

A REPORT OF THE NIRI THINK TANK

CORPORATE PURPOSE



MADE POSSIBLE BY THE GENEROUS SUPPORT OF

S&P Global
Market Intelligence

 **Sentieo**

Contents

Foreword.....	1
Think Tank Members.....	2
Section 1: About the NIRI	
Think Tank on Corporate Purpose	3
Section II: What is Corporate Purpose?.....	5
Section III: Plausible Futures for Corporate Purpose.....	8
Section IV: Corporate Purpose and Investor Relations Professionals	10
NIRI Think Tank on Corporate Purpose Resource List.....	15



Foreword

NIRI is very pleased to publish this report of the NIRI Think Tank on Corporate Purpose. This is the third installment in a series of NIRI Think Tank reports that seek to shed light on forces influencing the investor relations (IR) profession, and to provide IR professionals with the information and tools necessary to successfully respond and adapt.

NIRI's first Think Tank in 2019, Investor Relations: The Disruption Opportunity – A Report of the Think Tank on the Future of Investor Relations, broadly considered the future of the IR profession and provided the groundwork for the next Think Tank report, Artificial Intelligence in Investor Relations, and for this report on Corporate Purpose. These studies are intended to help the NIRI community to begin considering its professional future, and how we may contribute to creating it.

The Think Tank on Corporate Purpose convened a group of volunteer thought leaders in the fall of 2021 and guided by an outside advisor, undertook a structured foresight process to examine the evolving dynamics of these issues and identify specific recommendations regarding IR practice. It is important to note that NIRI's Think Tank projects consider a range of plausible futures and the implications for IR practitioners, rather than predict a specific future.

With this report and associated resources, NIRI encourages all IR stakeholders to take up and join in the conversation. In so doing, the IR community can collectively participate as a foresight network in understanding, anticipating and contributing to the profession's preferred future.

NIRI thanks Think Tank Chair Debbie Hancock, and Vice Chairs Jake Pangburn and Brian Werner for their leadership on this important project, as well as each member of the Think Tank for devoting their valuable time and talent to advancing the IR profession. The work of this Think Tank was made possible by the generous support of Sentieo and S&P Global.

VICTORIA SIVRAIS

*NIRI Board Chair
Partner
Clermont Partners, LLC*

RUTH VENNING, IRC

*NIRI Board Immediate Past Chair
Executive Director
Horizon Therapeutics plc*

DEBORAH HANCOCK

*Think Tank Chair
Senior Vice President,
Investor Relations
Hasbro*

MATTHEW BRUSCH, CAE

*Interim President and CEO
NIRI: The Association for
Investor Relations*

Think Tank

CHAIR

DEBORAH HANCOCK

Senior Vice President, Investor Relations
Hasbro

VICE CHAIRS

JAKE PANGBURN

Director, Corporate Markets
Sentieo

BRIAN WERNER

Global Head of ESG Commercial
Strategy, Corporates
S&P Global Sustainable1

EXECUTIVE ADVISORS

DARYL BREWSTER

Chief Executive Officer
Chief Executives for Corporate Purpose

JEFFREY A. SONNENFELD

Senior Associate Dean for Leadership
Studies, Lester Crown Professor of
Leadership Practice
Yale School of Management

NIRI BOARD LIAISON

RUTH VENNING, IRC

NIRI Board Immediate Past Chair
Executive Director
Horizon Therapeutics plc

GENERAL MEMBERS

MATTHEW BRUSCH, CAE

Interim President and CEO
NIRI: The Association for Investor
Relations

JEFF DE CAGNA FRSA FASAE

Executive Advisor
Foresight First LLC

SHEP DUNLAP

Vice President, Investor Relations
Mondelez

KIMBERLY ESTERKIN

Managing Director
ADDO Investor Relations

REBECCA GARDY, IRC

SVP, Chief Investor Relations Officer
Campbell Soup Company

VICTORIA HYDE-DUNN

Vice President Investor Relations
Informatica

GARY LABRANCHE, FASAE, CAE

Former President and CEO
NIRI: The Association for Investor
Relations

DEBORAH PAWLOWSKI, IRC

Founder and CEO
Kei Advisors LLC

CHERRYL VALENZUELA, CFA

Vice President of Investor Relations
Bumble

RICH YERGANIAN

Vice President, Investor Relations
Cerence

SECTION I:

About the NIRI Think Tank on Corporate Purpose

The NIRI Board of Directors appointed the Think Tank on Corporate Purpose to study corporate purpose, stakeholder capitalism and related topics and issue a report on the impact of corporate purpose on the IR profession including investor relations practitioners, those who serve the investor relations community and those who are served by the investor relations community. The findings of the Think Tank are expected to further the profession, body of knowledge and programming to help NIRI better serve the IR community.

