rival Pepsi, has also been recently tagged again, now in the punishing life-and-death context of the COVID-19 crisis, for bottling and selling what is effectively tap water, while much of the world struggles to get enough drinking water at all.

The currency and language of Real Purpose

Purpose as a value proposition

Professor Mayer's central concept of a 'purpose proposition' establishes the model of a comprehensive and transparent account of a firm's profitable solutions to problems of people and planet, alongside their conscious and active management over time. This matches, as we recall, precisely what BlackRock has demanded as an overarching philosophy and process.

Real Purpose is, through this lens, a continuous, shifting dynamic that revolves around the clarification and balancing of positive and negative trade-offs.

The purpose proposition updates and expands the scope of the familiar value proposition, enabling the firm to account for - and, where it is successful, to share the resulting growth and prosperity with its stakeholders within the boundaries of - all of its positive and negative impacts, its risks and its uncertainties.

The balance sheet of Real Purpose

We should note here that, while in traditional business discourse, value and risk are offset against each other, Real Purpose from here on requires - entirely sensibly - that we factor in what we might call negative value, or non-value. This is simply the full range of real - no longer minimised or obfuscated - costs, not just to the firm but to its entire range of stakeholders (including people and planet), associated with the activities of the business.

It is then up to the firm's stakeholders to decide - through the lens of their own respective criteria - whether these particular trade-offs are acceptable. Acceptance cannot, by the way, be dictated or imposed by the firm itself. This is, again, where the purpose proposition is key. It is, we could say, the starting point and guiding framework of an ongoing dialogue about relative value, both within the firm, and with and between its various stakeholders.

To offer a basic illustration, a firm that trades in luxury sports cars naturally represents, directly or indirectly, a quite significant carbon footprint. Whereas a strident environmentalist perspective would be that the business shouldn't exist at all, the firm, applying a Real Purpose framework, can offer a variety of meaningful trade-offs, some of which may be built into its day-to-day practices, others perhaps optional, giving customers a choice as to how they exercise their respective personal priorities.

The journey, not the destination

These imperatives provide a further clarification of the nature of Real Purpose. Where, all too often, corporate purposes are little more than aspirational visions of all the good things that the firm might do (assuming it's left to its own devices …), Real Purpose is, in sharp contrast, little to do with any ideal destination. In fact, it provides the unique compass and the map for the firm's journey.

The kind of tensions - in the form of potential trade-offs - that a firm has to manage on its road to prosperity are never, of course, resolved. This new far more robust approach to purpose is a powerful toolkit, not for the removal of such tensions, but for their active, intelligent, cohesive and transparent management.

Narrative, logic and trade-offs

Real Purpose is therefore best understood as a powerful and definitive tool that guides leadership decision quality and the behaviour of the firm. It is expressed as a strategic narrative, one that references, and is underpinned by, a deep and entirely thought-through institutional logic.

This logic, in turn, contains and frames the full range of positive and negative value (i.e. stakeholder benefits and costs), risks and uncertainties, enabling them to be actively traded-off against each other, over time, as the market context changes, threats and opportunities emerge, and fresh innovations become optionally available.

What customers want from a purpose

Customers, in fact, very rarely ask a brand or business 'What's YOUR purpose then?' In the same way, they rarely express the remotest interest in, for example, your value proposition or brand positioning. The thinking and the language of the day-to-day, as we often forget, are miles away from the concerns and terminology of business strategy or marketing.

However, similar to the old 'I don't know much about art … but I do know what I like' line, when customers do care about an issue - and one of the key effects of global networking has been to unimaginably increase the volume and speed of change of stakeholder concerns (it can feel like they came from nowhere) - their assignment or removal of trust are instinctive.

As we'll learn in the following section when we hear from Rahul Malhotra, the head of brand strategy at Shell, the communication of a purpose is nothing more than an internal reminder of principles and behaviours that are required of the business, the brand and its people. Actions, here as elsewhere, speak far louder than words.

