# Why Corporate Purpose Should Matter to Boards

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# Having a clear purpose isn't merely a "feel-good" measure; it is a critical element that drives long-term stakeholder value.

By Noah Kirsch

**IN 2019, PROMINENT CEOS ENDORSED A STATEMENT** from the Business Roundtable advocating for a new definition of corporate purpose—one that promotes the interests of all stakeholders, not just investors.

The statement affirmed that "America's economic model, which is based on freedom, liberty and other enduring principles of our democracy, has raised standards of living for generations, while promoting competition, consumer choice and innovation." Still, it acknowledged, many workers have not shared equally in those gains and continue to struggle to keep pace with economic change.

These principles represented a shift in corporate thinking, said Michael Chertoff in an interview with NACD. Chertoff is cofounder and executive chair of the security risk and advisory firm The Chertoff Group, a director on the board of the Atlantic Council, and former secretary of the US Department of Homeland Security.

Early in his career, Chertoff recalled, many companies based their operations in the Milton Friedman school of thought: A business's goal was to make "money for the shareholders," Chertoff said. During his years serving on boards, corporations took on a more complex role in society, and the calculus changed. Today, Chertoff observed, "you've got to have a broader view of who your beneficiaries are."

Yet, seven years after the Business Roundtable statement, America's political ecosystem appears sharply divided. Terms such as ESG, which refers to environmental, social, and governance issues, have become hot-button topics.

To some observers, companies have deprioritized these contentious subjects. "I've noticed a definite chill in the boardroom" on these topics, said Joe Hurd, a board member of Trustpilot Group, Hays, and Lloyd's of London.

Other directors feel differently, arguing that companies have changed the tone of their public statements but haven't redefined their principles.

"Companies are not backing away from corporate purpose," said Lisa Wardell, though "they may very well be talking about it differently." Wardell serves on multiple boards, including those of American Express Co. and Covista. In practice, many organizations are now embedding purpose into operations while reducing public emphasis.

Every expert who spoke to NACD for this article emphasized that corporate purpose supports a company's long-term strategy, reputation, and workforce engagement. These experts also underscored the role directors play in ensuring management clearly defines and sustains this purpose.

"It's not controversial that this is better for business," said Martin Whittaker, founding CEO of the Just Capital Foundation and a board member of CREO Syndicate. "There's a very strong connection between companies that do right by stakeholders and their financial and operating performance."

## Defining and Implementing Purpose

The first challenge for directors seeking to prioritize corporate purpose at their organizations is fundamental: how to define it.

"When we say, 'corporate purpose,' when we say, '[corporate] responsibility,' what exactly are we talking about?" Whittaker asked rhetorically. "Those terms, like a lot of terms nowadays, are somewhat loaded, and in the eye of the beholder."

Johnson & Johnson, for instance, has a codified statement of purpose outlining the importance of serving its employees, stockholders, communities, patients, health-care professionals, "and all others who use our products and services." Similarly, Patagonia places environmentalism at the center of its mission. "We're in business to save our home planet," its purpose statement says.

"The vast majority of Fortune 1,000 companies have a purpose statement" or equivalent declaration, said Daryl Brewster, CEO of Chief Executives for Corporate Purpose (CECP) and a board member of Freshpet, Mana Nutrition, and Bazooka Candy Brands. Having clear principles is "particularly important in turbulent and choppy seas," he said, referring to periods of business instability. "An embedded purpose provides a guiding light, a rallying beacon for organizations, which is especially helpful during the fog of uncertain times."

"You can't have a successful business without serving other stakeholders besides your shareholders. You have to have customers. You have to have employees," echoed William McNabb III, a veteran director, cochair of the NACD Future of the American Board Commission, and former chair and CEO of Vanguard. Of course, he noted, shareholder returns remain "vital."

On a practical level, the implementation of those values will vary. Brewster offered one example of a bank that gives stock grants to almost all employees as a way of rewarding its workers and making them more invested in the business.

