

Purpose.

Issue 1

In this issue

Tesla: how purpose led to a breakthrough decision

Inspire your business: Crafting the perfect purpose statement

A £130 billion business opportunity

Does your **performance** measure up?

We ask 3 killer questions

A large, stylized gauge or speedometer graphic in dark blue, with a yellow needle pointing towards the right. The needle has a circular head.

PURPOSE  **SE**
drives performance



PURPOSE WORKS.

The evidence shows that people want to buy from, work for, invest in and partner with businesses they believe in: businesses that have a clear sense of purpose beyond profit.

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A NEW MAGAZINE FOR PURPOSEFUL LEADERS.

Welcome to Purpose - a new magazine that aims to help leaders supercharge their business by becoming a force for good.



Steve Fuller

It's brought to you by The House, a purpose-driven business, culture and brand consultancy that has worked with companies and organisations to define, implement and communicate purpose for 10 years.

A lot has changed in that time. "Purposeful business" used to be the preserve of innovative startups led by charismatic founders, such as Patagonia, Ben & Jerry's and Innocent.

Today, however, the purpose movement is fully mainstream. The CEOs and boards of large, publicly-traded brands such as Unilever, Kellogg and Barclays have woken up to how purpose can deliver real commercial outperformance.

Indeed, a London Business School study has suggested that a more purposeful approach to business could add a staggering £130 billion to the UK economy.

At The House, we welcome the fact that more and more businesses are embracing the transformational power of purpose.

The more mainstream that purpose becomes, however, the greater the danger that its meaning will become diluted. That it slips into becoming

an ambient, feel-good buzzword, attachable to anything and everything. From there, it's a short step to "purpose-washing".

This is where our new magazine, *Purpose*, comes in.

Now more than ever, it's important for everyone in the purpose movement to be clear about what we mean by "purpose".

Purpose is a specific and distinctive approach to business leadership, with a unique and particular capacity to inspire, connect and create genuine movements for positive change.

In coming issues, we will articulate how businesses and brands can outperform the market by harnessing the power of purpose-driven vision, values-led culture and creative storytelling.

We hope you find the contents thought-provoking - please don't hesitate to get in touch at steve@thehouse.co.uk or graham@thehouse.co.uk if you want to discuss anything in this issue further.

JOIN THE PURPOSE MOVEMENT

PURPOSE IN NUMBERS.

There's hard evidence to support our belief that purposeful advantage inspires customers, attracts employees, fuels growth and drives commercial outperformance.

£130,000,000,000

is the amount that more purposeful business could add to the UK economy, according to a London Business School study *(publicly supported by the Chief Economist of the Bank of England)*

72%

of global consumers will recommend a company with purpose to others *(Edelman 2012)*

87%

of business leaders believe that companies perform best over time if their purpose goes beyond profit *(EY 2014)*

113%

margin by which purposeful brands outperform the stock market *(Havas Media "Meaningful Brands" study 2015)*

62%

of UK millennials want to work for an organisation with a positive impact on the world *(Global Tolerance 2015)*

x2

Unilever's purpose-led brands are growing at twice the pace of the rest of its portfolio *(Unilever 2015)*

92%

of global high-net-worth individuals believe that thoughtful investment is an important way to drive social impact *(RBC/CapGemini World Wealth Report 2015)*

£3.5 billion

is the current size of the UK social investment market *(Ethex 2015)*

THREE THINGS PURPOSE IS... AND THREE THINGS IT'S NOT.

As purpose becomes an increasingly important part of successful business, it's worth underlining what it is and what it isn't.



Purpose is NOT ambition or mission

Doubling the size of your business is an ambition. "Making sustainable living commonplace" is a *purpose*: one which has led consumer goods giant Unilever to adopt the vision of doubling its business while reducing its environmental impact and promoting positive social outcomes.

Increasing market share in the baby food sector is an ambition - "developing healthy eating habits that last a lifetime" is the purpose that drove Ella's Kitchen to become the UK's best-selling baby food in less than a decade. Firms like Patagonia and Tesla have all shown that having a purpose that connects to a greater good goes hand-in-hand with growth and commercial success.

