



SPECIAL REPORT

Spanish Executives and Corporate Purpose: Five Keys

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INTRODUCTION

The different contexts in which business takes place are becoming increasingly complex and uncertain, with new competition models, growing social demands, disruptive technology and increasing mistrust. These are the factors causing companies to rethink their long-term strategies. In some cases, it may be considered evolution, and, in others, the strategic approach may be more disruptive, but, in all cases, companies are facing the challenge of explaining to their stakeholders the nature of their future business models to gain their confidence.

Having a [corporate purpose](#)¹ has become a recurring theme in business schools and in management trends' articles. Evidence includes how many of the world's fastest-growing companies have a clearly defined [purpose](#),¹ the wealth of [academic research](#) on the topic,² the regular corporate purpose articles by [Harvard Business](#)



¹ Every year, numerous studies are released that confirm this evidence year after year. See Best Global Brands (<https://www.interbrand.com/mx/newsroom/interbrand-lanza-el-informe-best-global-brands-2017/>), or Perfect Store Execution (<https://consulting.kantar.com/>)

² We recommend "Corporate Purpose and Financial Performance," Claudine Gartenberg, NYU Stern School of Business, Andrea Prat, Columbia University and George Serafeim, Harvard Business School, June 2016; "The value of corporate culture," Luigi Guiso, Paola Sapienza and Luigi Zingales. Working Paper 19557. <http://www.nber.org/papers/w19557>



[Review](#)³ and Mark Zuckerberg's one-year roadshow, in which he preached the purpose of Facebook ("bring the world closer together").

Fewer people are finding a dichotomy between results orientation and corporate purpose. Conversely, the novelty here is this story has changed quickly from being focused on engagement (chiefly targeting [consumers](#)⁴ and employees⁵) to providing a company with a competitive edge. This is demanded by shareholders, [investors](#),⁶ the executives and directors of these very companies, the so-called [proxy advisors](#),⁷ etc. and all those who judge whether or not the company has a future; whether its business model is credible or inconsistent; whether or not it will be able to compete in the current context of [complexity and uncertainty](#).⁸ Some authors are starting to call this "the [purpose](#) revolution."⁹

³ Although numerous articles have been published, the following are worth noting, due to their impact: "What Mark Zuckerberg Understands About Corporate Purpose," at https://hbr.org/2017/02/what-mark-zuckerberg-understands-about-corporate-purpose?utm_campaign=hbr&utm_source=twitter&utm_medium=social; "The Type of Purpose That Makes Companies More Profitable," at <https://hbr.org/2016/10/the-type-of-purpose-that-makes-companies-more-profitable>, and "How Marketers Can Connect Profit and Purpose," at <https://hbr.es/responsabilidad-social/1242/tener-un-buen-prop-sito-no-es-solo-marketing-tambi-n-da-beneficios> (in Spanish).

⁴ A relevant case is Dove cosmetics' "Real beauty": <https://www.youtube.com/watch?v=9o3CgSRvAo>

⁵ It is no longer enough to define only a mission or a vision, and the reason is that until now companies had a business vision or mission and employees a goal of personal development that rarely coincided and that nobody expected to coincide. Today's generations expect the company's purpose to coincide with their personal purpose and will select their job offers accordingly. In a context of war for talent, purpose is the best tool for attracting and retaining talent

⁶ A relevant case is Dove cosmetics' "Real beauty": <https://www.youtube.com/watch?v=9o3CgSRvAo>

⁷ Of particular significance was the letter "A sense of Purpose" published in January 2018 by leading worldwide investor and Blackrock CEO Larry Fink, reminding future leaders that companies will play a more social role in the future: <https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter>. Also worth noting is the open letter of Facebook CEO Mark Zuckerberg, "Building Global Community," seen at <https://www.facebook.com/notes/mark-zuckerberg/building-global-community/10154544292806634/>

⁸ Regarding proxy advisors: https://en.wikipedia.org/wiki/Proxy_firm. Wall Street's 2018 Push for Purpose, https://www.sustainablebrands.com/news_and_views/organizational_change/robert_schermers/wall_street%E2%80%99s_2018_push_purpose

⁹ "The Purpose Revolution," John Izzo and Jeff Vanderwiellen: <https://drjohnizzo.com/the-purpose-revolution-book/>. See also "Firms of Endearment: How World-Class Companies Profit from Passion and Purpose," Sisodia, Rajendra S., Wolfe, David B., SHETH, Jagdish N.

