



FROM PROFIT TO PURPOSE:

ARCHITECTING THE PURPOSE ECONOMY

Author

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The single-minded drive for profits in modern shareholder capitalism exacts a heavy toll on society. Accelerating climate change, mounting biodiversity loss, widening inequality, and eroding public trust are among the most damaging consequences of this economic paradigm. Its focus on profit as the primary purpose of business is a threat to human and planetary well-being.

As business educators know, this singular profit focus is a mainstay in business schools and is reinforced by political and financial systems, the leaders of which were also taught the profit-first paradigm. Nevertheless, it can be reversed. The economy can be rebuilt to foster long-term well-being for people and the planet. And fortunately, this transformation is underway.

WHAT IS THE PURPOSE ECONOMY & HOW DID IT START?

Accelerated by the global pandemic, leading companies are challenging the orthodoxy that a business exists solely to create profit and instead define a business purpose to create a better world. These businesses are bringing the purpose economy to life.

There is no universal definition of a “social purpose” business, but most describe it as a business that improves society:

- A social purpose business is a company whose reason for being is to create a better world.¹
- Its purpose is to profitably solve the problems of people and the planet and not profit from creating problems.²
- It is the company’s optimal strategic contribution to long-term well-being for all people and planet.³

Not all discussants use the language of “social” purpose. Indeed, the International Standards Organization (ISO) guideline for the governance of organizations defines the *purpose* of an organization as its “meaningful reason to exist.”⁴

Regardless of terminology, a business that defines its purpose as improving societal conditions (whether social, environmental, or both) channels its enterprise capabilities, talents, resources, partnerships, and influence toward its purpose. The purpose becomes the company’s North Star, guiding it through turbulent times and mobilizing employees and stakeholders around it.

These businesses differentiate their purpose from their vision (where the company is headed in pursuit of its purpose) and their mission (which is what the company does to realize its purpose every day). They also differentiate their purpose from their environmental, social, and governance (ESG) or sustainability objectives, which is how the company identifies and manages its material social and environmental risks and opportunities. A social purpose company continues these sustainability efforts, but it also directs its business toward fulfilling the higher purpose it has identified for itself.

**A SOCIAL PURPOSE
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These businesses seek to transform the ecosystems in which they operate to realize their purpose and bring all their assets and roles in pursuit of it. Whether it's reducing income inequality, accelerating the low-carbon economy, or improving public health, this becomes the ongoing quest that is built into the company's governance, culture, operations, and relationships.

This is also a global movement. Table 1 provides examples of social purpose company statements from different economies.

SOCIAL PURPOSE BUSINESSES IS A GLOBAL MOVEMENT

Two significant global developments spurred this rethinking of corporate purpose. First, in 2018, Larry Fink, CEO of BlackRock, the world's largest asset manager, declared in his CEO letter that "society is demanding that companies, both public and private, serve a social purpose" and argued that companies need a social purpose to achieve their full potential.⁵ Second, in 2019, the Business Roundtable, representing nearly 200 CEOs of America's largest corporations, overturned its 1987 policy statement that defined a corporation's principal purpose as maximizing shareholder return. It adopted a new "Statement on the Purpose of the Corporation": to promote an economy that serves all Americans.⁶ These events marked a watershed moment, shifting the conversation toward the idea that the purpose of business goes beyond profit to creating a better world.

Why might these venerable institutions argue for a pivot to purpose? For one thing, they recognize the business imperative of having an overarching quest to improve society. Research reveals that

purpose-centered companies outperform peers in customer loyalty, employee engagement, and financial success, realizing up to 175% growth in brand value and significant revenue increases.⁷

These developments gave the purpose economy its start: business leaders adopting a social purpose for their business, investors calling for businesses to adopt a social purpose, and business institutions redefining the purpose of corporations from one of financial value creation to stakeholder value creation.

Today, the purpose economy is being accelerated by purpose economy ecosystem builders that are helping social purpose companies start, transition, thrive, and grow. For example, the purpose of the Canadian Purpose Economy Project (CPEP) is to accelerate Canada's transition to the purpose economy. It does this by engaging national ecosystem actors to create an environment in which social purpose is mainstream. In this economy, businesses unlock their assets, influence, reach, and scale in collaboration with others to help Canada address its societal challenges and realize a flourishing future.