Purpose is NOT CSR

CSR gets knocked a bit these days, so it's easy to forget that the world was a much worse place before businesses started to face up to their responsibilities as corporate citizens. We should celebrate corporate social responsibility - up to a point.

CSR is great for establishing "basic hygiene" - clean supply chains, good working conditions - and for "giving back" to the community through acts of philanthropy. These acts are important: like most firms, we take part in charity bake sales, polar plunges and half-marathons (in fact, we've just twinned our toilet).

But purpose goes further. With CSR, companies do good as an add-on (or, dare we say it, an offset) to their usual activities. Purpose means putting positive change at the heart of your products, services and strategy.



Purpose is NOT environmental sustainability

By all means keep recycling, choosing green suppliers and thinking before you print. Now is as good a time as any to make sure your business is playing its part in the global battle against climate change by reducing your environmental footprint and adopting sustainable practices.

But purpose gives us permission to think even bigger.

As David Hieatt put it in his fantastic book *Do Purpose*, purpose comes from the sweet spot where your love and passion, your skill and the zeitgeist overlap. How does your core business activity fit into the wider picture? Answer this question and you will come closer to making a positive impact in the world, beyond simply reducing your negative impact.

Purpose IS a growth strategy

Purpose speaks to the very core of your business. This is what makes embracing purpose such a powerful strategy for growth. A clear sense of purpose will guide you into new markets, new products and towards new customers and partners.

The evidence shows that purpose-led brands outperform. To pick some concrete examples, Unilever recently announced that its purpose-led brands, such as Ben & Jerry's and Dove, were growing at twice the speed of the rest of its portfolio. And of course, a clear sense of purpose and social values has powered brands like Innocent Smoothies to grow from SMEs to global concerns.

Purpose IS a purchase trigger

Purpose inspires customers. A 2012 Edelman survey revealed that over half of consumers will pick the purposeful brand when price and quality are the same.

And customers don't just buy from purposeful companies: they become advocates. The same survey showed that 72% of global consumers would recommend a company with purpose to others, a 39% increase from 2008.

As the business thinker Simon Sinek says, "people don't buy what you do, they buy why you do it".

Purpose IS an investment driver

The evidence shows that having a clearly communicated sense of purpose driving your business at its core will build confidence, drive business investment and attract new investors.

Purpose can also help you find new sources of investment. Businesses with a clear social purpose can access diverse funding sources from the booming social impact investment sector, a market estimated at £3.5 billion by crowdfunding platform Ethex. A growing movement of both retail and institutional investors are increasingly using platforms like Ethex and the Social Stock Exchange to make purpose-driven investments in firms that make a difference.



CONCLUSION: THE FUTURE BELONGS TO BUSINESSES WITH PURPOSE.

Since embracing purpose in our own work 10 years ago, we have repeatedly seen how businesses of any size and sector can outperform by putting purpose at the heart of their strategy, culture and operations.

What could purpose mean for your business? Get in touch at 01225 780000 or email steve@thehouse.co.uk



YOUR PURPOSE JOURNEY.

A roadmap to making your business and brand a force for good.

Activate purpose with values, culture and behaviour

Put purpose into action by building a healthy workplace culture.

Find and embed the shared values that will empower your team.

Identify and foster the behaviours that make purpose tangible.

Bring your purpose story to life

Tell your story creatively.

Build authentic and inspiring movements.

Inspire deep loyalty from customers, employees and partners.

PURPOSE

Discover your purpose

Find your "Why".

Ask the big question: what is your purpose beyond profit?

Dig into your past, present and future.

Root your purpose in reality.

Create a purpose statement that transforms your business.

Supercharge strategy and innovation

Make purpose your engine for growth and innovation.

Align your purpose to your business, culture and brand strategy.

Use your purpose as an invitation for all employees to solve problems in fresh and forward-thinking ways.

Create purposeful advantage.

Become a truly authentic leader

Tap into your personal purpose.

Uncover what truly matters to you.

Overcome fear and short-termism to lead from a place of authenticity and belief.

Purpose Magazine exists to help business leaders on the journey to making business a force for good.