“Corporate purpose is no longer a tool to be used for communications or the brand. It has become a definition of long-term ambition”

1. KEYS TO REDEFINING CORPORATE PURPOSE

LLORENTE & CUENCA conducted a qualitative study on July 2018 with the participation of 85 executives from large Spanish companies to understand the impact of this revolution on its organizers and to learn what they consider the keys to redefining and successfully adopting corporate purpose in the business model. The following are the main conclusions we have drawn from this study:

1. Redefining corporate purpose: an urgent task.

There is consensus among the interviewed executives that definition of corporate purpose is of vital importance to shaping a company's future (“Why do we exist?” and “Where are we going?”). It was even observed 81 percent of the executives believe this definition is an urgent task,¹⁰ although they add that all companies actually have a foundational purpose. In fact, nearly half of the executives stated their companies already have a public purpose that has always been defined, and, if anything, would need to be updated and redefined. In the past two years, their companies

have directed their efforts toward this goal, according to 43 percent of the executives.

2. **From past history to future strategy.** Corporate purpose is no longer a tool to be used for communications or the brand. It has become a definition of long-term ambition allowing a company to explain to all its stakeholders (from employees to investors) its future strategy, value proposition, expertise and abilities. According to the executives who took part in our study, the critical point is the credibility of the purpose associated with the business model. For this reason, they consider corporate purpose a vitally important part of long-term business strategy (they rate it 8.1 out of 10 points) and that it is not an initiative that ends up as a mere brand claim. A good example of this is [McKinsey's](#)¹¹ purpose and the story “[New at McKinsey](#)” that goes with it.¹²
3. **From communications to leadership.** Leadership in relation to corporate purpose is one of the keys to making a real difference in the business model, according to 75 percent of the interviewed executives. They believe

¹⁰ At the global level, in recent years, 13 percent of companies have reformulated their purpose and 53 percent have completely changed it, according to the report “How Can Purpose Reveal a Path Through Disruption? Mapping the Journey from Rhetoric to Reality” (EY Beacon Institute).

¹¹ “We help our clients make change happen”: <https://www.mckinsey.com/about-us/overview>

¹² New at McKinsey: <https://www.mckinsey.com/about-us/new-at-mckinsey-blog>

“Leadership in relation to corporate purpose is one of the keys to making a real difference in the business model, according to 75 percent of the interviewed executives”

purpose should be redefined under the leadership of the board of directors and upper management and also be part of the CEO's habitual approach to the business. A recent study published by Corporate Excellence¹³ found 69 percent of people think the CEO's main job is to get the company to transmit confidence, ahead of more tangible matters, such as the quality of its goods or services (68 percent) or an increase in the company's profit and share price (60 percent). In the most highly acclaimed companies, such as Google, Tesla and Airbnb,¹⁴ corporate purpose is a tool used by the CEO to inspire the organization and instill confidence in stakeholders. In a practical sense, the executives in our study think Spanish CEOs should make activation of purpose part of their agenda, which is something more frequently seen among American executives. However, this does not mean CEOs should become management gurus but rather they should look beyond mere economic results, have clear ideas and be convincing.