In its 2026 report, *Corporate Purpose: Driving Business Value,* CECP found that purpose-driven companies—those that integrate "purpose into leadership decisions, culture, stakeholder relationships, and long-term strategy"—had double the nominal revenue of firms with lower integration. Moreover, those companies had less voluntary turnover (6.3 percent compared to 8.1 percent).

The report also found that firms committed to purpose are more innovative and better equipped to handle setbacks. "Companies that treat purpose as a narrative exercise are more likely to respond to disruption reactively, adding controls, disclosures, or programs without clear prioritization or strategic coherence," the study said. "While purpose statements are now ubiquitous," it continued, "the differentiator is the depth to which purpose is embedded in the systems that shape decisions."

There are practical explanations for why firms with a deeply embedded purpose enjoy outsize performance. For instance, having a well-articulated purpose "makes for a more resilient workforce" by improving employee engagement, Wardell said. That resilience leads to higher retention, less absenteeism, and lower retraining costs. "There are actual KPIs that go with that," she said.

Additionally, on a macro level, when boards and management teams make decisions through the lens of a company's purpose, they are more likely to have clearer long-term thinking, Wardell observed. "If you've got a purpose and a mission that is decades long and not quarters long, you're going to be able to [prioritize] in-period spending for out-of-period brand awareness and out-of-period results," she said. This gives companies greater staying power through uncertainty.

The role of a board member in these matters is more "philosophical," said Jill Lesser, a partner at FGS Global who serves on multiple nonprofit boards. That includes prompting management with questions, such as:

- Has the organization settled on its purpose?
- Have all stakeholders been correctly identified?
- How does the company plan to successfully engage with its stakeholders?

Wardell outlined additional ways directors can help their firms execute on purpose-driven goals. For example, boards can engage in proactive CEO succession planning to ensure future leaders are aligned with those objectives.

"The board should require periodic updates from the CEO and CHRO on the process, timeline, and development plans and progress for internal candidates," Wardell continued. Moreover, directors should ensure they have a clear answer to the question: "What skills, qualities, and competencies will the next CEO of this company need to possess to execute the long-term strategy," specifically through the lens of purpose?

On a talent level in general, the board should ask management if employees are hired and promoted based on whether they "are living the purpose and the values of the enterprise,"