To talk about any step in your own purpose journey, just pick up the phone and speak to Steve and Graham: 01225 780000 or graham@thehouse.co.uk



TIME TO EVOLVE: THE COMMERCIAL CASE FOR AUDACIOUS PURPOSE.

Picture 'brand purpose' as an evolutionary ladder. When a brand first steps out of the swamp onto dry land, its purpose is to make an immediate profit: buy low, sell high.

Evolve one step further, and brands start to gain a deeper understanding of the customer's lifestyle, life cycle and core emotional needs. More evolved brands learn how to adapt and invest in customer relationships over the long-term, increasing their chances of survival and success.

We think it's time for brands to evolve another step: to the level of 'audacious purpose'.

Purpose beyond profit

Audacious purpose slingshots beyond the customer and straight into the brand's social purpose – not what it makes, but what it makes happen. Audacious purpose creates a powerful lodestar at which to point your business. When you focus on how your core business makes the world

a better place, you create a 'reason to believe' that will bring customers, employees, suppliers and partners on a journey with you. Audacious purpose creates movements.

This is not about philanthropy. In fact, the rationale for locating your 'purpose beyond profit' could not be more commercial. There is mounting evidence that audacious, game-changing purpose puts the wind behind your sails and creates the conditions for extraordinary commercial success.

Purposeful leaders, sustainable businesses

We're not alone in thinking this. A 2014 EY survey revealed that 87% of business leaders believe that companies perform better over time if their purpose goes beyond profit.

Unilever CEO Paul Polman is a shining example. He has set the consumer goods giant a clear objective: to double in size while reducing the

company's overall environmental footprint and increasing its positive social impact. In his words:

"If you want to exist as a company in the future, you have to go beyond [CSR and philanthropy]. You actually have to make a positive contribution."

If you want to exist as a company in the future. This should make every business leader sit up and take notice. Our experience working with business leaders to create purposeful visions has shown us that CEOs who understand the power of purpose can inspire long-term, deep-rooted confidence in business and brand. It is this purpose-driven confidence that delivers long-term, sustainable commercial success.

#1

Purpose inspires confidence, which in turn fuels investment, innovation and long-term performance. Why? Because organisations with a strong sense of purpose are buoyed by factors beyond the short-term financials.

As Deloitte's 2014 *Culture of Purpose* survey showed, a clear purpose creates a longer horizon for positive returns and breeds confidence that your brand can continue to thrive in a shifting landscape. And as Jim Stengel demonstrated in his must-read book *Grow*, a study of 50,000 brands, purpose-driven brands simply outperform old-fashioned brands.

Again, Unilever is a great example. CEO Paul Polman stopped the practice of quarterly full reporting in order to reduce the temptation to succumb to short-term thinking. This should have been anathema to the markets, but Unilever's share price went on to hit record highs.