The work of the Think Tank on Corporate Purpose was based on the learning-oriented practice of foresight. Foresight is a deliberate process of inquiry into the future to better understand the deeper forces that drive societal and professional transformation so that organizations and their stakeholders can anticipate and prepare. It is important to understand that the practice of foresight is *not* intended to forecast a specific future.

The NIRI Think Tank on Corporate Purpose used foresight approaches to consider a range of plausible future scenarios. These thought-provoking scenarios now provide the IR community the opportunity to examine orthodox beliefs, i.e., the deep-seated assumptions we make about how the world works, ask different questions, and act in new ways that can help create the profession's preferred future.

Think Tank members represented a diverse cross-section of NIRI members. With the guidance of Think Tank facilitator, [Jeff De Cagna FRSA FASAE](#), Executive Advisor of Foresight First LLC, the group considered the evolving topic of corporate purpose through a series of virtual meetings in late 2021 and early 2022.

To inform its work, NIRI also invited several topical thought-leaders to participate. Joining the Think Tank as "Executive Advisors" were Daryl Brewster, Chief Executive Officer, Chief Executives for Corporate Purpose, and Jeffrey A. Sonnenfeld, Senior Associate Dean for Leadership Studies, Lester Crown Professor of Leadership Practice, Yale School of Management. Their contributions and comments are included throughout this report.

This report contributes to NIRI's growing body of foresight work

which is developing the organization's collective capacity for learning *with* the future. The ability to sense potential shifts ahead provides the opportunity for the IR ecosystem to prepare for and create options for different action based on how those shifts unfold. By helping IROs see and better understand these shifts in the offing, NIRI supports IR professionals in their roles as strategic advisors to their C-Suites and boards of directors.

OVERVIEW

A recent web search of the term "corporate purpose" yielded nearly 2 million results including news articles, videos, podcasts, scholarly papers, consulting firm websites and many, many more. A common thread among these results revolved around the definition of the term. What is the purpose of a corporation? This report will explore that question. But, based on the evolving conversation in the media on the topic, perhaps the more germane questions are, do corporations need to have a stated "corporate purpose," and if so, what does that mean? More to the point for this report, why is this relevant to the IR profession?

The most straightforward answer is that investors are interested. Although they all may not be asking about corporate purpose specifically, the number of large and influential asset managers asking is growing. BlackRock CEO Larry Fink's recent annual letters to CEOs have, for example, encouraged companies to focus on creating value for *all* stakeholders. His message is that putting your



company's purpose at the foundation of your relationships with your stakeholders (employees, customers, suppliers, and communities) is critical to long-term success. What distinguishes truly great companies is that they have a clear sense of purpose, consistent values, and they recognize the importance of engaging with and delivering for their key stakeholders.

Other influential organizations have joined in the stakeholder value chorus. The Business Roundtable, a powerful association of CEOs of America's largest companies, made headlines in 2019 by issuing a statement announcing a shift away from its previous policy that corporations exist solely to serve shareholders to one indicating that they should be run to benefit *all* stakeholders. In summary, each company's unique corporate purpose shares a fundamental commitment to all stakeholders by:

- Delivering value to customers
- Investing in employees
- Dealing fairly and ethically with suppliers
- Supporting the communities in which they work
- Generating long-term value for shareholders

Though some may view corporate purpose as a new concept that is receiving attention for the first time, it is a topic that has been discussed and debated for decades. Professor Jeffrey Sonnenfeld's sidebar, "IR and the Connection Between Corporate Purpose and Stakeholder Trust," provides excellent historical context, and NIRI's IR Update magazine Winter 2022 edition also explored this topic in, "[The Theory and Evolution of Corporate Purpose](#)."

Today's increased awareness of corporate purpose does not necessarily translate into clarity about its implications. Many corporate executives (including IR professionals) are grounded in Milton Friedman's shareholder primacy views that have shaped the past five decades, and struggle to understand the broader concept of "stakeholder capitalism" and its connection to corporate purpose.