4. From responsibility to commitment. Three out of four executives believe that for purpose to actually affect business, it must orient the company's focus of sustainability. In this regard, 81 percent of the participants in our study think purpose should be about a human need or a global challenge that goes beyond a company's policy of corporate social responsibility. Recently, several companies have adopted the sustainable development goals (SDG) adopted by the United Nations in September 2015 as a framework for analysis to define the social impact of their corporate purpose. Two such examples are (1) the industrial group Gonvarri Steel Services, which aligns road safety with its strategic objectives and the expectations of its interest groups through the concept of “emotional driving,”¹⁵ and (2) the infrastructures developer QGMI, which defines its vision in terms of contribution to SDG.¹⁶

¹³ “Approaching the Future 2018”. Annual report on trends in reputation and management of intangibles: <http://approachingthefuture.strikingly.com/>

¹⁴ “For travelers to belong anywhere.” Interesting video from Fortune magazine: <http://fortune.com/airbnb-travel-mission-brand/>

¹⁵ “Emotional Driving,” Gonvarri Steel Services: http://www.emotionaldriving.com/que_es/

¹⁶ QGMI's vision is to contribute actively to sustainable development goals by providing all key players with financial, technological, legal and cultural knowledge for the development of infrastructure and service structures projects in emerging economies.” <http://www.qgmi.eu/es/quienes-somos/>

“Corporate purpose is an exercise in corporate empathy that helps companies improve organization, retain talent and strengthen bonds with consumers”

5. From impact to transformation. Numerous researchers have shown in recent years corporate purpose is an exercise in **corporate empathy**¹⁷ that helps companies **improve** organization, retain talent¹⁸ and strengthen bonds with consumers. However, this is, above all, a belief crystallized in the opinions of Spanish executives. Of those who took part in our study, 78 percent consider having a clear corporate purpose is profitable and contributes to the company’s business. Specifically, 63 percent of those interviewed believe the main benefit of having a purpose is having an organization that is more aligned and motivated (“everyone in the company united under a common purpose”). In this sense, 69 percent of the participants believe it is paramount to include employees in the process of redefinition of corporate purpose, half of them also believe it contributes to growth and 37 percent believe it may also help to create a new

ecosystem or strategic alliances wherever the aspirations of stakeholders may converge. Nonetheless, 62 percent believe, to make all these promises come true, executives should have specific objectives, commitments or challenges associated with corporate purpose.

2. CONCLUSION

Without a doubt, corporate purpose is an indispensable tool for structuring and fine-tuning the story of a business model in times of turbulence. Spanish executives believe having a clearly defined corporate purpose is profitable and contributes to a company’s business. The main risk is it may end up becoming a mere brand claim, in view of which, the executives surveyed believe it is important it be closely aligned with the company’s strategy, be driven by leadership, be genuinely connected to social needs and helps foster strategic alliances, as well as truly generates impact indicators. In short, it is about promoting new leadership based on corporate purpose.

¹⁷ See “Corporate Empathy: a New Focus on Reputation Management,” <https://www.desarrollando-ideas.com/2018/01/empatia-corporativa-un-nuevo-enfoque-en-la-gestion-de-la-reputacion/>

¹⁸ “2016 Global Report on Purpose at Work,” prepared by LinkedIn reveals that, in companies with a purpose, the output of professionals increases by 30 percent. See the research here: <https://business.linkedin.com/content/dam/me/business/en-us/talent-solutions/resources/pdfs/purpose-at-work-global-report.pdf>