Stakeholders today cannot be fooled, at least not for long. If they seem slow to react to an apparent mismatch between the declarations and the actions of a business, it's not that our failures go unnoticed. Customers just don't - at least for now - care enough to invest their time in protesting. This doesn't mean that the good old days of 'getting away with it' are still here.

Certain stakeholders, of course - the ones that Larry Fink addresses, for example - will always take a forensic lens to a company, insofar as due diligence requires a full grasp of the positive and negative impacts of a firm's purpose and its associated strategy. Shifting to sustainability, the same will be true of NGOs, activists and of course a large cluster of concerned consumers, including, as is well-known, millennials, whose sensitivity to the negative - and potentially positive - impacts of business on their own future is increasing sharply and consistently.

These cases notwithstanding, the broader consumer demands little or no detail. They don't really want to know much, if anything at all, about such details.

However, as has been well recognised for far longer than it should have been, consumer trust in most companies and their brands - while admittedly - alarmingly - often far higher than their trust in just about every other traditional institution - is understandably fragile.

Given the broader cultural context, one where formerly trusted institutions appear to become increasingly unreliable and untrustworthy - indeed, in many cases willing to lie at every turn - the remarkable patience that most people maintain, most of the time, is not without limits.

A critical component of Real Purpose is a willingness to acknowledge no longer just the positives offered to society, but the entire range of associated costs. The long-established culture of corporate mendacity - very much a justified if not justifiable part of playing hard by the old rules - needs to move into the past.

'Don't bother me with your purpose. Just telling me the truth is enough.'

This said, and before we move on to look at a comprehensive case study for Real Purpose, one final point. Many misguided corporate purpose initiatives have been triggered by a perceived need to either neutralise or at least calm down the more vocal and critical stakeholders. This, of course, is where the 'purpose as PR' distraction comes from, and is the underlying aim of many CSR programmes.

To put it simply, a degree of controversy is part and parcel of Real Purpose. If someone, somewhere, isn't challenging what we're doing, it's a warning sign. Purpose is not, nor should it ever have been, about either closing down debate or seeking approval.

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Real Purpose in action

And that is a sense of purpose, that's a sense of community and leadership. One of the statements I try and inspire everyone with is, 'If we don't step up as Shell, who's going to step up? With our resources and our engineers and innovation budgets, if we don't do it, who's going to do it?'

Rahul Malhotra, Head of Brand Strategy, Shell, March 2020

Reshaping capitalism

Unilever breaks the mould

It's interesting to note that two of the world's most purposively committed global firms originate in long-standing partnerships between Britain and Holland, the two nations where capitalism in its current form was born.

Unilever's well-known Sustainable Living Programme was launched by then-CEO Paul Polman ten years ago. It's anchor goals were to double the firm's turnover by 2020, while halving its environmental footprint.

The realpolitik of purpose was in evidence from the start. Mr Polman openly flagged that as the firm's growth was contingent on its success in emerging markets, the high mortality rates and standard of living in key markets such as India were a clear and urgent imperative. And a company-wide commitment to this bold and visionary plan was entirely evident.

Unilever's sustainability goals have been tracked and reported with the utmost clarity and integrity. And it has made radical changes in, for example, its food supply chain, seeking to replace sugar and aspartame with the healthier stevia ingredient, and significantly reducing the palm oil content of its personal care range.

Through the demanding lens of Real Purpose, however, while the sustainability, health and longevity impacts of the USLP are undeniable, the commercial side of Mr Polman's ambitions seems yet to land.

Unilever is, like any FMCG firm, invested in and dependent on the equity and competitive selling power of its brands. While the entire sector has been under pressure over the past ten years, the powerful and differentiated brand halo that its sustainability efforts in emerging markets need to create, in order to increase sales and maintain prices in its established developed markets, has yet to arrive.

Alan Jope has taken over as CEO from Mr Polman, and is just as passionate and committed to the USLP. But it's clear that the company - indeed the sector as a whole - requires broader and deeper innovation in order to reap the full commercial benefits of its courageous, visionary and transparent stance.

