

THE 2020 PORTER NOVELLI

Executive

PURPOSE

STUDY SEPT
2020

Purpose-driven
business is
smart business

SEPTEMBER 1970

Fifty years ago, “The Friedman Doctrine” was published in the *New York Times* by economist Milton Friedman. This doctrine set the trajectory for business moving forward — that business exists to make money for shareholders — and that any other pursuit was simply a misuse of profits. For decades, this philosophy was a foundational element for many leaders, and the sign of a successful company was one that regularly served up higher stock prices and shared dividends, at all costs.

AUGUST 2019

One year ago, more than 180 CEOs joined together to issue a statement that revolutionized our business world. These executives shared a new definition for the Purpose of a corporation: one that prioritized the needs of all stakeholders, not just shareholders. This new generation of business leaders understood that delivering value to stakeholders would result in a robust and thriving business as well.

SEPTEMBER 2020

Few knew how much our world would change in just one short year: a massive global health crisis, economic freefall, social unrest fueled by racial injustice, political divisiveness and a looming presidential election. Certainly, in the face of such high levels of risk and uncertainty, business leaders would turn inward, buckle down and focus on profitability. Certainly...

And yet, it seems the world had one more surprise in store for 2020. Not only have stakeholders of all types demanded companies double-down on Purpose, but leaders at the very highest ranks of corporate America understand this — and are committing to Purpose at levels like never before.

The overarching takeaway from this research can be distilled into one simple sentiment from business leaders today: Purpose-driven business is smart business.

Although many elements of our world have been shaken to the core in 2020, the 2020 Porter Novelli Executive Purpose Study makes one thing clear: Purpose is here to stay.

This research confirms that delivering value to all stakeholders, not just shareholders, is not simply an aspirational idea for a few leading brands, but rather the new go-forward strategy. Furthermore, business leaders steadfastly agree with this sentiment and believe stakeholder-centered business ultimately drives profit. A win for business, and for society.

Myriad research reports exist proving how stakeholders expect companies to lead with a Purpose-first approach, but far fewer dive into the executive mindset on this philosophy. The forthcoming research will unpack the many dimensions of Purpose through the lens of the executive leader. It will explore the business and brand benefits of leading with Purpose, as well as the barriers preventing further pursuit. We will look into the stakeholders that business leaders are prioritizing when making decisions, and what issues executives feel the most urgency to address. Finally, we'll look at how leaders are holding themselves accountable for change. Yet, the overarching takeaway from this research can be distilled into one sentiment from business leaders today: Purpose-driven business is smart business.

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PURPOSE AS THE NEW GO-FORWARD STRATEGY

Today, Purpose is omnipresent; it is pervasive. The concept of a stakeholder-centered approach to business has made its way through high purchase-power consumer segments, around the employee watercooler and into investor conversations — and now, to the corner office.

Indeed, in lockstep with other stakeholder groups, the majority (85%) of business leaders today agree it is no longer acceptable for companies just to

make money; companies must positively impact society as well. Furthermore, executives understand that an investor-only mindset is no longer appropriate — with more than nine-in-10 (91%) stating that business must benefit all stakeholders, not just shareholders. And the events of the past six months have only put this mandate into clearer focus, as 88 percent of business leaders believe now more than ever, companies must lead with Purpose.

91%

Believe business must benefit all stakeholders, not just shareholders alone

88%

Know that now more than ever, companies must lead with Purpose

85%

Say it is no longer acceptable for companies just to make money; companies must positively impact society as well

More than a “nice to have”

As more companies turn to stakeholder-centered business, executives understand this is more than just a “nice to have,” it is a sound business strategy. Nearly nine-in-10 (89%) business leaders today believe companies that lead with Purpose have a competitive advantage in today’s marketplace. In fact, 85 percent agree being a Purpose-driven company drives profit.

89%



85%



Yet, business leaders today understand that beyond heightened financial performance, the benefits of leading with Purpose are numerous. Nearly all executives (99%) saw the reputational advantages of responsible business — and the majority noted employee recruitment and retention (95%), increased consumer trust (93%),

increased customer loyalty (93%) and propensity to recommend (92%) as positive outcomes from leaning-in on Purpose. The majority of executives acknowledge these various benefits for consumers, employees, investors and others, which reveals the multi-faceted nature of a stakeholder-first approach for business today.