CPEP was born in the wake of the inaugural national dialogue on social purpose business in Canada in 2021, as detailed in "Propelling the Canadian Purpose Economy: A Framework for Action"⁸ (proceedings of the *Propelling Purpose Summit*). The summit was convened by a provincial initiative of United Way British Columbia Social Purpose Institute, established in 2016 to catalyze the social purpose business movement in British Columbia. It was the culmination of two years of consultation across Canada on how to accelerate purpose in business and created a blueprint for national action on social purpose business. It convened more than 300 influencers, thought leaders,

COMPANY	PURPOSE	REGION
Cochlear	To help people hear and be heard	Asia-Pacific
EY	To build a better working world	North America
LEGO	To inspire and develop the builders of tomorrow	Europe
Sleep Country	To transform lives by awakening Canadians to the power of sleep	North America
Olam	To reimagine global agriculture and food systems	Asia-Pacific
Unilever	To make sustainable living commonplace	Europe

Table 1. Social purpose company statement examples

and social purpose business leaders to coalesce their ideas on jumpstarting a national purpose economy.

The summit defined the purpose economy as “an economy powered by the pursuit of long-term well-being for all in which business and regulatory and financial systems foster an equitable, flourishing, resilient future.”⁹ Organizers also created a purpose economy ecosystem map to identify, profile, and engage the nascent social purpose community of allies and champions.¹⁰



This research and consultation was leveraged by MaRS Discovery District in Toronto, which shortly thereafter identified critical levers of change to catalyze social purpose business across Canada.¹¹ With funding from the federal government, and in collaboration with CPEP, MaRS conducted nearly 70 interviews with social purpose business ecosystem stakeholders representing these levers of change to understand their support for, and interest in, participating in the creation of the Canadian purpose economy.¹² These findings were adapted by CPEP, which officially launched in November 2022.

CPEP founders recognized that reimagining not only the purpose of business but also the purpose of the economy was an audacious goal. However, they realized that by leveraging key change mechanisms, they could begin transforming the economy toward the greater good. Since today’s economy is rooted in the original societal consensus around profit-centered models, it is equally feasible to harness the evolving social consensus that business should stand for more than profits.

The rest of this article describes the measures CPEP is taking to foster the adoption and execution of social purpose at scale in Canada, laying out a roadmap that other countries can replicate and adapt.

CREATING AN ENABLING ENVIRONMENT

CPEP is taking three steps to create an enabling environment to catalyze a social purpose business movement and architect a purpose economy:

1. Establish an intermediary organization to build the social purpose ecosystem.
2. Deploy the 10 purpose economy levers of change to create a business plan.
3. Mobilize business leaders and the social purpose community.

1. ESTABLISH AN INTERMEDIARY ORGANIZATION

CPEP launched with start-up capital from Coast Capital (a Canadian social purpose company with a business objective to play a role in advancing the purpose economy), a diverse steering committee of social purpose pioneers and ecosystem actors, and a website that curates social purpose resources to help businesses define, implement, and govern their social purpose.

Its vision is that by 2030, at least 25% of Canadian businesses will be adopting, disclosing, and authentically embedding a social purpose across their operations and relationships and collaborating with others to achieve it. CPEP chose that number in the belief that 25% will create a tipping point beyond which it will be normal for Canadian businesses to have a social purpose as their reason for being.

Its goal is for businesses to go beyond merely adopting a social purpose because that contributes to “purpose-washing” (a state where businesses have a stated social purpose but no genuine action on it). CPEP seeks authentic integration of the purpose, public disclosure of purpose progress, and collaboration with stakeholders to bring the purpose to life. CPEP is focused on an economy characterized by authenticity and impact.

2. DEPLOY THE 10 PURPOSE ECONOMY LEVERS OF CHANGE

CPEP embraced the 10 change levers identified in earlier research phases (see Figure 1) and set about inviting ecosystem actors to participate in action groups relevant to their area of expertise and influence. These groups are informal networks that aim to advance purpose within the change lever. Their terms of reference start with a theory of change: laying out how a specific lever can be deployed to increase the number of social purpose businesses and foster the creation of a social purpose business movement. They include goals, objectives, and actions for the action group to pursue, plus a mandate to create a Canadian model.

The following is a description of five of the levers (investor, board, accountant, association, business school), including their theory of change and a summary of key achievements to date.