Shell activates its Real Purpose

The travails of the fossil fuel giants, in the face of stakeholder challenges from every direction, are well documented. BP's Deepwater Horizon crisis, for example, now exactly ten years ago, provided critics of the environmental impacts of the oil business with fuel for their own cause that still has a long way to run.

Shell began a worldwide purpose project five years ago. I have extensively discussed the company's work on its purpose with its Head of Brand Strategy & Stewardship, Rahul Malhotra. It became clear that, in sharp contrast to firms of comparable scale, both inside and outside its sector, Shell's vision, pragmatism, commitment and tangible delivery against its purpose – 'to power progress together with more and cleaner energy solutions' - offer a rare and definitive case study.

Mr Malhotra has been both generous with his time and articulate in his account of the key milestones in Shell's journey. Therefore, while his key points have been mapped under headings that reflect the broad principles of Real Purpose, these words are mostly his. To note, these are his personal views and do not necessarily reflect those of RDS Plc or its subsidiaries.

Accepting the challenge

"So in 2015 our team got into this journey to discover 'Why Does Shell Exist'? Our leaders were asking the question, investors were asking the question, employees were asking the question. And we spent months reflecting on it. We went to 300 or 400 employees. And we asked them two questions. 'Why did you join the company, and what expectations did you have in terms of what the company would do for the world around it?' And then, 'When you retire, what story would you like to tell your grandchildren about the kind of company you left behind?'

We got 600 stories back from those employees. We distilled all of those 600 stories into certain themes: things like 'The world is changing and Shell has to step up' ... 'We have a responsibility' ... 'We have to balance the short and the long run, otherwise we will go out of business as a company'. We also looked at our wealth of research and insights on what's happening to the energy system.

Fronting up to the key financial trade-offs

"You have to remember, today Shell has over 80,000 employees. But if you look at the number of indirect jobs that Shell creates via distributors etc, it's much, much larger. So a lot of families livelihoods, directly or indirectly, depend on the company.

You also have to understand as one of the top 5 dividend payers in the FTSE100 (as of April 2020), we are important to pensions, and for pension funds in countries like the UK and so on. Shell's shareholders are much more diverse than people may think and may include, for example, pensioners in northern England who trusted their pension funds to invest in the company. So, there are many reasons why our team felt that there has to be a balanced approach to helping meet the needs of the world around us.

Fronting up to the energy trade-offs

"The first point was that the world needs more energy. It's pure fact. There are seven and a half billion people on earth today. According to the IEA, more than 850 million lack access to electricity and hundreds of millions more lack reliable supply. On top of this, the world is projected to add an additional two billion people to our population by 2050.

If I'm a child in Eastern Europe who can't be kept warm because that energy is coming from fossil fuels, that mother will say, 'I'm sorry. I will burn whatever I need to, to keep my baby warm'. Or if I need a road in Africa to transport and sell my watermelons, because I get a higher price in the city, the bitumen needed to build that road is made from hydrocarbons.

Unfortunately, solar and wind energy are not enough to meet all the energy that we need today. So we realise that the world needs more energy. In the last 250 years of development, as the Western world has developed, the greenhouse gas emissions from the world went up rapidly. So therefore the world today needs both 'more and cleaner energy'. We know that energy powers progress. The absence of energy hinders progress.

So to say that fossil fuels are the ultimate evil monster is not helpful. We have to move together collaboratively towards a cleaner, lower carbon energy future, without compromising the increase that's needed in energy supply for the 7.5 billion today and the 2 billion more. It's going to be done collaboratively and Shell will play its role.

The truth about power

"Let's talk about shipping logistics. The ships are owned by the shipping companies. The capital required to convert a ship from marine liquid fuel to LNG, hydrogen or even electricity, is their capital. The shipping ecosystem has to be willing to finance the clean energy transition, and it's a massive amount of money that will be needed to convert fleets. For sustainable aviation fuel to become more prevalent, various stakeholders will need to invest capex to create a feasible business model in the airline industry.