NIRI's interest flows from earlier Think Tank work that coalesced around the concept of IR as trusted strategic advisor as the highest and best future vision for the profession, and that corporate governance and ESG will become increasingly important roles in IR. This study is a natural next step given the connection between strategy and corporate purpose. This work also addresses and provides clarity about corporate purpose and ESG, which, though related, are often conflated.

This report presents a range of plausible scenarios of the impact of the corporate purpose movement on business and society, and the IR role in it. It is important to keep in mind that these scenarios are not predictions. It is obviously not possible to predict the future, and even the most comprehensive foresight process can be surprised by unexpected events. But these scenarios provide a well-considered jumping off point for IR professionals to take up this conversation and begin shaping the future of the IR profession.

Today's increased awareness of corporate purpose does not necessarily translate into clarity about its implications. Many corporate executives (including IR professionals) are grounded in Milton Friedman's shareholder primacy views that have shaped the past five decades, and struggle to understand the broader concept of "stakeholder capitalism" and its connection to corporate purpose.

SECTION 2:

What is Corporate Purpose?

THE EVOLUTION OF CORPORATE PURPOSE

As previously noted, the conversation on corporate purpose is not new. It began in the earliest decades of the 20th century and reached an initial crescendo with Milton Friedman's landmark *New York Times* essay, "The social responsibility of business is to increase its profits," in September 1970. In this article, Friedman argued:

In a free-enterprise, private-property system, a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom.

Friedman's essay ushered in a decades-long era of shareholder primacy that is deeply embedded into every aspect of how corporate boards, CEOs, and consultants think and act. Although some observers suggest that Friedman's essay was misinterpreted, putting shareholder concerns first has created overwhelming financial and other benefits for corporations, chief executive officers, and, of course, investors. Others argue that shareholder primacy has contributed to an unsustainable level of inequality for workers and throughout the broader economy.

EXAMINING ORTHODOX BELIEFS ABOUT CORPORATE PURPOSE

The August 2019 release of the Business Roundtable's statement on the purpose of the corporation (just months before the emergence of a global pandemic) has sparked an active reconsideration of Friedman's view of corporate purpose and a broader focus on "stakeholder capitalism" that includes employees, partners, and communities as equally important stakeholders alongside investors.

At the time, the statement's CEO signatories were hailed for taking bold action to reverse the BRT's long-standing support of shareholder primacy, a position the organization formally codified in 1997. In years since its release, however, there have been questions raised about whether companies connected with the statement have lived up to its explicit and implied commitments.

This perceived gap between intention and action has created a space in which "orthodox beliefs" about corporate purpose have emerged. Orthodox beliefs are the deep-seated assumptions we make about how the world works that can exert considerable influence on both thinking and action even though they are frequently invisible to us. As part of its work, the NIRI Think Tank on Corporate Purpose examined some of the more significant orthodox beliefs related to corporate purpose, including the following three frequently expressed viewpoints:

- **Corporate purpose is just marketing jargon**—The Think Tank agreed that this orthodox belief, and related orthodoxies such as "a public company cannot serve noble causes; that's what nonprofits are for" and "a company's purpose is usually aspirational, rarely practical," do exist and suggest a high level of skepticism about the underlying authenticity of the corporate purpose conversation. As one Think Tank member argued, these orthodox beliefs "can make it seem like companies are only creating [their] mission statements for the sake of doing so, which generally leads to misaligned goals across the organization." Another Think Tank contributor asked, "how many times have we heard [that] our purpose, mission, and values need to be more than a poster on the wall, and yet how few times have we really seen, and been part of, the hard work that comes after declaring a company's purpose?" For IROs, then, there may be a significant opportunity to shift the corporate purpose conversation beyond the realm of mere marketing jargon or PR exercise and toward real-world impact.

- **Corporate purpose is something corporations may provide but not adhere to or truly believe in**—In addition to this orthodoxy, the Think Tank considered other connected orthodox beliefs, including, "a company's corporate purpose is aspirational and rarely practical," "corporate purpose is altruistic," and "purpose comes at the expense of profits." In thinking about the impact of these orthodox beliefs, one Think Tank member asked, "what is the point of having a corporate purpose if you can't live up to it?" Think Tank members agreed that corporate purpose must be tied directly to value creation and should support the growth of the enterprise. As Think Tank Executive Advisor Daryl Brewster argued, "while some purpose statements may be seen as purely

'altruistic,' the best ones provide a clear reason why the company exists and are underpinned by sustainable forward-looking strategies that provide a sense of where a company is headed and how they plan to get there with clear metrics and milestones."