A COMPANY WITH A PURPOSE IS A COMPANY THAT MAKES SENSE

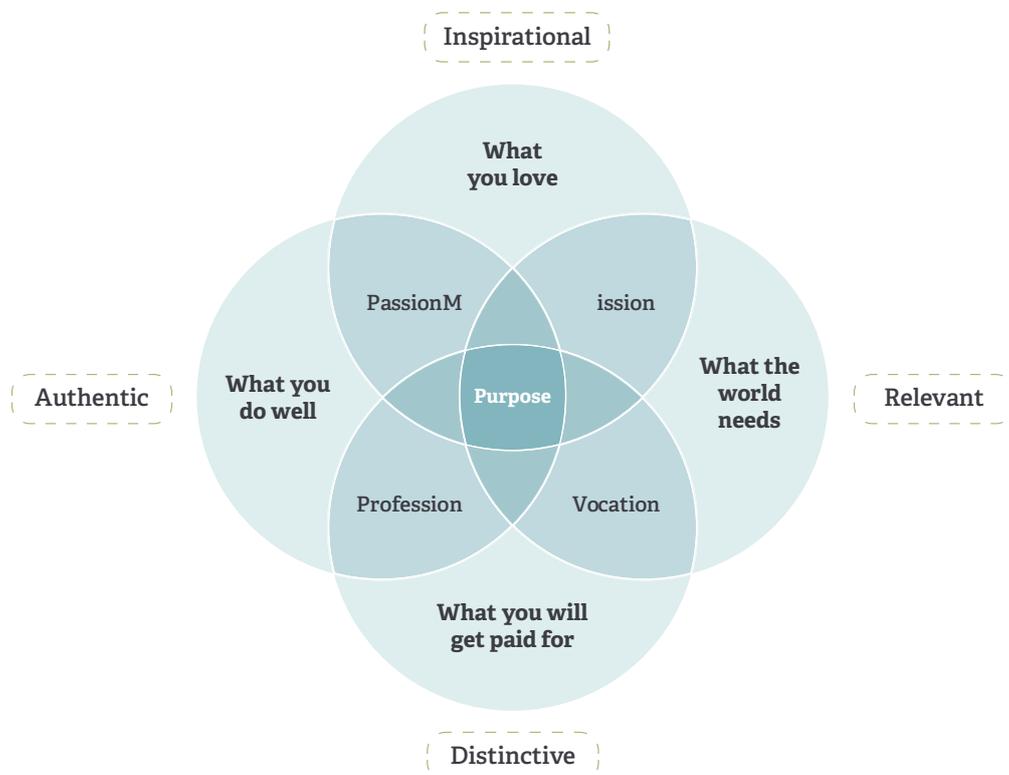
All companies have a story they tell through a **mission** (what they do), a **vision** (their aspiration) and **values** (how they carry out said mission). Most companies were created with a sense of **purpose**; an initial idea of why and to what end they wished to operate in the market, of their impact and contribution.

A purpose is much more than an advertising claim or a

social cause. It is a synthesis of a company's **four strategic dimensions**: what we are good at, what we get paid to do, what moves us and what the world needs.

During times of change, more and more companies update their purpose to orient their growth strategy toward a **leadership challenge** associated with improving the quality of human lives.

The 50 **fastest-growing brands worldwide in 2018** have a clearly defined purpose, and companies with a clear purpose have achieved 10 times more shareholder value than the average for the S&P500. They also have 1.7 times more satisfied employees and are three times more likely to retain talent.



Source: Modelo Ikaigai



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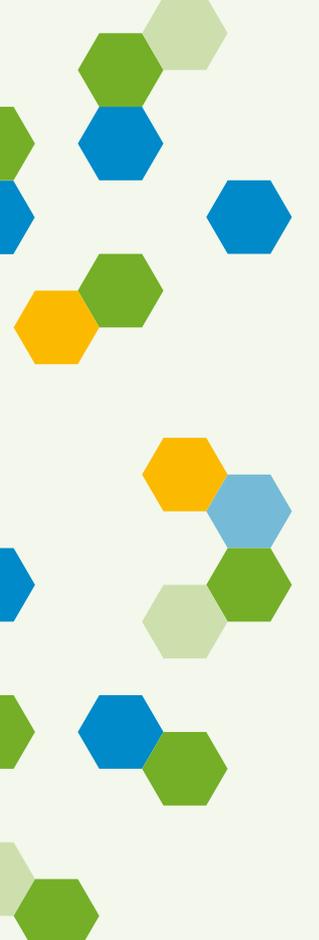
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