Let's talk about electricity, which many people think represents total energy use, but is actually only about 20% of final, energy use today.

In the coming decades, this will increase significantly as new technologies enable industrial processes and forms of transport to convert to electric power. It is now the fastest growing segment in the energy system. However, the capital required for the shift from coal fired powered power plants to gas or fully renewable electricity is immense.

In London, if all of the cars suddenly became electric next week, we can imagine that the grid would struggle, because it's not geared for that sudden demand on energy. So somebody has to put in the technology and the money to replace the transformers in all the big cities around the world, which did not expect demand beyond a couple of lights and fans!

When you're sucking up that much power, there are certain trade-offs. So you see, when you really get into the heart of the issues, the answers are not that simple.

Engaging at scale

"Shell's purpose is 'to power progress together (with others) by providing more and cleaner energy solutions'. When we articulated that, we said we don't just want it on the intranet site. We don't just want a little email from the CEO to staff. We want to LIVE the purpose, bake it into our strategies, and into the day-to-day lives of local production managers and sales managers.

We've now engaged 65 to 70 individual businesses across the company, accounting for 50,000-60,000 employees, who have changed business strategy and customer value propositions, based on where the company is going, and where their landscape is going.

We do that through a bespoke programme. We go to each of the business leaders in the company and we say, ‘We’ll work with you on this six-step process that we've developed in-house, to help you transform your organisation’. Every business is unique, with its own sets of stakeholders, communities. You can have a sales team selling bitumen for roads in Malaysia, or an upstream business in Nigeria ... We have worked with each of them, and we continue to get demand from another dozen this year as more hear about it.

A deep dive into stakeholder value

“First, we interview young talent and we say, ‘If you were the business leader for a day, what would you do differently?’ We speak to the older, senior leadership team members anonymously, we collect their feedback around a few common questions and throw it up as thought bubbles, anonymously. ‘Here's what your people are feeling about your organisation in terms of how purpose driven it is, how sustainable It is, sustainable as in, will it survive against the forces of change?’

We also speak to their customers, we get data from the employee surveys, we get data from the customer surveys. So we collect all of this anonymously, and we throw it back to them to the leadership team. Then we help them humanise. We give them three to four hours to humanise their stakeholders saying ‘put yourself into their lives’. We give their stakeholders names and hobbies - in a very FMCG way - we give them a little persona. In a company of talented engineers, unfortunately this is the first time they've done something like that! So it's quite an eye opener for them, to realise actually, ‘My customer doesn't wake up thinking about me every day’. No, they don't. They have other stresses!

We work through the perspective of two prisms. The first prism is: you need to meet the needs of your stakeholders, future employees, current employees, customers, governments, communities, distributors, JV partners ... whoever are your stakeholders. The other prism is the kind of company Shell would like to be: our values, our ethics, our purpose and our role in society and our corporate strategy.

When you bring the two together, that cohesive value proposition to your government, your stakeholder in Bolivia or Malaysia is unique to you, it will help you beat competition because you're meeting the needs of your stakeholders. And then we bring it all together. ‘So you've understood your customers, you've understood where the company is going. Now, what would you want these stakeholders to say about you in 10 years’ time if they were to meet you in the lift? What are you going to do differently?’

One of the phrases I use is ‘storydoing not storytelling’. We don't just want storytelling. The other framework we use is our Three C's, which are the Choices, the Content and the Conduct of the business, which means the strategic choices, the content of your value propositions to your employees and customers, the conduct and culture of the business.

The fourth C (which we say is not allowed just yet) is communication. This is not a communications exercise! We’d rather let our actions speak. And everyone buys into that.

Real problems, profitable solutions

“So, for each stakeholder group, we say short-term, mid-term, long-term ... What are the hundred things the business could do? Assume that you have all the budgets in the world? And in every workshop, we get 100 to 200 ideas. In Step Four of our process we distil them. We redo the entire strategy of that business. There is no ‘separate purpose plan’. We bake it in. It is the business strategy.