EXECUTIVES BELIEVE PURPOSE-DRIVEN COMPANIES REAP THE FOLLOWING POSITIVE BUSINESS OUTCOMES:

99%	Reputational benefit
95%	Employee recruitment and retention
93%	Increased consumer trust
93%	Increased customer loyalty
92%	Likelihood to recommend
91%	Likelihood to purchase
88%	Differentiation from peers and competitors
83%	Improved financial performance
65%	License to operate

PURPOSE DURING CRISIS: HOW OUR CURRENT ENVIRONMENT IS DRIVING RESPONSIBILITY

This moment is a pivotal time in the trajectory of business. Amid uncertainty, unrest and upheaval, business has been presented with an opportunity to take the lead, create solutions, drive change and build back better — and leading executives recognize this. Indeed, 83 percent feel the urgency for business to be a critical part of driving solutions for some of today’s most pressing issues — from COVID-19 and racial injustice to economic resurgence. And nearly the same amount (81%) understand that business is in a unique position to drive these solutions — with the scale, speed and acumen to really make a difference. Many feel a responsibility to fill an emerging leadership vacuum — with eight-in-10 (80%) stating, that due to the lack of government

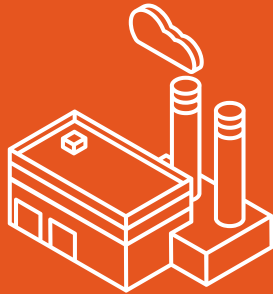
“taking
the
reins”

regulation and progress, they believe business has more of a role than ever to address pressing social and environmental issues. Yet, executives recognize “taking the reins” brings business and brand benefits as well. Ninety-two percent believe today’s heightened expectations also create an opportunity to bolster consumer trust in business.



Feel the urgency for business to be a critical part of driving solutions for some of today's most pressing issues

83%



Believe business has the scale, speed and acumen to solve for some of today's most pressing issues

81%



Due to the lack of government regulation and progress, people believe business has more of a responsibility than ever to address pressing social and environmental issues