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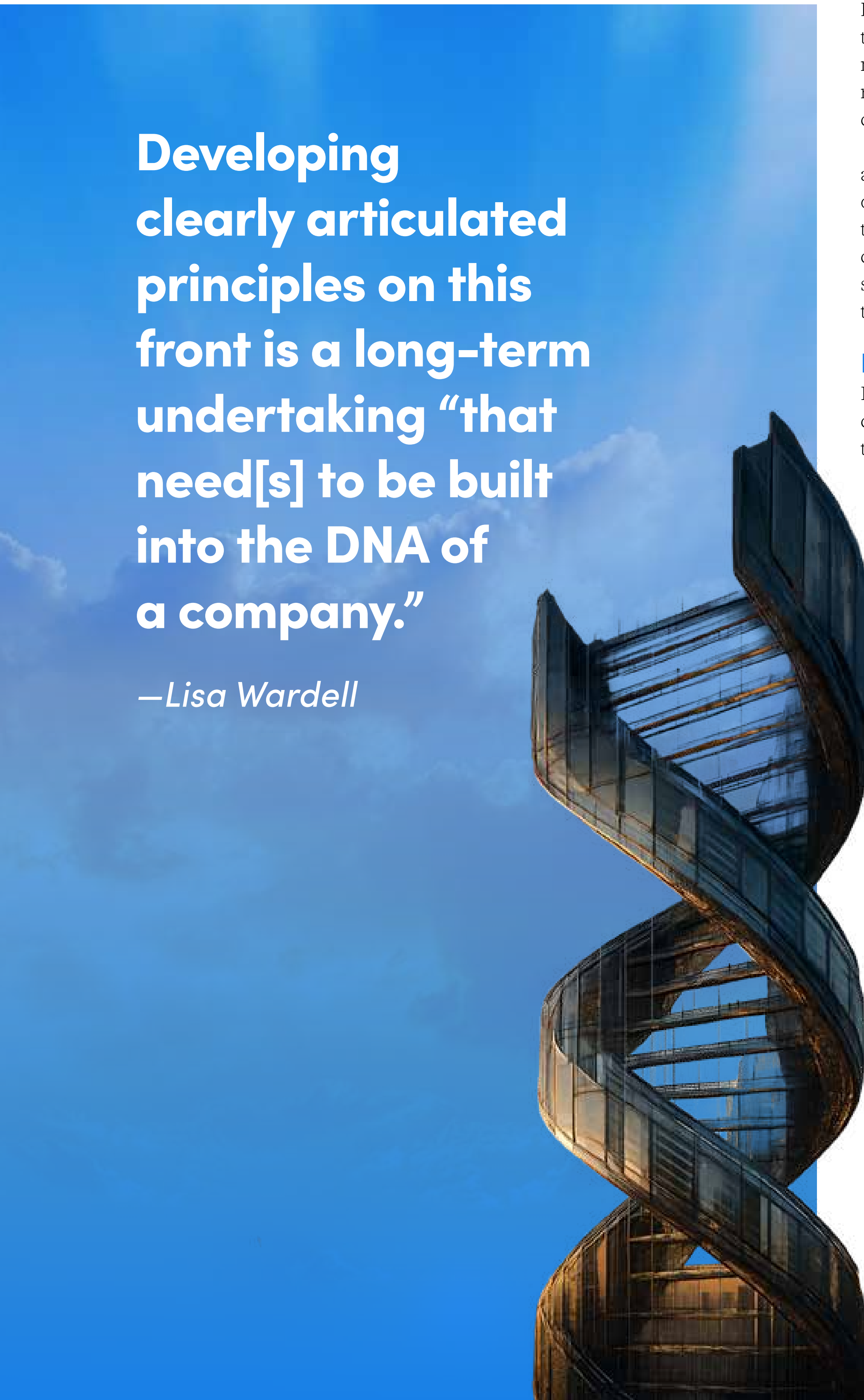

Brewster said. That might mean "verifying that these principles are explicitly measured in annual performance reviews and consistently reinforced during team meetings and internal communications," he said.

In Wardell's view, boards are taking a more active role in shaping purpose-driven decisions on human capital and long-term planning than they did even five or 10 years ago. Developing clearly articulated principles on this front, she said, is a long-term undertaking "that need[s] to be built into the DNA of a company."

## Navigating Expectations

In these polarized times, a well-defined purpose can help businesses strengthen their reputations. Currently, just 60 percent of Americans say they "trust" US firms, according to the 2026 Edelman Trust Barometer.

Despite this, Americans want businesses to participate in public discourse. Thirty-eight percent of people think CEOs of large companies should "take a stand on important societal issues," regardless of the topic, according to Just Capital's 2025 Americans' Views on Business Survey. A further 39 percent believe they should take a stand on topics relevant to their firms.

Moreover, Just Capital's polling shows that most people believe companies prioritize shareholders over workers and customers.

These concerns matter to stakeholders of all ages. "Certainly Gen Z, but I think most folks in the workforce who are in the midst of their career, just really want to know what's the 'why' behind their work, and they are demanding purpose from the companies," Wardell said.

In her view, this trend began during the COVID-19 pandemic and intensified during the summer of 2020, when "people just started looking more to their employers as a source of truth and a place of trust."

The experts who spoke to NACD for this article believe building trust with the public often depends on messaging. "I'm not seeing that rubric [of purpose] pulled apart or disavowed or anything like that," Whittaker said. In the current political climate, "I think companies are just much more circumspect about speaking up in public," he said. In Whittaker's opinion, many firms remain committed to their purpose, but they have focused on it internally.

"The management team cares about [corporate purpose]. The boards care about it," Wardell concurred. "What that tells you," she said, "is that investors care about it. Because if they did not, ultimately, that would shift."

Regarding three-letter initiatives such as "ESG," which can overlap with a company's purpose-based goals, there is room to adhere to principles without generating unwanted controversy, Brewster said. One simple way to accomplish that is to avoid focusing on labels, or by using less contentious terminology.

