

The Importance of Corporate Purpose

By Chelsey Beale, MBA

Now more than any time in history, the most attractive employers and brands are those that follow inspirational visions. Customers want products that reflect their social and environmental values, and there is a generational shift in employees who want their work to have meaning.



Millions of Americans have quit their jobs, resulting in a movement that has challenged a decades-old approach to balancing employee retention with pressures for cost reduction. As employees increasingly transition from simply being “labor” to becoming “stakeholders,” so too must companies consider how they will transform to attract and retain talent. Rather than creating shareholder value by driving down wages to “market-competitive” levels, companies are instead focusing on driving employee inspiration and motivation up to “market-competitive” levels. From such a shift comes more committed employees with an ownership mentality for the values they share and the outcomes they produce for the company, its customers and ultimately its shareholders.

This aligns perfectly with today’s candidates who are more concerned with empathy and flexibility and want to be in a place where their ideas, needs and work-life balance are respected and valued. Employees are looking for connections and want to be part of an organization that reflects their personal ideals – one that has purpose.

In my 30 years of work experience, I came to realize that effective corporate purpose must be grounded in a strong corporate culture and align with the values of the organization’s customers. Purpose is the reason a company exists, including how it behaves and what it values. It’s the “why” behind what a company says and does. It is a compass for a company’s values and culture and should be reflected in their business model and their way of life. In times of change and crisis, purpose strengthens bonds among stakeholders, employees, and customers which reduces the cost of doing business.

Corporate purpose cannot be created across silos, it must be driven by the collective values of the company in order to connect with members of society. Communication and collaboration are key in calibrating your organization's "purpose compass." Once you decide on your unique vision, talk about it until you are blue in the face. Model the behaviors and values you've committed to, pass those traits on to others, and step up to support your organization and your community.

Purpose does not just live in the realm of the intangible; it has measurable impacts on revenue and growth. My colleagues at Fortuna Advisors recently co-authored a study that found companies with brands that scored highly on consumer perceptions of purpose delivered significant outperformance across a broad range of financial, valuation, and value creation metrics. Prior to the COVID-19 pandemic, companies with high purpose brands doubled their market value 3.1x faster than those with low purpose brands, and during 2020 that rate accelerated to 3.9x faster. What the best companies and investors realize is that far from being a distraction from financial performance, purpose can be one of the most important sources of performance and value creation.

Corporate purpose is worth doing well. The business and interpersonal benefits will be reaped by shareholders, employees, and all those who are served or aligned with your company. You'll be able to do more in the future, enabling your company to have continued positive impact. And, the cycle of inspiring creativity and innovation will continue. To define your organization's purpose, ask yourself: What are we good at? What do our people care about? How do we create value for the world?

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