For example, we want to grow our world class premium products in lubricants. These have benefits in both fuel economy that saves money for the customer, and in time we intend that these also have a much lower carbon footprint vs. conventional lubricants. As we speak, we are actively reducing the carbon intensity of our retail stations through reducing energy consumption and on-site renewables.

By the way, it's not all carbon-related because shared value is about meeting stakeholders' needs. So for example, digitalization or convenience or customer service. We want to have the best customer experience in the business, digital or physical.

Measurement and reward

“Each business then allocates a senior leader to each of these work streams to transform that business. To take those hundred ideas, distil them into the five or ten that can practically help and start changing with regular monthly tracking.

We've had dashboards created with offshore teams creating apps where every VP can ask, ‘What percentage of my sandwich sales are in sustainable packaging today versus the target? What percentage of my plastic bottles of lubricant now use recycled plastic? What percentage of my manufacturing sites are now using solar panels?’

Whatever the metric is, relative to stakeholders and to the pursuit of more and cleaner energy solutions, we bring that together. And that metric is then tracked.

In 2019, Shell became the first major energy company to link short term carbon emissions targets to executive pay. This year, that approach was extended to the remuneration of 16,500 employees globally.

Making resistance a positive

“So now we're taking it to the next level. These are organisations of maybe 3-4000 people, but it’s hard for the next hundred leaders to buy into what the top ten came up with. So we created another programme called "Head and Hearts" for that, which is Step Five of our process.

We created this approach where we help the extended leadership team find the Venn diagram of their personal purpose, the corporate Shell purpose and where their organisational ambitions are, what their leadership team has just come up with. And that Venn diagram comes from a reflection session for half a day where they can't say ‘Shell’ or ‘work’ … it's all about who they are, what their influences were growing up.

It's a Russian doll approach, where we talk about things that are easier to talk about, and then into hobbies and passions, which is less easy to talk about, and then finally purpose, and we do it in a way where the groups become smaller and safer to talk in. We’ve even created a virtual approach now given the current COVID situation.

And even if we do it with 150 people, we’ve found a way to get to an intimate, two people, three people sort of conversation. In every one of the 25 sessions that we've done, one senior leader has got emotional. Maybe it's a story about wanting to make my grandad proud of me, and why I come to work here.

It's transformative. I know why I come to work and now I'm able to better link it to where my company is going and I get a chance to challenge it with my leadership team.

Purpose, collaboration, innovation

"My team has a growing library of over 100 business ideas, which are all better for the planet, or for society and are commercially feasible. So anytime someone says it's not possible, I say I can create shared value and I'll give you 100 examples of why you can do it.

I'll give you an example. I used to be the global P&L head of a $3-4 billion chemicals business in Shell before I came to this marketing role four years ago. The derivative made by our customers was a recyclable material as long as there is a recycling infrastructure to support that. Depending on the market, the recycled derivative used to sell for much lower than the cost of the virgin fossil fuel derivative.

Using recycled pellets could reduce a large part of your feedstock costs as a plastic blow moulder. And it has better insulation than paper cups which sometimes have liquid plastic lining inside, and may not be fully recyclable. So to drive the use of recycled polystyrene, one has to curate an ecosystem of entrepreneurs willing to collect it, filter it, clean it, chop it up, resell it.

That whole infrastructure exists in many countries already. We worked with our customer who was working with the city municipal department. We realised that they had so much excess space in their trucks and warehouses as less people buy physical newspapers now. So we said to them, 'Can you collect the polystyrene from the sidewalks, if people were to separate them?' And the eco system can help clean it up, sort it and sell it. The point is to have the conversation - today, I encourage teams to initiate these sort of dialogues and get creative.

So we don't, by the way, deliberately talk about a 'purpose' externally. I'd rather talk about the fact that Shell has installed renewable energy in our blending plants, or we have completely revised R&D pipelines on bitumen to create asphalt for the road which has a lower carbon footprint and avoids smells. It can be transported in little pellets, which you melt at the point of use versus the last 150 years of keeping bitumen hot throughout the supply chain. You transported it in these tankers of boiling bitumen, which had to be kept very hot using hydrocarbons. And now we've saved cost, and reduced the carbon footprint of the product with this innovation.

