



Business Forum Report, September 2019

## **Purpose-driven business**

*How can we tap into the potential for businesses to bring about a fairer, more sustainable food system?*

## Purpose-driven business

### What is driving change?

There is a shift happening in the business world – the rise in purpose-driven businesses. This shift has the potential to redefine the role of business in society. Key drivers of this change include:

- **Growth in oligopolies**

The growing monopoly of the sector is leading to income stagnation and growing inequalities, particularly in the past ten years of financial austerity.

- **Sustainability trends**

As businesses are increasingly seen to be playing a key role in driving inequalities, climate change, biodiversity loss and more, 72% of companies<sup>1</sup> are now turning to the Sustainable Development Goals (SDGs) to reframe how they operate. The food sector in particular is facing exponential change.

- **Generational shift**

Younger generations are increasingly exerting their values and using technology to hold organisations to account in the face of social and environmental challenges. The increase in market demand for values-led business has resulted in the emergence of companies such as Pukka Herbs and Honest Company. A think tank representing the USA's biggest 180 organisations, Business Roundtable, recently stated that businesses should no longer be about profit and instead should be about benefiting a range of stakeholders, including communities and customers<sup>2</sup>.

### If not for profit, what for?

What is the ultimate purpose of a business? And how can it help drive positive change?

A **purpose** can mean all things to all people and is not necessarily 'good'. A *good* purpose should be about having a meaningful and enduring reason for an organisation to exist. That purpose should be tackling global challenges like the SDGs, or benefiting society, doing it in a way that sustains the social and environmental systems it relies upon, across the value chain. Purpose enables a business to positively articulate its contribution to a sustainable future, while

delivering long-term value for financial stakeholders, the environment and society.

Purpose is most powerfully framed as a question, as it allows for multiple and creative answers adapted for each individual and department within an organisation. As the New Citizenship Project asks<sup>3</sup>:

---

*What are we trying to do in the world that is so big that you need people to be part of it?*

---

Conversations around purpose are growing, but not always integrating sustainability. Meanwhile the 'sustainability field' is not yet widely engaging with the rise of purpose. Sustainability can get caught with the *deficit* paradigm: can we stop emitting carbon, violating human rights or destroying the environment? Meanwhile, purpose can positively express contributions a business can make. Unless purpose is anchored with sustainability, it runs the risk of getting washed out.

### How purpose can help

For individuals, organisations, and the food sector as a whole, having a clear purpose brings multiple benefits.

1. **Purpose builds organisational structure and strategy**, not the other way around. It also allows individuals within the business to make decisions more quickly and accurately by simplifying the decision-making process.
2. **Purpose helps bring citizens on board** by tapping into our fundamental human desire to be part of something bigger than ourselves. Combining clarity of purpose with the idea of food citizenship<sup>4</sup>, we can invite people to participate and buy-into a purpose, rather than simply buying something in a transactional way.
3. **Purpose externally focuses the organisation**, thus allowing others to be part of delivering the purpose and avoiding organisations being inward-looking.
4. **Purpose can be a precursor for collaboration** and can attract employees or business partners that share the same values, although the right mechanisms must be in place in order to avoid monoculturalism to set in.

---

<sup>1</sup>PwC (2019) Creating a strategy for a better world. How the Sustainable Development Goals can provide the framework for business to deliver progress on our global challenges [\[link\]](#)

<sup>2</sup>Business Roundtable (2019) Business Roundtable Redefines the Purpose of a Corporation to Promote 'An Economy That Serves All Americans' [\[link\]](#)

<sup>3</sup> [www.purposefulparticipation.info/toolkit](http://www.purposefulparticipation.info/toolkit)

<sup>4</sup> [foodcitizenship.info](http://foodcitizenship.info)

## 5. *Purpose helps drive the right kind of innovation.*

Trust then becomes the outcome of doing things in alignment with that purpose.

### Organisation vs individual purpose

While business purpose has a critical role to play, it is important to recognise that as individuals, we all have a *personal* purpose. The danger of talking only of *business* purpose is that people may think purpose can only emerge from CEOs or that change will only occur if it does. We can use our own personal power within our organisations to empower and connect others. For businesses, this creates an opportunity to nourish future leaders within an organisation that will support a transition towards a values-led business.

### Barriers to leading with values

Even within the largest corporations embedded within a consumerist and capital market, there are individuals who are passionate about creating change. They do come face to face with some key barriers:

- 1) **Capital markets** present a dilemma. Within that system, business leaders can either (1) maximise profits and take the business over the cliff faster, or (2) focus on creating long-term value at the potential risk of short-term fiscal targets.
- 2) **Short time frames**, with CEOs in post for an average of three years. It is difficult to do anything other than react to pressures you face in that year.

### Business models with purpose?

Social enterprise is a broad umbrella term for organisations with a business model that puts the interests of people and planet above profit maximisation. There are a small but growing number of food social enterprise businesses in the UK.

Furthermore, there has been a rise in the number of certified Benefit Corporation food businesses that meet certain “standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose<sup>5</sup>”, both in the UK and abroad.

Certification is intended to be a tool to move businesses – and society at large – in a more positive direction. Do certification schemes need to evolve, so they more effectively engage people and address urgent issues we all face?

## How others can support purpose-led food businesses

### 1) Investors

The nature of capital markets needs to be recognised. While market failures and inefficiencies are present, the chain of investment is not rewarding beneficiaries either (e.g. pension schemes investing in companies that are not creating the world we want to retire into).