- **Corporate purpose = ESG**—Perhaps the most significant orthodox belief the Think Tank examined is the view that corporate purpose and ESG are essentially the same. Think Tank members strongly disagreed with this orthodoxy. One Think Tank member argued that ESG "[must] be better understood [as] an enterprise risk management effort. It does not provide direction for the company.

A company MAY have an environmentally or socially-oriented purpose, but that does not displace the need for an ESG risk mitigation plan." Another Think Tank member agreed and added, "ESG is merely one component of purpose and should be integrated into a company's broader strategy. As IROs, we strive to ensure our management teams and companies are credible. We need to link objectives and targets that may be non-financial with our commercial initiatives to get there."

This line of thinking comports with that espoused by Eccles, Mayer and Stroehle in the Harvard Business School piece, "[The Difference](#)

Possible Corporate Purpose Definitions Proposed by Think Tank Members

During the group's work, NIRI Think Tank on Corporate Purpose members suggested the following definitions of corporate purpose.

- A corporate purpose is the main reason or mission that a company exists, at the highest level what role does it play in the global economy and who will benefit. It should also include a framework of beliefs on how to go about achieving the overarching purpose.
- A corporate purpose is an essential and deliberate operating principle, framework, or playbook which authentically anchors and aligns stakeholders around a shared vision and defines why the company exists.
- To have a meaningful purpose - focused on value creation for employees, customers, partners, and shareholders. Additionally, the corporate purpose is to also make a beneficial impact on people and the planet. Recognizing it is not about a single entity. The ultimate goal is value creation.
- A company's "why?" Why it exists, its raison d'etre...that takes a long view, recognizes its significant stakeholders, and includes its sustainable business plan, incorporating how it will help address relevant pressing societal issues, not add to them.
- A mission/vision statement that filters thru an organization's internal and stakeholder base - employees, customers, partners, board members, and shareholders.
- The reason for being...why does the corporate entity exist? Who does it serve and why? What makes it different or better?
- Corporate purpose is a well-defined definition of why a company exists and how its existence and growth will impact its customers, market, people, and communities.

- A company's reason for being.
- A company's purpose is why it exists and is integral to all the company does. As Larry Fink said, it is the animating force for a company's existence – it gives a sense of meaning to the employees, and if fulfilled, can generate positive perceptions by external stakeholders and provide a meaningful competitive advantage as well as benefits for the world at large. The corporate purpose should be a driving force behind the company's strategy and its major decisions. It should be clearly articulated, conveying how what the company does not only benefits its customers but also its other stakeholders, communities, and the broader society. It needs to be clearly understood by the board, senior management, and the employees, who should all be able to communicate it as well.
- Corporate purpose is the why in what an organization does.
- Corporate purpose refers to the guidelines by which a company functions - its viewpoints on culture, gender, race, and religion, its overall mission, and the overall impact the company has on its community, environment, employees, and its shareholders. Corporate purpose has a higher value than just generating revenue and profit. It represents the long-term, positive value that a company has on the world and all of its stakeholders. In other words, if the company were to cease to exist today, its corporate purpose would be the reputation it leaves behind.
- A company's purpose is the role it serves in society connected to long-term value, including the differentiated needs it addresses for all its stakeholders.
- A broad statement that captures at a high level the essence of what a company intends to deliver to benefit all stakeholders (employees, customers, shareholders, and communities).

Between Purpose and Sustainability (aka ESG), which begins:

"Corporate purpose and sustainability (often referred to by the acronym of ESG for environmental, social, and governance) are now part of the mainstream lexicon in the corporate and investment communities. The two terms are often used interchangeably as synonyms. This is wrong. Purpose and sustainability are related but different ideas. Purpose comes first. Sustainability can either contribute to it or can detract from it."

The Think Tank agrees that the conflation of corporate purpose and ESG is detrimental to making progress in each of these areas and this orthodox belief requires continuing pushback.