80%

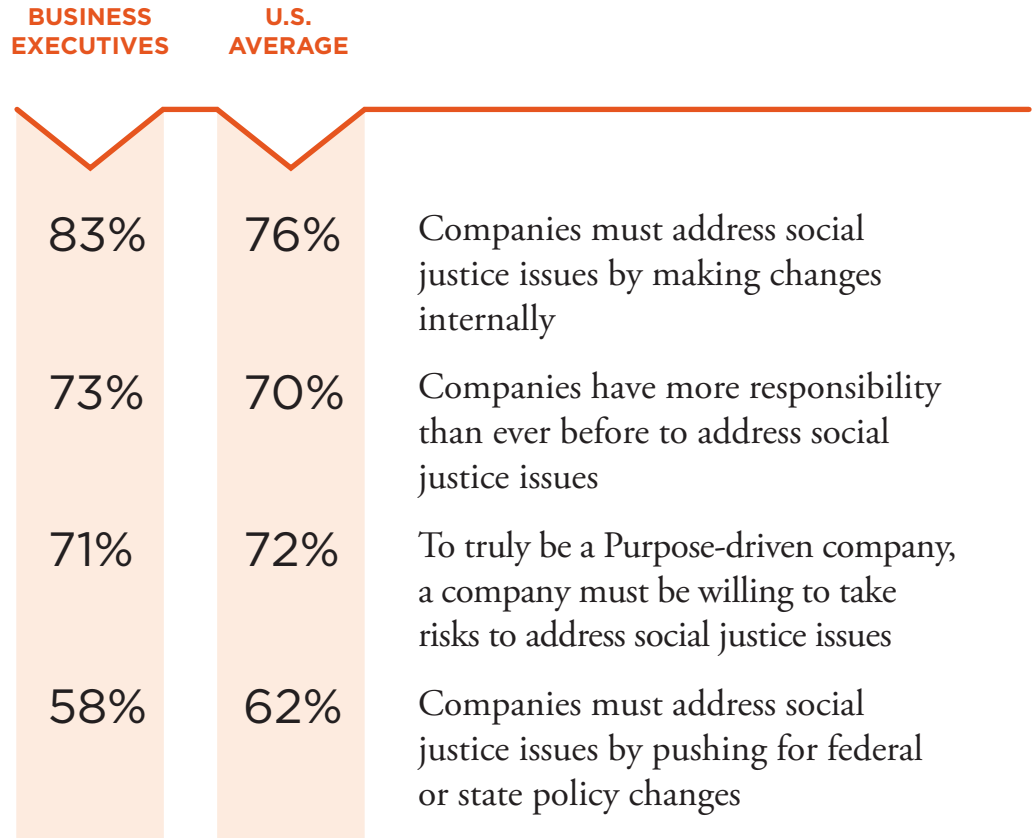
BUSINESS & SOCIAL JUSTICE: WHERE EXECUTIVES STAND



2020 has more deeply exposed the flaws in our longstanding systems, values and social constructs — and it's created even greater urgency to address these social ills. Today's business leaders recognize their critical role in reshaping our future. Recent Porter Novelli research uncovered that seven-in-10 (70%) Americans believe companies have more responsibility than ever before to address social

justice issues — and business executives (73%) echo this sentiment. And while most leaders today would shy away from running toward risk, 71 percent understand that to truly be Purpose-driven, a company must be willing to take risks to address social justice issues, which is in alignment with the U.S. public (72%). Indeed, most executives realize the business world can be a constructive force for good. Just a third (36%) say business leaders should focus on business, not social justice.

For business leaders, this means looking to areas they have the most control and influence over: internal operations. More than eight-in-10 (83%) believe companies must address social justice issues by making changes internally. Far fewer (58%) are willing to push for federal or state policy changes to create change.



Business is not only part of the problem — but can also be part of the solution.

Diving in further on the issue of deeply rooted racial injustice in the United States, leaders seem to have a firm grasp on how business is not only part of the problem — but can also be part of the solution. In lockstep with the national average, executives today recognize businesses’ role in systemic racial inequality (76%). Even more (85%), understand their roles as

leaders to speak out against injustices. Yet, executives know part of the journey forward is to also acknowledge the past. Another six-in-10 (60%) want to be more proactive about sharing previous mistakes or biases rather than waiting for someone else to publicize them — and just a third (33%) concede they are nervous to take this step.

76%

Recognize businesses' role in systemic racial inequality

60%

Want their company to be more proactive about sharing our past mistakes and biases rather than waiting for someone else to publicize them