INVESTOR LEVEL

Theory of change: Mobilizing institutional investors to engage the companies they invest in to adopt, govern, and implement a purpose will result in more companies adopting and implementing a purpose/social purpose as the reason they exist, helping tackle systemic challenges and risks. This changes the focus from shareholder primacy to stakeholder primacy.

Achievements:

- Created an as-yet-unpublished set of purpose investing due diligence questions that investors and fund managers can use to engage their portfolio companies and fund managers in discussions about the need to have a purpose and ensure that strategy, incentives, culture, and capital allocation are aligned to it. This will address investors' current lack of knowledge about the purpose of the companies they are financing and how the companies are executing their purpose.



Figure 1. 10 purpose economy levers of change (source: CPEP)

- Engaged four first-mover investors that are piloting various aspects of the due diligence questions in portfolio construction and stewardship activities.
- Identified the purpose of the companies on the TSX60, a stock market index of 60 large Canadian companies listed on the Toronto Stock Exchange, to help Canadian investors understand the purpose of some of their investments.

BOARD LEVER

Theory of change: Raising social purpose awareness of company directors and boards will result in more companies adopting and implementing a social purpose as the reason they exist. Once corporate boards are educated about social purpose, many will encourage their organizations to adopt a social purpose, and their boards will provide oversight to ensure it is implemented authentically.

Achievements:

- Published the “State of Purpose Governance in Canada” report, in partnership with five governance organizations that surveyed corporate directors and governance professionals on how Canadian boards are providing oversight on their corporate purpose.¹³
- Released the “Purpose Governance Guidelines for Boards,” adopted in principle by five first-mover governance organizations that are embedding them in their governance education, raising the bar for purpose governance in Canada.¹⁴
- Held first-ever national webinar on purpose governance, in collaboration with five governance organizations, which was attended by nearly 350 people.¹⁵

ACCOUNTANT LEVER

Theory of change: Accountants are uniquely qualified to create guidelines for how to account, report, and assure corporate purpose to demonstrate purpose accountability. This will ensure that purpose is implemented and reported authentically in Canada, fostering public trust and enabling investments in social purpose businesses.

Achievements:

- Published “Disclosing with Purpose: Guidance for Preparers and Users of Purpose Disclosures.”¹⁶ There are no global guidelines on purpose disclosures in existence, so this addresses a reporting gap in current standards and can help companies avoid purpose-washing and help investors understand how companies are enacting their purpose.
- Identified and supported four first-mover social purpose companies that are using the guidance to inform their public disclosures.
- Provided input into a global scan of purpose disclosure best practices to be published in the fall of 2024.

ASSOCIATION LEVER

Theory of change: Given that many associations serve businesses as members, they are a gateway to reaching businesses at scale to encourage them to adopt a social purpose. If associations adopt and implement a social purpose and encourage their members to do so, there will be accelerated take-up of social purpose business.

Achievements:

- Published “Accelerating Social Purpose Business Through Associations,” a case study of Family Enterprise Canada’s approach to engaging its family business members on social purpose.¹⁷ Family Enterprise Canada’s Impact Committee has adopted social purpose as a focus for member education; given that nearly two-thirds of Canadian businesses are family-owned, this represents a significant foray into the business community.
- Engaged three first-mover associations to hold social purpose education for their members.
- Supported British Columbia’s Chamber of Commerce in launching a social purpose educational series for its 36,000 business members, along with a province-wide survey to measure the number of businesses that have a social purpose as a baseline measure of the purpose economy in British Columbia. The survey is designed to be replicated by other provincial chambers of commerce to compile a statistical overview of social purpose business adoption in Canada.

BUSINESS SCHOOL LEVER

Theory of change: Business schools that incorporate social purpose business models into their core curriculum; experiential learning, continuing, executive, and professional education programs; and career preparation ensure graduates are equipped to bring this knowledge to their workplaces. This will change the short-term shareholder primacy focus to long-term purpose primacy and increase the number of social purpose businesses.