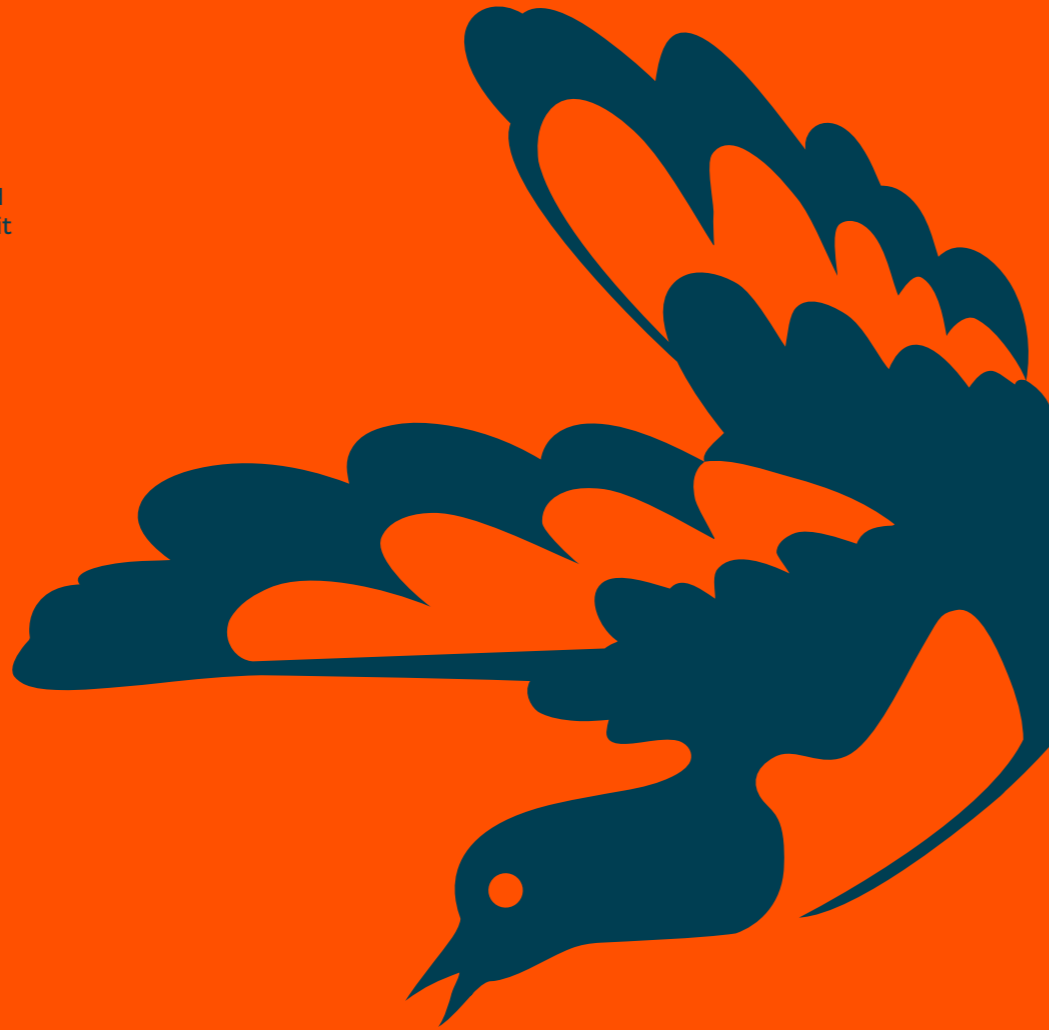
PURPOSE

fuels confidence

#2

Consumer behaviour is increasingly rooted in identity, values and emotion. In this world, purpose drives sales. A study by Havas Media Group, Ipsos and GSK has demonstrated a clear positive link between the 'meaningfulness' of a brand and its "share of wallet".

That's why we've seen ethical bank Triodos outpace its peers and grow customer accounts 144 per cent in four years. Why ethical outdoor clothing firm Patagonia has achieved five consecutive years of double-digit growth. Why organic dairy brand Yeo Valley has achieved consistent sales growth and cracked into the top 100 UK food brands.



PURPOSE
makes brands more attractive

#3

Audacious purpose attracts the best minds and electrifies employee engagement. In our own work helping business leaders to inspire purposeful visions, we've seen time and time again how fostering a culture of purpose brings out the extraordinary in employees.

This trend is only set to increase: research consultancy Global Tolerance has found that 62% of UK millennials want to work for an organisation with a positive impact on the world, while 53% said they would work harder if their company benefitted society.



PURPOSE
attracts
(and retains) talent

#4

Until now the pantomime villain in the purpose story has been “short-term shareholder returns”. But investors are increasingly taking the “triple bottom line” of social, environmental and financial returns into consideration when allocating funds: witness the recent divestments in fossil fuels by institutional investors across Europe.

It's about more than avoiding harm: the 2015 RBC/CapGemini *World Wealth Report* found that 92% of HNWI's believe that thoughtful investment is an important way to drive social impact.

It's no wonder that investment banks are scrambling to set up their own impact investing programmes. Shouldn't your brand be aligned with purposeful investor behaviour?

PURPOSE attracts investment



#5

What would you do if your main product or service were made illegal? It's a question we sometimes ask our clients to focus minds back on the core purpose of their business and brand.