"I don't see [purpose] retreating at all" as companies outline their reasons for existence, McNabb said. "In fact, in a lot of ways, I think it's more important than ever."

## Purpose in the Era of AI

Virtually every industry seems poised to change as artificial intelligence tools grow more sophisticated. The crucial question is whether, on balance, the technology will be beneficial to businesses and society.

A majority of corporate leaders (93%) think that, overall, AI will be a force for good, according to Just Capital's December 2025 report, *American Public, Investor, and Executive Perspectives on Responsible AI Deployment*. They are far more optimistic than the general public (58%). A significant percentage of all parties are concerned about the technology's impact on social stability, however.

For boards, the potential for disruption cannot be overstated. "I think AI is really such a massive forcing function for every company," Whittaker said.

This new era could bring fundamental changes to how organizations operate. In other words, companies' business models—or even the products and services they offer—might need to rapidly transform alongside AI. To navigate the pace of change, Whittaker said, companies "have to be rooted in something."

"You have to have a core philosophy about who we are and what we are doing," he said. Questions that previously would have been unthinkable, such as what role human judgment plays in a business's functions, are becoming immediate. "Board awareness now is not just desired, I think it's necessary," Whittaker said.

In Hurd's view, many boards are still "a half-step behind" in thinking about "the second- and third- and fourth-order effects"

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of AI, such as ethical concerns, its impact on the workforce, and implications for future revenue. Currently, he continued, much of the focus is on practical issues, such as the cost of acquiring or operating the technology, projected return on investment for AI products, and implementation challenges.

Given the importance of this issue, Hurd said, "I'd argue that boards need to audit AI systems against the company's stated purpose with the same rigor they apply to financial audits. This means asking management: 'Show me where our AI deployments contradict our stated purpose, not where they align.'"

Whittaker outlined related enterprise risk scenarios, including a data center project facing backlash from the local community. He added that directors should ask management about the AI literacy of the workforce and whether the company is investing sufficiently in talent to drive innovation and growth without alienating key stakeholders.

Having a clear purpose isn't just about mitigating these kinds of thorny problems, McNabb said, but it might make a difference for companies trying to navigate AI-driven societal shifts.

"If you go back to the Internet boom of the '90s and early 2000s, there were a lot of businesses there that really couldn't tell you why they existed," McNabb said. Those companies prioritized rapid scaling without a clear underlying philosophy, and "a lot of those businesses failed," he said.

Other companies with concrete guiding principles, such as Google and Amazon.com, not only survived but turned into thriving, hugely valuable enterprises, McNabb added. "I think you're going to see the same thing here," he said.

In fact, Lesser argued, having a well-articulated purpose, such as one that promotes privacy or security, could become a market differentiator. Companies that "build AI transparency and security commitments into their core purpose can create a real competitive advantage as regulation tightens and public scrutiny grows," she said.

## Weighing Public Commentary

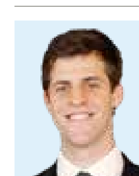
When a company's purpose leads to political opposition, boards must carefully examine their options, directors interviewed for this article said. The calculus associated with taking a public stance on issues tied to corporate purpose will vary by company, said Lesser, including whether a firm has government contracts, what industry it is in, its size, and its risk tolerance.

No matter the circumstances, she encouraged directors to be clear-headed about their values. "Political winds can be very forceful," Lesser said. In the past, "where we saw companies really get caught is when they moved into a place that was never authentic because of the political pressure."

"Companies that pull back on purpose commitments to avert short-term political blowback, I think they're making an error," echoed Hurd. They risk making leadership decisions that simply appease "the loudest voice in the room," as opposed to prioritizing maximizing long-term stakeholder value.

Ultimately, Whittaker believes that clearly defining corporate purpose in the boardroom is a powerful tool that can not only help a company steel itself during turbulence but also flourish for decades to come—benefiting employees, customers, the general public, and, of course, shareholders.

"In other words, we're not trying to divide the pie," Whittaker said. "We think that there's actually a way to grow the pie."



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