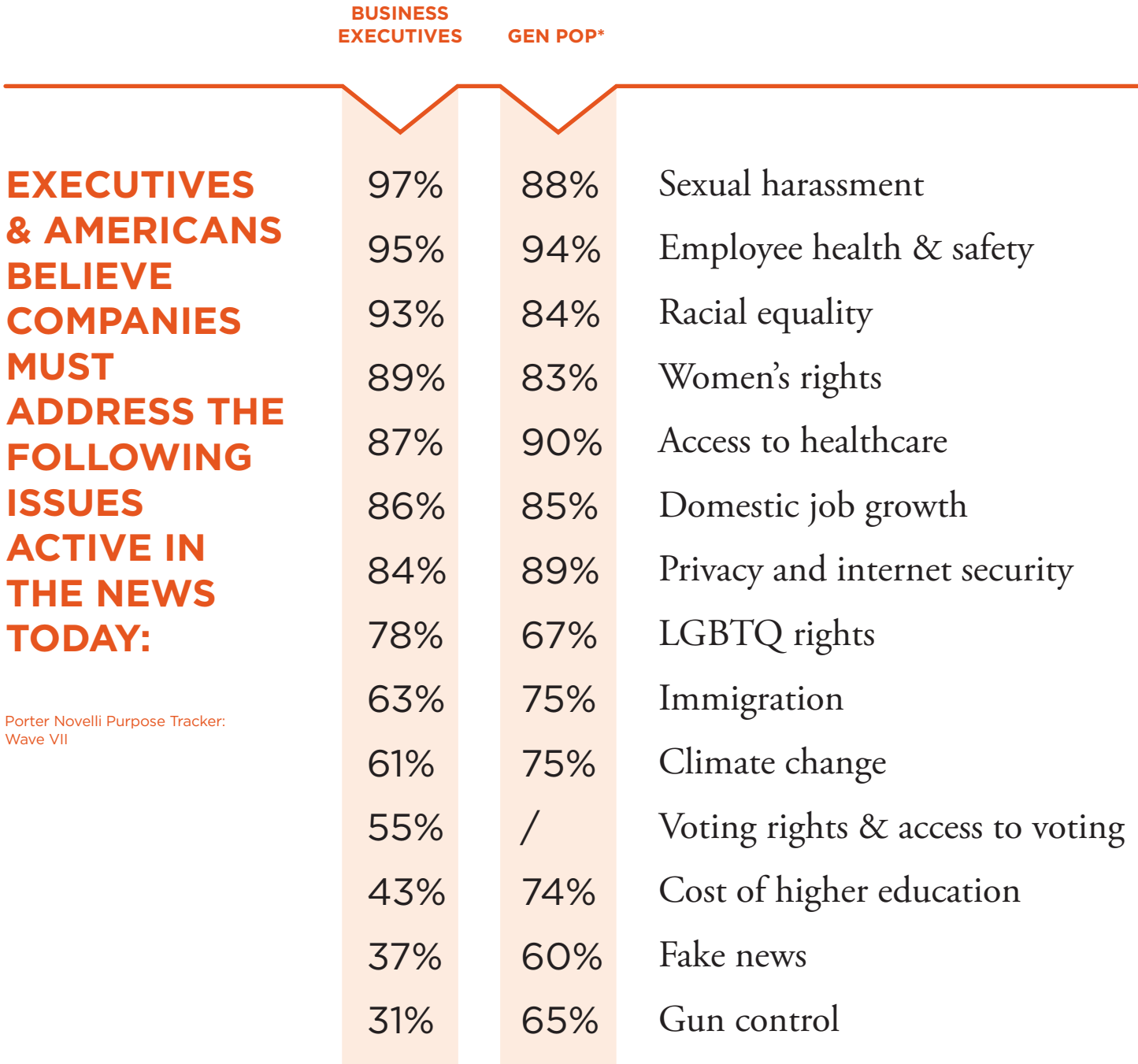
33%

Are nervous to talk about past mistakes or biases within their company when it comes to systemic racism in corporate America

When examining the specific issues business leaders feel they have a role in addressing, it becomes clear they see issues closer to their everyday business and operations as priority. Executives ranked sexual harassment (97%), employee health and safety (95%), racial equality (93%) and women's rights (89%) as the top issues active in the news today that companies must address. Further down the list we see issues such as cost of higher education (43%), fake news (37%) and gun control (31%). Still, executives should take caution if only focusing on issues close to their business, as the average American believes companies have a much stronger role to play in addressing our myriad issues — whether internal

Executives should consider how they can use their business as a force for good.

or external to their business. While leaders may not necessarily feel they have a place to solve for these issues, consumers do. Therefore, executives should consider how they can use their business as a force for good, even regarding topics that may not touch the business as closely.