Achievements:

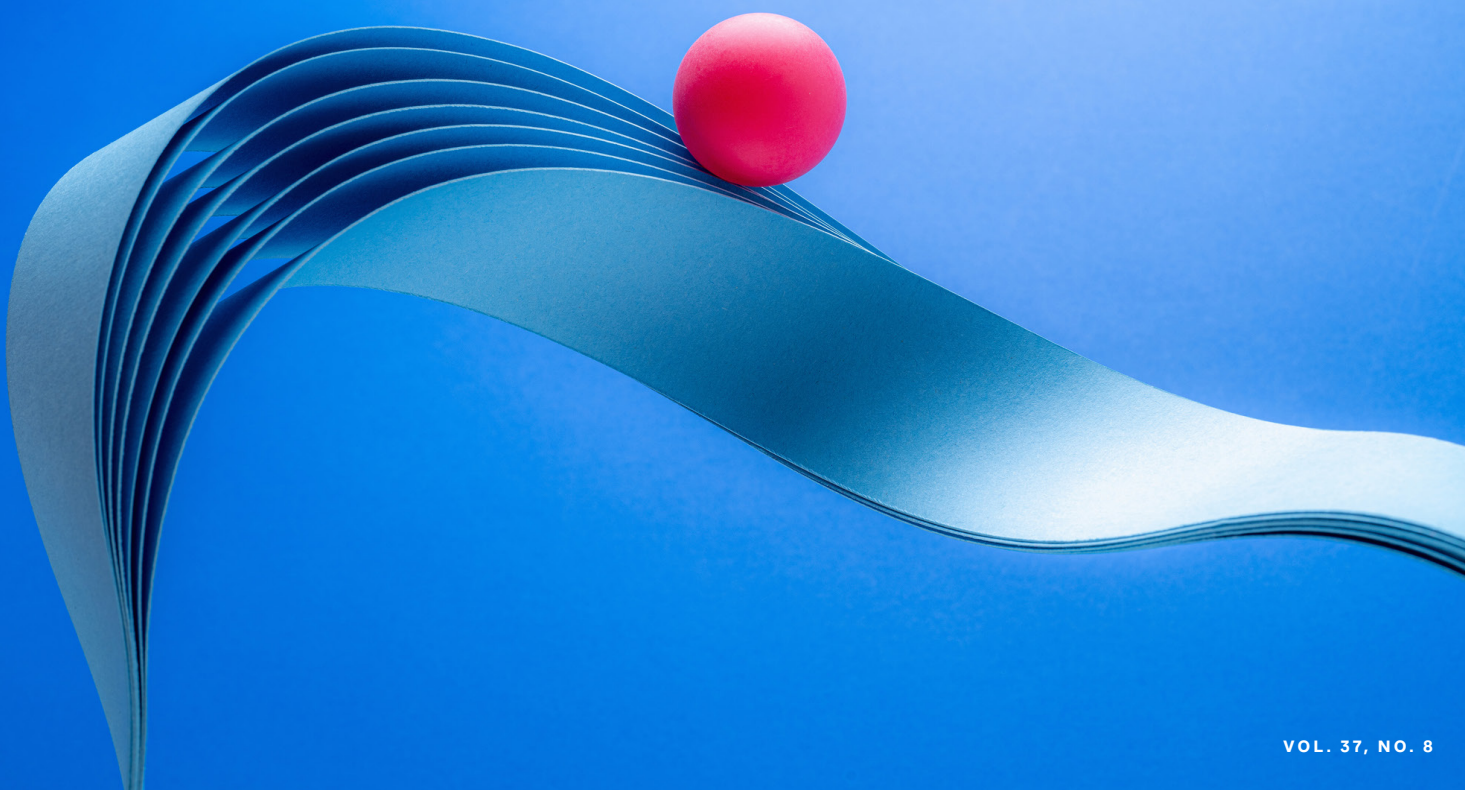
- Collaborated on a global scan of social purpose education in MBAs to identify schools where social purpose teaching is included in the core curriculum (detailed in the report “Social Purpose in Business Schools and MBA Curriculums”).¹⁸ It identified two schools with these practices and found that 20% of business schools have a social purpose themselves (seven are in Canada).
- Created the Social Purpose Business Curricula Framework showing how business schools can integrate social purpose business models into their core curricula across 15 mandatory courses.¹⁹

- Identified one first-mover Canadian business school interested in collaborating to embed social purpose in its MBA program.

Work continues on these and other levers, with a focus on identifying first movers, then second movers, and so on. The intent is to write up case studies of the first movers to build the field and grow the capacity of social purpose companies and ecosystem actors.