I'm very proud personally of what Shell Aviation are doing with regard to fuel developments. First, many piston engine aircraft still run on leaded fuels (Avgas). Shell is working on the development of an unleaded Avgas.

Secondly, we are working together with others in the industry to increase the proportion of Sustainable Aviation Fuel used in the industry (currently less than 0.1% and potentially even less given the pressures Covid-19 is placing on the industry).

This is a "chicken and egg" situation; only when demand from the airlines increases, will investment from suppliers respond. The two need to happen in tandem. We are proud to be a founding member of The Clean Skies for Tomorrow Coalition, which will work together on projects to make Sustainable Aviation Fuel (SAF) more widely available.

Shell has an agreement with World Energy and SkyNRG to support a reliable supply of sustainable aviation fuel at San Francisco Airport, and we have announced that we will support the development of Europe's first dedicated sustainable aviation fuel production plant."

Beginning your journey

> *There is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success, than to take the lead in the introduction of a new order of things.*
>
> Niccolo Machiavelli

Summarising the narrative

Beyond the Why

Real Purpose, as mentioned at the start, is not merely a definition of what has often been called 'the Why'. While this limited framing is an improvement on, for example, CSR and the other exogenous tactics we reviewed earlier, it in fact relegates and restricts the corporate purpose to being an isolated and rather toothless North Star: something to work towards, but nevertheless failing to touch, let alone to transform, business-as-usual.

This is how, till now, the vast majority of attempts at purpose have produced a statement - aspirational, yes, even inspirational - that lacks the crucial underpinnings of a corporate philosophy, a set of principles and a grounding in what the business does, the costs and benefits of those activities, and, as a result, a set of tools that enables leadership to track, measure and report on its journey of growth.

Purpose as critical decisioning framework

This is, to be clear, all about the optimal management of the journey, far more than any envisioned mission or its associated destination. A Real Purpose provides an unprecedented and superior framework for decision quality. It embraces, yes, 'the Why', but also 'the What' and 'the How'. It's in this sense that we can say that purpose and strategy are tangibly converging.

However, it's also helpful to think of this as not, strictly speaking, a 'horizontal' convergence of equals, but a 'vertical' one. Real Purpose provides a kind of meta-strategy, one that hierarchically lives above strategy, in order to best guide and inform it, thereby holding the business to a more robust, transparent management of its growth.

Generically - and the expression and manifestation will differ widely between sectors and between the firms that make up those sectors - the active management of purpose is thus built on the conscious, comprehensive and cohesive balancing of trade-offs.

These trade-offs cover, fundamentally, how the provision of value, its corollary costs, which we have dubbed 'negative value', risk and uncertainty are more or less continuously balanced and rebalanced, in order to guide the business forward, not just towards its own growth but towards a prosperity which is shared with - and recognisable by - all of its stakeholders.

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Ten principles for leadership

This paper is written as a guide for leadership wishing to meaningfully engage with and commit to the challenge of a corporate purpose.

As with all of my published writing to date, as well as my ongoing leadership advisory services, the aim is not to instruct on ‘what to think’. It’s to suggest and stimulate reflection and inspiration on ‘how to think’, in order to facilitate greater confidence and clarity of decision and action.

We summarise and conclude, therefore, with a brief checklist that will enable a greater speed and surefootedness in grasping the essential imperatives of Real Purpose.