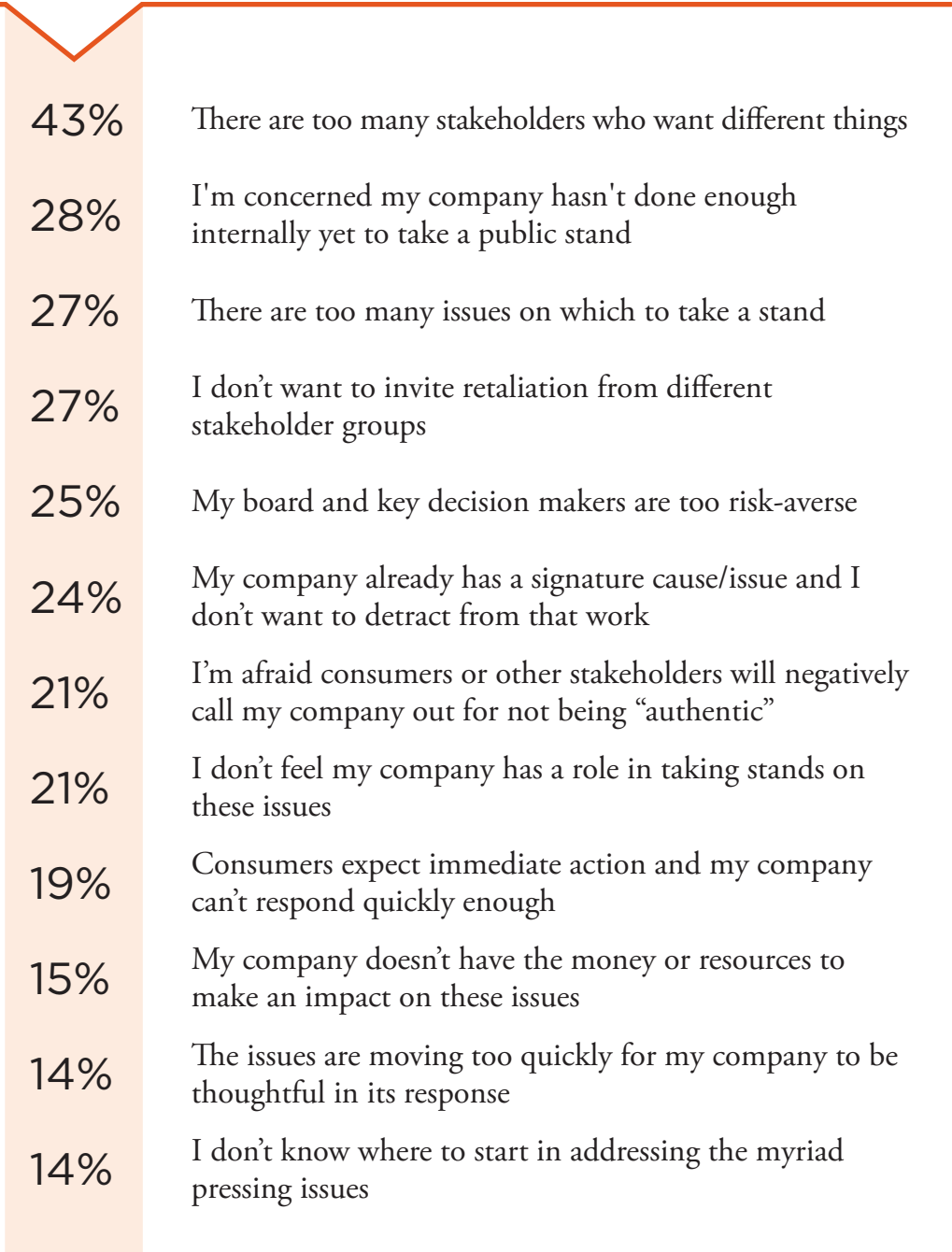
* Porter Novelli Purpose Tracker: Wave VII

What prevented leaders from taking a stand on social justice issues? A number of stakeholders all wanting different things

Even though the majority of executives acknowledge that business can play a critical role in addressing the many social injustices taking over the news and newsfeeds today, there remain barriers to going all-in. When asked what prevented leaders from taking a stand on social justice issues, most commonly, leaders cited the number of stakeholders all wanting different things (43%) as the primary reason.

Other top reasons included concern that their company hasn't done enough internally to take a stand (28%), too many issues (27%) and a hesitancy to invite retaliation from different stakeholder groups (27%). Money and resources (15%) as well as urgency to act quickly (14%) were less of a concern for executives.

EXECUTIVES REPORT THE FOLLOWING BARRIERS TO TAKING A STAND ON SOCIAL JUSTICE ISSUES:



It is clear business leaders feel compelled to thoughtfully consider the needs and perspectives of myriad stakeholders when deciding which causes to stand for and why. Perhaps the reason most business executives cite this as the primary reason for not taking a stand is because they see each stakeholder as a critical audience to consider. Nearly all executives reported customers (99%), employees (99%), the communities they operate in (95%) and consumers (92%) as

important stakeholders. A further eight-in-10 prioritized shareholders (87%), as well as partners (81%). While suppliers (68%) and government (57%) ranked at the bottom of the list — still, more than half felt it was necessary to see how a stand might impact their relationships. The very distinct motivations and mindsets of each of these stakeholders creates a complex environment for business leaders to navigate divisive or heated topics.