We are currently seeing the world through the lens of financial capital. While investors understand the importance of purpose, ultimately it raises questions about how we understand non-financial value creation, including leadership, innovation, social and environment benefits and more.

Even purpose and values-led business can get caught up in this dynamic. Many start as social enterprises with an aim to get bought by larger players, as there is not enough capital for them to stay afloat otherwise.

There is a tipping point from the risk agenda, largely driven by the Task Force on Climate-related Financial Disclosures’ recommendations<sup>6</sup>. However, investors do not know which questions to ask or metrics to try.

Thinking of shareholders as consumers infers “put money in, expect money back”; doing so as citizens means they “hold a genuine stake in the organisation”. Food companies can tell a new narrative: “this is what we are trying to do in the world; invest in that”.

### 2) Public sector

Learning from France, the public sector could set up preferential procurement policies to purpose and values-led companies (e.g. B-corporations).

### What we can do

*There is a lot that can be done – as food businesses and as individuals within food businesses...*

How do we develop a purpose that is engaging, robust, relevant and resilient in the future? As pioneers, how do we curate that narrative? What value is being created? Are metrics used useful or are there gaps?

### We can change the story to close those gaps.

We can become a platform for open forums and for creating champions within and beyond the business to shape its values and culture. We can also redefine our relationships with our business partners. For example, how do we manage our tender rounds? What is it that we do that means only large players can win because

<sup>5</sup> <https://bcorporation.uk/about-b-corps>

<sup>6</sup> <https://www.fsb-tcf.org/>

they can weather the costs? Can we pay our suppliers on day one not 60?

*“The key to innovation is not what you go after, but it’s an understanding that everything you deliver is a collaborative effort, and most often outside your immediate team or organisation.”*

While it is important to acknowledge that every business is on a journey, we can learn from businesses going in the right direction. Lush doubled its turnover with the same floor space because it positively engaged its employees and customers, while being very clear about what about the brand stands for. Meanwhile, Riverford gave its employees an opportunity to have a stake in the business through shared ownership. More brands are engaging customers and suppliers beyond their products. Brands like Unilever (“Dirt is good”) encouraged kids to be outdoors and reconnect with Nature. Tengri, a clothing company that is supporting yak farmers in Mongolia, shows us how a purpose beyond profit can shift the sector by making the government see value in supporting farmers who were suffering from land insecurity.

#### **We can coordinate our efforts.**

No single social and environmental challenge will be tackled on our own. Food businesses can find common purpose to drive systemic change. Suggested priorities for collaborative action included:

- Pay a real living wage and lobbying for the legal minimum wage to be enough for people to live on.
- Significantly reformulate products to shift people’s palates, including less reliance on sugar.
- Commit to using less and better packaging; sharing technological innovation; lobbying government to update infrastructure to get a consistent approach to waste collection & recycling; and supporting public education on packaging, waste & recycling.
- Facilitate positive joint advocacy on global challenges e.g. climate change (COP26 in Glasgow).

#### **Concluding comments**

To some, ‘purpose’ might feel like a buzzword that is a fad that will disappear soon. However, authentic (positive) purpose that is integrated with sustainability should endure.

In encouraging purpose-driven businesses, it is important to avoid ‘purpose-wash’ (like greenwash) as ‘hollow’ purpose claims are meaningless. Values like fairness and compassion need to underpin purpose.

Food and food-related businesses have huge potential - and a responsibility - to bring about a fair, sustainable food system. A strong purpose can empower employees, customers and suppliers, uniting them around a common goal. It can also highlight new ways supporting organisations can help purpose-led businesses create positive change. Why wouldn’t we?

#### **What next?**

##### **Key questions to ask relating to purpose include:**

- What are you trying to do in the world that is so big that you need people to be part of it?
- How is your business benefitting society?
- How do you allow others to help you?
- How do you cater for both inclusivity and diversity within your organisational culture?
- What social & natural relationships and ‘goods’ are you reliant on? How might you enhance them and disclose your impacts on them?
- How might you collaborate and use your influence to tackle shared challenges and regulatory failures?

#### **Further resources**

1. [Sustainable Purpose – link here](#)
2. [Food Citizenship – link here](#)
3. [Harnessing the Power of Food Citizenship – link here](#)
4. [Putting Purpose into Practice – link here](#)

##### **Other relevant Business Forum reports:**

- Ethical Consumerism: an oxymoron? – link [here](#)
- Trust, Technology & Beyond Certification – link [here](#)
- Food Choices, Advertising and Ethics – link [here](#)

This is a report of the Business Forum meeting on 24<sup>th</sup> September 2019. We are grateful to our speakers, **Sophi Tranchell**, CEO of Divine Chocolate; **Ben Kellard**, Director of Business Strategy, Cambridge Institute for Sustainability Leadership; and **Jon Alexander**, co-founder of the New Citizenship Project and Trustee of the Food Ethics Council. **Cathryn Higgs**, Head of Food Policy at the Co-op and Member of the Food Ethics Council, chaired the meeting. The views expressed in this report do not necessarily represent those of the Food Ethics Council, nor its members. For more information on the Business Forum, contact Dan Crossley [dan@foodethicscouncil.org](mailto:dan@foodethicscouncil.org) +44 (0) 333 012 4147.

<sup>7</sup> Quote from a Business Forum participant