The germ of the question is about innovation: how else could you achieve your purpose beyond what you currently produce or offer? How can you stay ahead of disruption and outperform the competition? When you understand the “why”, new horizons open up, allowing you to explore the “how” and the “what” in fresh and innovative ways.



PURPOSE drives innovation

CONCLUSION:



PURPOSE

drives performance

Never make the mistake of believing that you have to choose between purpose and profitability. Purpose delivers incredible commercial benefits. For all of the reasons described above, purpose creates the effective teams, engaged employees and inspired stakeholders that you need to capture market share and build world-beating brands.

It's what we call "purposeful advantage": the sharp competitive edge you give to your business and brand by allowing every aspect of your strategy, culture and operations to be driven by a strong sense of purpose.



DOES YOUR PERFORMANCE MEASURE UP?

Purpose can supercharge your business performance. First, however, you need a crystal-clear picture of where your organisation is strong and where it is weak.

Ask yourself these three killer questions about your company's performance:

- 1. Do leaders take the tough decisions in a timely way?**
- 2. Is this organisation actively taking steps to avoid complacency?**
- 3. Does this organisation have the right people in place?**

If you answered 'no' to any of these questions, it's time to take action.

We offer a simple diagnostic tool that allows business leaders to quickly map business and team performance.

By accessing real time input from your team, it generates unique individual insights and knowledge that will shape and inform vital leadership decisions.

Backed by 30 years of organisational research, it's a tool that will give you hard data on the performance, culture and engagement issues facing your company, and light the path to purpose-led solutions that will unlock potential and supercharge growth.

To find out more, email graham@thehouse.co.uk and ask to take the test.



HOW TO CRAFT A PURPOSE STATEMENT THAT WILL INSPIRE YOUR COMPANY.

More and more companies and organisations are waking up to the power of purposeful advantage – the commercial and competitive edge that you gain from having a clear “purpose beyond profit” at the heart of your business.

A crucial early step in this process is crafting your “purpose statement” – a single sentence that crystallises your company’s reason to exist, beyond simply making a profit.

For HP, it’s “to foster the human capacity to innovate and progress”. For Ella’s Kitchen, it’s “to create healthy eating habits that will last a lifetime”.

You’ll notice that these statements aren’t about being “the best” or “the fastest-growing”, or even the “most trusted” or “most innovative”. That is, they are not like traditional mission statements.

Instead, purpose statements are about the connection between the company’s core products and services and the benefits they deliver to people’s lives. If you get that right, “the best” and the “most loved”, etc., will naturally follow.

Crafting your purpose statement is a key early step in any company’s purpose journey. Here are our top five tips for creating an inspiring and authentic purpose statement.

Draw the map before you plot the course

Writing your purpose statement is not the starting pistol of your purpose journey. First, you need to figure out what your purpose actually is.

Seems obvious? Perhaps, but too many firms skip the hard work of actually grounding their purpose in reality.

This means digging into your heritage, seeking customer and employee insight and researching the trends affecting the political, economic, social and technological context in which you operate.

By looking back into the past, getting a crystal clear view of the present and studying future trends, you can ensure that your purpose statement has purchase in the real world.

Look for “perpetual stretch”

Unlike a “mission”, a purpose is not something that can be achieved once and for all.

Instead, a purpose statement should give rise to an inexhaustible series of new goals, and always push you and your team forward.

NASA is a great example. Its purpose is to “reach for new heights and reveal the unknown for the benefit of humankind”. In turn, this purpose generates and drives mission after mission, each one supporting the core purpose – but never completing it for good.

Combine the emotional and the rational

Purpose statements should have both a rational and an emotional register.

We like to say that purpose statements should give you a “tingle”: an involuntary smile of inspiration and excitement, mixed with a little bit of healthy, top-of-the-ski-slope, can-we-really-do-this fear. Without that pinch of emotion, a purpose statement will struggle to inspire employees to embrace it as their own.

At the same time, there always has to be a rational case for how purpose will supercharge your business, culture and brand strategy, and this should be reflected in your purpose statement.

BT’s purpose statement, for example, is to “use the power of communications to make a better world” – the company’s core product, communications, is front and centre.