Questions IROs Can Ask to Challenge Corporate Purpose Orthodoxies

The Think Tank encourages IROs to pose the following questions to examine and challenge corporate purpose orthodoxies and spark a more productive and generative conversation about the true meaning of corporate purpose in your company.

- How does our corporate purpose meaningfully serve the interests of stakeholders beyond investors?
- What if anything are we doing/saying that might lead other stakeholders to conclude our corporate purpose is only "marketing jargon?"
- What actions do we take to live up to our corporate purpose?
- How have we translated our corporate purpose into clear metrics and milestones to show progress?
- What are the clear and tangible connections between our corporate purpose and ESG?
- What if anything have we done to encourage other stakeholders to conflate our corporate purpose and our ESG efforts?

DEFINING CORPORATE PURPOSE

To push the conversation about corporate purpose beyond orthodoxy, the Think Tank believes there must be a clear and shared definition of the term. Although the Think Tank is not formally proposing such a definition in this report, it did have a rich conversation on this topic during its deliberations. (Please review the sidebar, "Possible Corporate Purpose Definitions Proposed by Think Tank Members" to get an idea of the proposed definitions that emerged from the Think Tank's work.) Based on its collaboration, the Think Tank does believe that any persuasive definition of corporate purpose must be able to answer three questions, each of which is discussed below:

1. What does corporate purpose say about the company's reason for being?—

In the Think Tank's view, any definition of corporate purpose begins with why a company exists. Importantly, the answer to the "why" question cannot be situated primarily in the past or present but must focus, as one Think Tank member put it, on "why will [the] company continue to exist in the future?" Establishing corporate purpose's future orientation from the outset is a crucial

Corporate purpose and sustainability (often referred to by the acronym of ESG for environmental, social, and governance) are now part of the mainstream lexicon in the corporate and investment communities.

step toward making clear connections to long-term value creation (both tangible and intangible) for multiple stakeholders.

2. How does corporate purpose serve stakeholders beyond investors?—The Think Tank also believes that the definition of corporate purpose must recognize a company's impact on all stakeholders, and not just investors. While investors bear the bulk of a company's financial risks, the explicit inclusion of stakeholders such as employees, customers, communities, and partners in any definition of corporate purpose is an essential recognition that all stakeholders have an actual stake in the intelligent management of enterprise risk beyond pure financial cost/benefit considerations.

3. What actions will the company take to fulfill its corporate purpose?—For the Think Tank, the final question that any definition of corporate purpose must answer relates to how a company will act to ensure progress toward realizing the full potential of its purpose. Throughout its conversations, the Think Tank placed great emphasis on the need for clear action by companies to achieve beneficial outcomes consistent with corporate purpose. As one Think Tank member said, "Corporate purpose...is not enough by itself, it needs to be backed up by goals and objectives, and key performance indicators that are aligned with it throughout the entire organization."

In the Think Tank's view, this report provides IROs with something more valuable than a one-size-fits-all definition of corporate purpose: the ideas, insights, and questions you can use to have the right conversations about corporate purpose inside your company, and the advice, guidance, and resources you will need to be critical contributors to those conversations.

SECTION 3:

Plausible Futures for Corporate Purpose

As part of its work, the NIRI Think Tank on Corporate Purpose considered plausible futures for the corporate purpose conversation throughout the rest of this decade. For IROs, the work of foresight, i.e., an intentional process of learning with the future, is crucial to building a more robust understanding of how you can make positive-sum contributions to shaping your company's future, especially given the turbulent conditions we will continue to face in the years ahead.

FOUR PLAUSIBLE FUTURES

As you consider the four plausible futures shared below, it is important to understand what they are and what they are not. At a high level, these four futures reflect what *reasonably could happen* throughout the rest of the 2020s. **They are not the only plausible futures that could occur and thus should not be considered either forecasts or predictions; no one can know what the future will be.** Instead, these four plausible futures are purposeful provocations designed to provide a preview of what the future *could be before it happens* and spark learning conversations centered on how NIRI, the IR ecosystem, and individual IR practitioners can participate in shaping a different and better future for the work of corporate purpose.

IMPORTANT NOTE: You may find one or more of these plausible futures jarring or upsetting. This is a well-known effect of any forced encounter with information that does not comport with our basic human sense of optimism about the future. Any such feelings you may experience are valid and should be considered as part of your reflections on the implications of these four plausible futures.

To help frame your thoughts about these futures, the Think Tank has provided a specific reflection question for each future, and three reflection questions to consider for the four futures overall.