3. MOBILIZE BUSINESS LEADERS & THE SOCIAL PURPOSE COMMUNITY

The center of the 10 purpose economy levers of change model focuses on businesses and business leaders. To bring that to life, CPEP published “A Call to Purpose,” coauthored by six leading Canadian social purpose brands, appealing to their peers to join them in leading the way to the purpose economy.²⁰ So far, it has been signed by more than 100 CEOs of Canadian firms (or global firms with Canadian operations) and endorsed by more than 50 social purpose allies showing their support for the concept.



CPEP is also launching local purpose economy activation hubs in major markets across Canada, starting in the summer of 2024 in Vancouver. These hubs are designed to raise awareness of social purpose business, connect social purpose businesses and actors to one another, and foster champions of social purpose business.

Other tools to mobilize business leaders and the social purpose community include:

- “Your Toolkit to Help Grow the Purpose Economy,” a toolkit that social purpose businesses can use to help grow the purpose economy, for example by using their influence with their suppliers, business partners, business customers, or associations.²¹
- “The Social Purpose Professional,” a guide on how employees can act as social purpose professionals in their companies, whether or not their company has a social purpose.²² This can start the purpose wheel turning in their networks and within their firms.

A series of reports to help businesses understand how to define their social purpose and embed it across their operations, including:

- “Social Purpose Statement Criteria”²³
- “Social Purpose Strategy: Bring Your Corporate Purpose to Life”²⁴
- “Enhancing Risk Management Practices: A How-To Guide for Social Purpose Companies”²⁵

BARRIERS & NEXT STEPS TO ARCHITECTING THE PURPOSE ECONOMY

CPEP’s efforts have been met with enthusiasm from many quarters. However, it faces some headwinds.

BARRIERS

In addition to the usual challenge of finding financial support for a new initiative, the main barriers to architecting the purpose economy include mindsets and competing priorities:

- **Profit-first mindset.** There is an entrenched belief that the primary goal of business is to maximize profits. This mindset is deeply ingrained in business education and reinforced by political and financial systems.

- **Competing priorities.** Aligned people and organizations are typically fully committed to other priorities, and this results in slower adoption of purpose economy activation measures, despite their appeal.

These challenges are typical of social change efforts. In fact, they are the very challenges CPEP was set up to address.

NEXT STEPS

CPEP’s next steps will further pave the way for the adoption and expansion of social purpose in business to realize its vision of Canadian businesses adopting, disclosing, and authentically embedding a social purpose across their operations and relationships and collaborating with others to achieve it:

- **Purpose economy proof points.** Continuing efforts to activate the 10 levers of change by identifying, celebrating, and promoting first- and second-mover adoption of the models, tools, and frameworks and developing and communicating purpose economy proof points to foster believability.
- **Social purpose community.** Continuing to identify and engage social purpose allies and champions to amplify the social purpose message and hasten the purpose economy transformation.
- **Diversity and inclusion.** Investing in efforts to ensure the purpose economy centers and celebrates diversity and inclusion, through dialogue with diverse communities and ensuring no individual or organization is left behind in the purpose economy transition.
- **Purposeful governments.** Leveraging research on the role of governments at the local, provincial, and national levels to use their policy tools to drive social purpose in business and create collaborators on government’s social, economic, and environmental priorities.²⁶
- **Social purpose collaboration model.** Publishing research into the strategies that social purpose businesses are deploying to collaborate externally with stakeholders to execute on their purpose and drive impact (in collaboration with Royal Roads University).

- **Purpose economy partnerships.** Establishing partnerships with new social purpose ecosystem actors in Canada to foster economies of scale, build synergies, attract capital, and grow the purpose economy together.
- **Global cooperation.** Engaging with countries around the world that are at various stages of purpose economy activation, tapping into the rising demand to collaborate across borders to avoid duplication, foster replication, learn from each other, and scale globally.

CONCLUSION

These times call for a reimagining of the purpose of business. By following the strategies outlined in this article (identifying, consulting, and engaging the social purpose community; deploying purpose economy levers of change; and providing tools and resources for the business community and ecosystem actors), Canada and other nations can begin architecting the purpose economy. Although the task is daunting, it is not impossible. Every transformation starts with a first step.

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