Plain language

A good purpose statement should be plain-language and simple for employees, customers and stakeholders to grasp.

Take the purpose statement of digital agriculture company The Climate Corporation:

“The Climate Corporation aims to help all the world’s farmers sustainably increase productivity of their farming operations”

It’s simple and to the point, clearly oriented towards the real needs of customers and the environment, and clearly linked to the firm’s commercial offer.

Tangible enough for employees to make it their own

Plain language is important, but take care not to tip back into just being vague.

Always, always remember that your purpose statement will be implemented and brought to life by your employees. If it truly sticks, it will inform how they make decisions, how they solve problems and how they innovate. That’s the real engine room of purposeful advantage.

But this will only work if the purpose statement is tangible, pragmatic and potent enough for employees to be able to take it and make it their own.

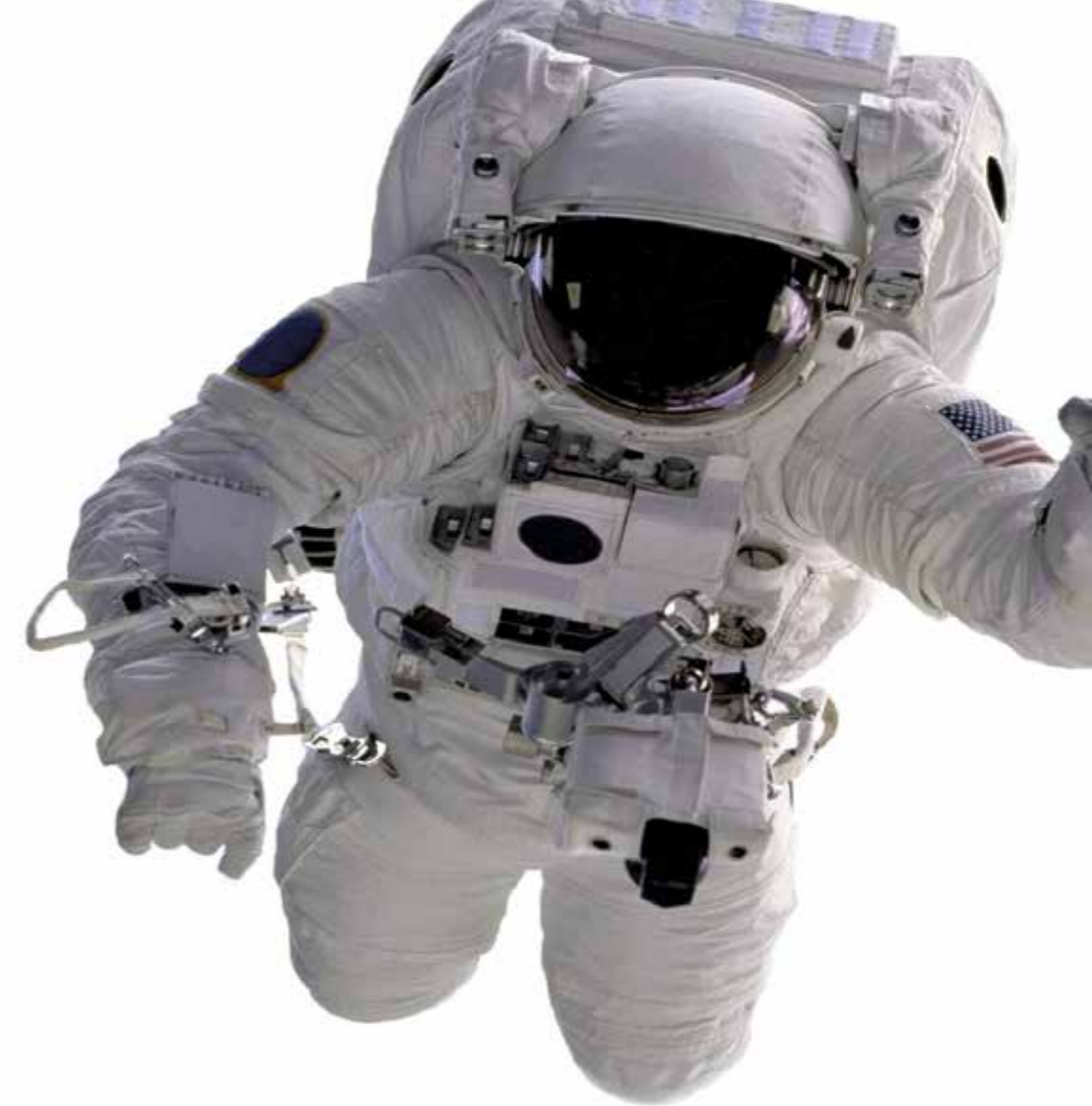
Before you release your purpose statement into the world, think: will employees be able to apply this to the assembly line? To the shop floor? To the R&D lab? To the marketing department?

