

SOCIAL PURPOSE BUSINESS CASE

There is a strong business case for having a social purpose. Evidence is mounting that businesses that stand for solving societal challenges are performing well – in terms of market growth, meeting changing customer needs and energizing their employees. The research on the social purpose business case shows there are six main business benefits for pursuing a social purpose business model.

BUSINESS CASE FOR BECOMING A SOCIAL PURPOSE BUSINESS

CUSTOMER COMMITMENT

Attract and Retain Customers
& Build Customer Brand
Advocacy

EMPLOYEE ENGAGEMENT

Recruit, Retain and Motivate
Employees & Build Employee
Brand Advocacy

STAKEHOLDER RELATIONSHIPS

Strengthen Third-Party
Relationships & Enable
Collaboration

SOCIAL CAPITAL

Strengthen Operating
Context & Increase Trust

FINANCIAL PERFORMANCE

Enhance Financial
Performance; Increase Access
to Capital & Manage Risk

INNOVATION GENERATION

Increase Innovation; Enable
Business Transformation &
Enhance Resiliency

BUILDS CUSTOMER COMMITMENT

Social Purpose Companies Attract
and Retain Customers & Build
Customer Brand Advocacy

- ➔ Two-thirds of consumers try to support companies that have a social purpose¹ and two-thirds refuse to buy a brand if it doesn't,² while over 70% of global consumers would recommend a company with a purpose over one without and this number is rising.³
- ➔ Nearly 70% of Canadian consumers believe companies should show how their products and services make the world better.⁴
- ➔ For every 10% increase in purposeful performance there is 5 – 12% increase in premium pricing, purchasing decisions, and advocacy.⁵
- ➔ 70% of North American organizations take social and environmental factors into account in their procurement, driving demand for suppliers to demonstrate their beneficial social impact.⁶
- ➔ 74% of all brands could disappear and consumers wouldn't care.⁷

INCREASES EMPLOYEE ENGAGEMENT

Social Purpose Companies
Recruit, Retain and Motivate
Employees & Build Employee
Brand Advocacy

- ➔ 60% of millennials want to work for companies with a 'purpose'⁸; a sense of purpose and impact on society is the second top criteria for young people when considering job opportunities (40.6% versus 49.3% for salary and financial compensation)⁹; employers lacking a social purpose could limit their recruitment base to about 50% of the future workforce.
- ➔ Purpose drives engagement: Purpose-driven workers have 20% longer expected tenures, are 50% more likely to be in leadership positions, 47% more likely to be promoters of their employers and have 64% higher levels of fulfillment in their work;¹⁰ employees with a shared sense of purpose are willing to give more discretionary effort and are more satisfied with their pay.¹¹
- ➔ Employees of social purpose companies are considerably more likely to recommend the company's products and services to others (87% versus 66%), an impact of 21%; they are also more likely to recommend their company as an employer (82% versus 57%), an impact of 25%.¹²

ENHANCES STAKEHOLDER RELATIONSHIPS

Strengthen Third-Party
Relationships & Enable
Collaboration

- ➔ Businesses that demonstrate social purpose build trust, reputation and loyalty with their stakeholders, opening up opportunities for new and deeper partnerships.
- ➔ Suppliers are attracted to partner with social purpose businesses because it inspires their employees and improves their business.
- ➔ Opportunities to grow the business, generate new market insights and open consumer engagement channels can be found by working in partnership with governments, industry and civil society.
- ➔ As many societal challenges will require government, business and civil society collaboration to address, businesses which adopt and pursue social purpose are better positioned to address the coming disruptions.
- ➔ Stakeholder-oriented companies experience four times the growth in sales.¹³

BUILDS SOCIAL CAPITAL

Strengthen Operating
Context & Increase Trust

- ➔ No company exists in isolation – each operates in an ecosystem where local conditions affect its markets and the productivity of its suppliers and distributors. When its community is healthy, business has a stronger base of customers to draw upon. Communities with strong social bonds are healthier and more resilient, and their members are better able to work together to solve problems.
- ➔ Social capital (the networks of relationships among people and organizations) contributes to economic growth and poverty reduction.¹⁴
- ➔ Most Canadians (77%) agree that “A company can take specific actions that both increase profits and improve the economic and social conditions in the community where it operates”. 89% of Canadian consumers believe business needs to place equal weight on society's interests as on business' interests,

IMPROVES FINANCIAL PERFORMANCE

Enhance Financial Performance;
Increase Access to Capital &
Manage Risk

while less than a quarter believe business is performing well in addressing societal issues. This performance gap is likely to drive disillusionment, disengagement and outright distrust from Canadian consumers.¹⁵