1. The adoption of a real corporate purpose is, in and of itself, a transformative and immensely valuable business **innovation**.
2. Purpose is both **unique and integral** to each corporation. While it’s naturally geared to providing value to the full range of stakeholders, as well as to the firm itself, at its core purpose is internally referential and responsible.
3. External causes, the purposes of others, philanthropy and anything else that is exogenous, may be commendable, but are, at best, **distractions**.
4. In so far as it’s set and implemented with integrity, purpose is independent of **popularity**; it’s not used to silence or placate the critical voices that are, from time to time, inevitable when a firm achieves success and reputation.
5. Purpose is not primarily communicated, it’s **enacted** by the firm; it’s not just ‘stood for’, but ‘stood up for’.
6. Stakeholder **trust** is renewed and sustained through a pragmatic transparency regarding purpose-guided strategy, tactics, innovations and outcomes.
7. While its key statements and principles may be relatively static, purpose itself is **dynamic**: acting and interacting with all key parts of the firm and its stakeholders, through the continuous balancing of value, risk and uncertainty.
8. The currency of corporate purpose is not primarily ethical or moral. It’s about **relative value**, and its consistent, active and transparent optimisation across all the firm’s activities and all of its stakeholders.
9. Core to this are the comprehensive account, valuation and management of all **trade-offs** that impact - both positively and negatively - benefit and associated costs to the firm and its stakeholders; in the absence of this, the corporation is in danger of creating problems for people and planet, thereby generating ‘fake profits’.
10. A firm benefits society not merely by creating ‘social benefits’, impacts on climate etc; **purposive success** is, at its simplest, the profitable management of the corporation for all its stakeholders, without incurring or exploiting hidden costs.

Moving capitalism to its next level

As we saw at the start, when analysing the motivation and rationale of BlackRock, Real Purpose pushes capitalism itself to move to a higher level.

There can be little doubt that this upward shift is now long overdue.

Behind the compelling calls to action from BlackRock, the world's largest asset manager, the far-ranging analyses of aware, contemporary economists such as Colin Mayer, and the growing acceptance in the broader business community of a need for radical change in how business and investment are conducted, lies far more than just, for example, the pressing concern of a deeply urgent climate crisis.

It's thus entirely crucial, when leadership begin to engage with the purpose of their own firms, to make a primary differentiation between addressing the impact of business on the world's sustainability issues, and the *sustainability issues facing business itself*.

This paper has argued that it is only through focus on the latter, that impact on the former can be achieved and maintained.

Capitalism itself is holding uneasily onto the frayed edges of its current rule book, much in the same way (and certainly not coincidentally, around the same time) as democracy has been stretched to its limits by the disturbing - albeit understandable - re-emergence of populism.

Real Purpose, as we have envisioned it here, represents a newly energised, beating heart for an engine of transparent, strategically managed value and shared prosperity.

Surely this is, after all, is the benefit that capitalism - carried by its primary vehicle, the corporation, its definition and its governance - was always intended to create for the world.

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About the author

Breakthroughs to growth

Michael Bayler is one of a handful of international thought leaders and board advisors with high-level global experience across a wide range of sectors, including banking and FS, consumer goods, healthcare, IT, telco, media and entertainment. His expertise spans brand marketing, enterprise strategy and disruptive technology.

In a time of turbulent market conditions, Michael works closely with leadership to achieve rapid, sure-footed strategic breakthroughs, that focus and accelerate both innovation and transformation.

Leadership advisory

Michael has advised many of the world's leading brands, media and technology companies and international stars.

His clients have included The Royal Bank of Scotland, Zurich Insurance, Coca-Cola, Unilever, Mundipharma International, BBC, Discovery/Eurosport, Team GB, Diageo, Telefonica, PayPal, FremantleMedia, Egg, Bacardi Global Brands, Warner Bros., BSkyB, BT, Cognizant, HCL, Sony Music, SABMiller, Nokia, Ogilvy & Mather, Robbie Williams and Simon Cowell.

Publication and speaking

Michael has published two acclaimed strategy books, *Promiscuous Customers: Invisible Brands – Delivering Value in Digital Markets* (co-authored with David Stoughton, Capstone, Oxford, 2002) and *The Liquid Enterprise – How The Network is Changing Value, What It Means for Business, and What Leadership Needs to Do About It* (Infinite Ideas, Oxford, 2016).

He has written for *Market Leader*, *The Wall Street Journal*, *Marketing Magazine*, *Billboard Magazine*, *Design Week* and *Design Management Journal*.

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