This means that abstract sentiments like “we exist to make the world a better place” do not work well as purpose statements, because there is nothing concrete or potent enough to get hold of.

The key question is always, “What will we do differently tomorrow?”

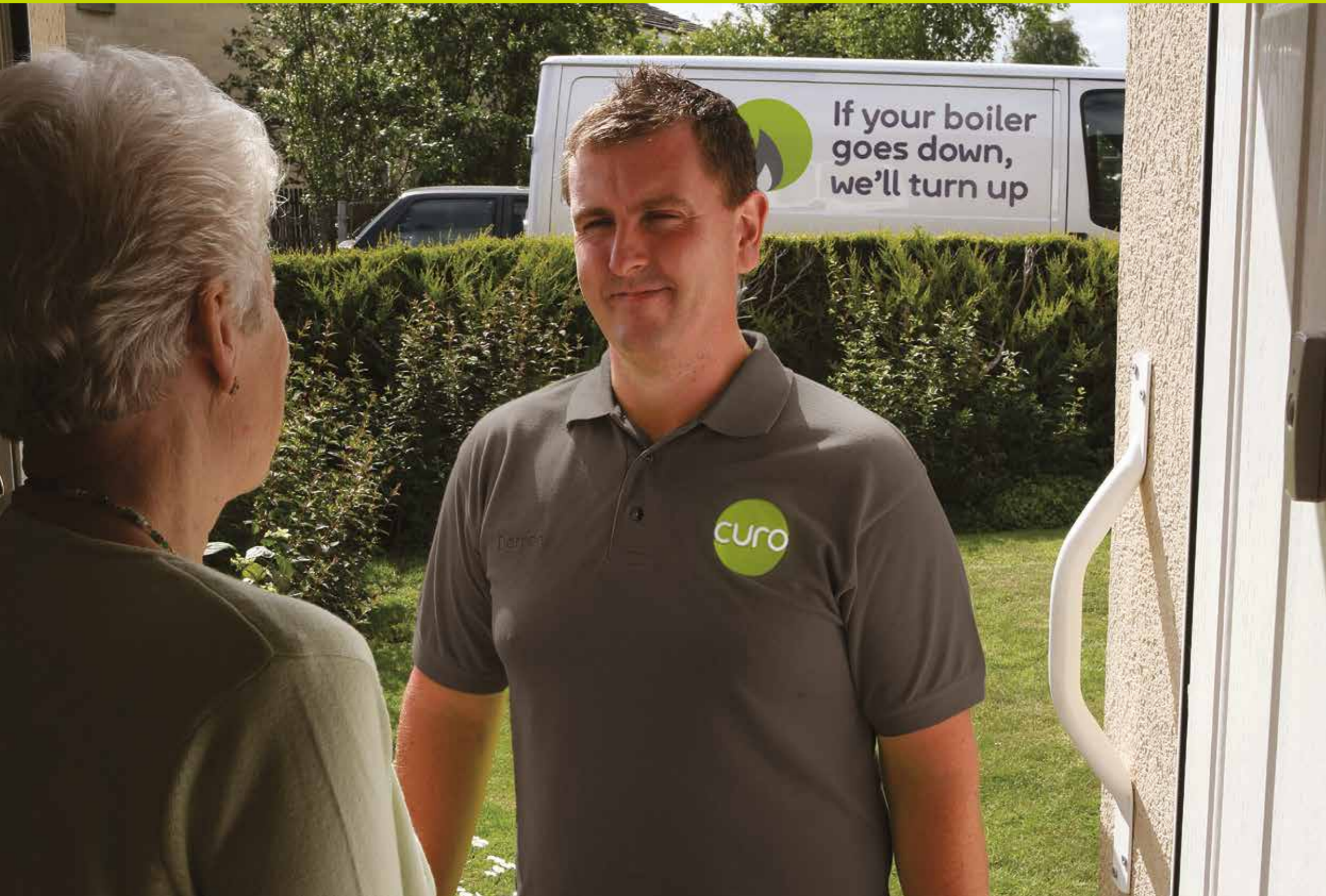
By following these five tips, you can create a purpose statement that both inspires people to ask this question and equips them to find answers for it.