- ➔ Consumers of trusted companies buy their products and services (80%); recommend them to friends (68%); pay more for their products and services (54%); share positive opinions about the company online (48%); defend the company (40%); and buy its shares (28%). Distrusted companies realize the opposite results.¹⁶
- ➔ Companies that operate with a social purpose, outperformed the S&P 500 by a factor of 10 between 1996 and 2001¹⁷; purposeful business outperformed other companies by 206% in the stock market between 2006 and 2016.¹⁸
- ➔ 58% of companies with a social purpose experienced growth of 10% or more versus 42% of companies not prioritizing purpose; 42% of non-purpose led companies showed a revenue drop versus 58% of purpose-led companies that showed positive growth.¹⁹
- ➔ Canadian millennials will inherit \$750 billion over the next decade and are more than twice as likely as baby boomers to be interested in social investing.²⁰ Globally \$1.6 trillion is invested in social impact²¹ as of 2016, up from \$1 billion two years earlier. Social purpose companies are positioned to attract this social purpose capital.
- ➔ A social purpose lens on business can help it spot unexpected opportunities and anticipate social issues that will affect its future performance, such as skills shortages, population aging and changing customer preferences. By addressing social issues early, businesses can improve their resilience, capitalize on opportunities, and reduce future costs.
- ➔ Having employee and stakeholder buy-in makes a social purpose company fundamentally more agile, able to respond quickly and effectively when opportunities arise or danger threatens.²²
- ➔ Society's needs are "innovation hot spots". Social trends that affect society can provide opportunities for social purpose companies to meet unmet needs.²³ Social purpose business that develop innovative solutions have an opportunity to grow their business in export markets.
- ➔ Executives who treat purpose as a core driver of strategy and decision-making report greater ability to drive successful innovation and transformational change and deliver consistent revenue growth: 53% compared with 19% of the companies who have not thought about it at all.²⁴ 75% of executives of social purpose companies report that it gives their company the agility to innovate in times of disruption and the ability to drive transformational change.²⁵
- ➔ 73% of executives agree that a social purpose helps their company navigate today's turbulent environment.²⁶

INSPIRES INNOVATION GENERATION

Increase Innovation; Enable
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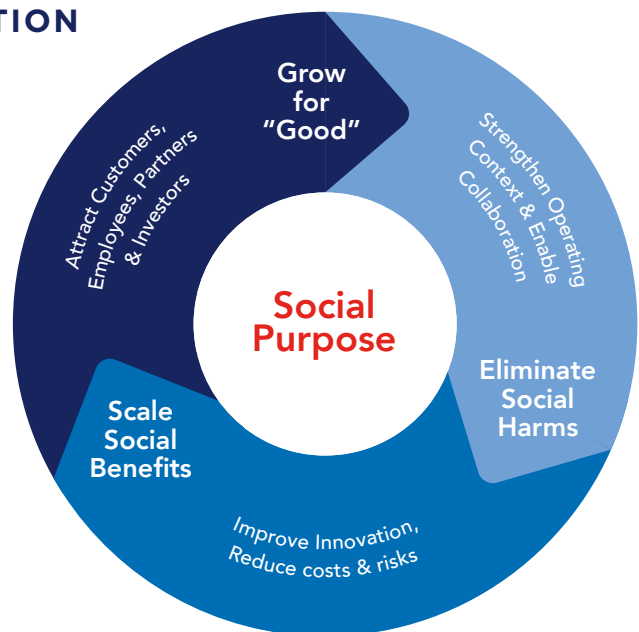
- ➔ Social purpose is a response to societal pressures on business to transform, and equally a successful strategy to help business manage transformation.²⁷
- ➔ A social purpose business is more resilient in tough times, more able to hold onto its customers, employees and shareholders during transitions.²⁸
- ➔ Having a purpose enhances employee decision-making, improves creativity and problem-solving, promotes resilience and reduces employee stress.^{29, 30, 31}

HOW SOCIAL PURPOSE COMPANIES CREATE SOCIAL VALUE AND DRIVE BUSINESS RESULTS

VIRTUOUS CYCLE OF VALUE CREATION

Social Purpose Companies build and benefit from a virtuous CYCLE of value creation. This virtuous circle drives business and social benefits for the organization and its communities.

As revealed in the diagram, social purpose is the fuel or the engine that drives the cycle's iteration. By eliminating its social harms, a business reduces its costs and risks, and by focusing on its social purpose, a business drives social innovation, this leads to the next level of action and impact for business and society, so that the firm generates "good growth" and becomes a force of good. Thus, a virtuous cycle is created between business performance and community impact. By pursuing its social purpose, a business does good, drives business results, which in turn allows it to do yet more good.



What is your Social Purpose Business Model?

SOCIAL PURPOSE TOOLKIT SERIES

The Social Purpose Business Case was written by Coro Strandberg, Social Purpose Advisor to the United Way of the Lower Mainland. Thanks to Carey LePage for searching the literature and Mary Ellen Schaafsma for her contributions.

Contact Mary Ellen Schaafsma, Director, Social Purpose Institute, if you have comments or questions. We'd love your feedback on this tool and how to improve it. If you use it in your organization, let us know how it went so we can all learn and grow together.

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