**EXECUTIVES
PRIORITIZE THE
NEEDS AND
CONSIDERATIONS
OF THE FOLLOWING
STAKEHOLDERS
WHEN DECIDING
WHETHER TO
SUPPORT CRITICAL
SOCIAL AND
ENVIRONMENTAL
ISSUES:**



99%

Customers



99%

Employees



95%

Community in which
the business operates



92%

Consumers



87%

Shareholders



81%

Partners



68%

Suppliers



57%

Government

THE DE&I BUSINESS IMPERATIVE



When it comes to tackling tough social justice issues, the leaders of today feel they can make the most headway by turning their sights internally as a first step. Certainly, one significant area where companies can focus their energy is in creating robust diversity, equity and inclusion (DE&I) programs, policies and values. Executives today understand the value of powerful DE&I strategies — nearly

three-quarters (73%) believe DE&I is a moral and business imperative that drives profit, and only a third (35%) of executives today say DE&I isn't a core business priority for their company. Executives (84%) are also significantly more likely than the average American (69%) to believe a company cannot be truly Purpose-driven without having strong DE&I values — showing how leaders understand that Purpose and DE&I are inextricably linked. Still, they acknowledge there is much work to be done in this space, and are perhaps more critical than external audiences. Nearly nine-in-10 (89%) executives say companies need to make more progress on advancing DE&I in the workplace — compared with 76 percent of Americans overall. Two-thirds (65%) take this personally, admitting they need to make DE&I more of a priority at their company.

BUSINESS
EXECUTIVES

**WHEN IT
COMES TO
TACKLING
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JUSTICE
ISSUES, THE
LEADERS OF
TODAY FEEL:**

89%

Companies need to make more progress on advancing DE&I in the workplace

84%

A company cannot be truly Purpose-driven without having strong DE&I values

73%

DE&I is a moral and business imperative that drives profit

65%

There is a need to make DE&I more of a priority for their company

35%

DE&I isn't a core business priority for their company

Although the work may need to be done internally, executives understand they must share their DE&I journey outside of their organization. Two-thirds (65%) of business leaders recognize their company needs to talk about its DE&I efforts more externally. A further 82 percent believe that addressing DE&I internally gives them more credibility to engage in broader social justice issues externally.

Even given the overall understanding that work must be shared with all audiences, executives still have some hesitancy for sharing this journey. Four-in-10 (44%) feel if they share progress of their company's DE&I work, someone will call the company out for not doing enough, and just over a third (35%) are cautious to share because they acknowledge they haven't done enough yet.

PERSONAL PERSPECTIVES ON LEADERSHIP

In an environment rife with risk, unknowns and pitfalls, executives of today are not shirking their duties as both business leaders and global citizens. They understand that smart business is Purpose-driven business and recognize the power of their organization and brands to make a difference on some of today's most pressing issues. Finally, they are holding themselves accountable for this change. Eighty-three of executives want to use their role as business leaders to make an impact on issues they care about

— and nearly three-quarters (72%) feel more empowered than ever to do so. This group also sees the influence they can have among their cohort — with 74 percent believing they have a responsibility to hold their peers accountable. And the urgency to lead with a Purpose-driven, stakeholder-first mentality has never been stronger. Today, 71 percent of business leaders in America say that, in their entire careers, they have never felt more pressure to respond to social justice issues.

83%

Want to use their role as a business leader to make an impact on an issue (or issues) they care about

74%

Have a responsibility to hold their peers (e.g., other business leaders) accountable for addressing social justice issues

72%

Feel more empowered than ever to use their role to address pressing issues in the world

71%

Say that in their entire careers, they've never felt more pressure to respond to social justice issues



2020 has been a pivotal year in so many ways. Amid so much strife and uncertainty there is a call to not “return to normal,” but rather “build back better.” With this rebuilding, the leading executives

of today are once and for all looking beyond short-term, shareholder-focused results and leaning into a stakeholder-centered approach to produce a successful, vibrant business community that results in a prism of benefits. A new course has been mapped for companies — and business leaders are ready to take the reins.

ABOUT THE RESEARCH

Porter Novelli fielded a survey to gather insights regarding Purpose-driven companies and social justice. The U.S. business executives survey was fielded online via GLG between July 21 and July 24, 2020, collecting a sample from a total of 150 business executives.

ABOUT PORTER NOVELLI

Porter Novelli is a global purpose communication consultancy born from the idea that the art of communication can advance society. More than 45 years ago, we opened our doors — and people’s eyes and minds — for brands driven to make a positive impact. Today, we believe that organizations must find, live and tell their purpose in order to thrive. Companies that do, will motivate action, secure loyalty and encourage advocacy — all in service to a healthier bottom line. For additional information, please visit www.porternovelli.com/. Porter Novelli is a part of the Omnicom Public Relations Group.

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