“ Always, always remember that your purpose statement will be implemented and brought to life by your employees. ”



THE CLIMATE CORPORATION





PURPOSE IN PRACTICE:

CURO

A great business does things that society values.

Curo is a social landlord formed out of the merger of four housing associations in the South West. It owns over 14,000 properties.

The House worked with Curo's executive and senior leaders to create an audacious ambition for the future: Challenging people's perceptions of social housing.

Since then the business has flourished, securing millions of pounds of investment for new homes and competing with private sector builders at market rates to secure new locations for communities based on a new model for integrated living.

A great example of this is Curo's 19-hectare, 700-home Mulberry Park development in Bath, a distinctive and contemporary development of high quality housing, community and cultural facilities and open spaces.

Curo's ambition is backed up by a compelling, purpose-driven customer promise: "*together we make possible*". This has become a day-to-day mantra that has seen the organisation transform its culture and customer service quality - winning a host of national customer service awards as a result.

The customer promise has been brought to life inside and outside the organisation through creative executions at every touchpoint, including Curo's Bath headquarters and across its fleet of service vehicles.

“

A great business does things that society values.

Victor da Cunha, Chief Executive, Curo

”

PURPOSE IN PRACTICE:

TESLA

How Tesla's audacious purpose led to breakthrough decision.

In June 2014, Tesla CEO Elon Musk made a startling announcement. In one fell swoop, Musk tore up Tesla's patents and embraced open sourcing – making the electric car firm's intellectual property freely available from the company website. As a symbolic gesture, Tesla literally pulled down the framed patents from the walls of its Palo Alto headquarters.

This audacious decision was rooted in Tesla's clear sense of purpose beyond profit: its mission to "accelerate the world's transition to sustainable energy".

As Musk explained at the time, "We believe that Tesla, other companies making electric cars, and the world would all benefit from a common, rapidly-evolving technology platform."

Tesla's stance serves as an invitation to the world's most talented engineers – whether they are Tesla employees or not – to join its movement and buy into a common purpose. This purpose-led decision makes complete commercial sense. By lowering the barriers of entry, Tesla hopes to grow the electric car segment within the automotive industry: a segment in which it is already a leader.

“

I think it is possible for ordinary people to choose to be extraordinary.

Elon Musk, CEO, Tesla

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OUR STORY.

We set up The House 20 years ago. In our first decade we worked with some of the biggest names in the drinks, retail and entertainment industry, including Jack Daniel's, Diageo and Swatch.

You learn a lot from working with global brands. Most of all, you learn about yourself and what really matters to you. We looked inside ourselves and realised that we are here to help business and brand become a force for good.

Ten years ago, we took the leap and decided to put purpose at the heart of our company - giving up 70% of our turnover in the process. It was a big step and there were moments of huge doubt, but we knew deep down that a strong sense of purpose was linked to business success.

The evidence now confirms it: purposeful brands outperform, attract the best talent and connect to customers on a deeper level.

Building our business on purpose has transformed our company and our culture. It's also helped us to transform the fortunes of our clients and deliver truly meaningful work - work that has been recognised by nine Europe-wide awards.

“
Building our business on purpose has transformed our company and our culture.
”

Our job at The House is to help businesses to become a force for good and grab a share of the £130 billion purpose economy.

www.thehouse.co.uk



THE HOUSE