FULL EMBRACE The most favorable future for the corporate purpose conversation is its full embrace by all affected external and internal stakeholders. With this level of acceptance, it will be possible for companies to fully integrate their corporate purpose commitments into every aspect of strategy, decision-making, and operations without fear of resistance from investors, government, or markets. It is understood that this future will be extremely difficult to achieve, however, given the broadly divergent interests of the affected stakeholders.

REFLECTION QUESTION: What compelling opportunities could the Full Embrace future create for your work as an IRO?

RENDERED MEANINGLESS A highly unfavorable future for the corporate purpose conversation is it being rendered meaningless by the inability (or unwillingness) of affected stakeholders to find the common ground that makes substantive progress possible. In this future, there is little if any conversation about corporate purpose because there is no trust among stakeholders. Every expression of purpose is treated with skepticism and disdain, and deeply adversarial relationships between and among stakeholders prevail.

REFLECTION QUESTION: What do you see as the most significant developments that could bring about the Rendered Meaningless future in this decade?



STAGNANT STATE Another highly unfavorable future for the corporate purpose conversation is its inability to build, expand, and sustain the momentum required to create more broadly beneficial outcomes over time. In this future, while a limited number of companies pursue their corporate purpose to great effect, most continue to operate within some version of shareholder primacy as their animating idea. Every purposeful accomplishment is negated by setbacks suffered by unpersuaded companies.

REFLECTION QUESTION: *What are the potential risks of the Stagnant State future for your work as an IRO?*

TOTAL COLLAPSE The unthinkable future for the corporate purpose conversation, i.e., the worst-case scenario, is its total collapse due to some catastrophic combination of social, technological, economic, environmental, and political disruptions that refocuses humanity's attention on more urgent concerns, including its own survival. In this future, the corporate purpose conversation is revealed as purely rhetorical, and all stakeholders, including investors, government, and markets, use power to advance their interests and at the expense of others.

REFLECTION QUESTION: *What do you find most disquieting about the Total Collapse future?*

IRO Reflection Questions for the Four Plausible Futures

- How do each of these futures make you feel and why?
- What actions do you think NIRI and the broader IR ecosystem should take to anticipate and prepare for these futures?
- What unique contribution can IROs make to bring about a more favorable future for corporate purpose and prevent unfavorable/unthinkable futures from happening?

The most favorable future for the corporate purpose conversation is its full embrace by all affected external and internal stakeholders. With this level of acceptance, it will be possible for companies to fully integrate their corporate purpose commitments into every aspect of strategy, decision-making, and operations...

SECTION 4:

Corporate Purpose and Investor Relations Professionals

Having explored the evolution and potential futures of this topic, as well as the current thinking about the linkage between a clearly defined corporate purpose and stakeholder capitalism (i.e., mutually beneficial relationships with all stakeholders ultimately lead to long-term durable returns for shareholders), what should IR professionals do with this information in the present and to prepare for the future?

CORPORATE CHALLENGE

The corporate purpose opportunity is compelling. Per topical thought-leader, and Visiting Professor of Management Practice at the Said Business School, University of Oxford, Bob Eccles: “Companies’ purposes are the key to their strategies and capital allocation decisions and, if done right, reflect the problems they aim to solve profitably.”

The attendant challenge in defining an organization’s corporate purpose and executing on corporate purpose statements was summarized well by Think Tank Executive Advisor Daryl Brewster: “[T]ake those lofty purpose statements – which ideally connect to sustainable value creation – and translate them to go-forward strategy, plans and milestones that can be, as (Think Tank member) Kimberly Esterkin noted, standardized, integrated and tracked across material generally-accepted metrics, so that progress can be measured, and *trust* – defined by (former NIRI CEO) Gary LaBranche as ‘residue of promises kept’ – is built.”

This quote highlights many key elements for consideration, not the least of which is the issue of trust. According to the Conference Board, the number of companies in the S&P Global 1200 with purpose statements has almost tripled in the last five years, and the number that identify as purpose-driven has grown more than tenfold over the same period. This period has also seen the release of the BRT statement and Larry Fink’s related letters to CEOs, but already there are articles and scholarly studies expressing cynicism about the language in corporate purpose statements versus actual practice.

Authenticity in both words and actions underpins corporate purpose. To the extent that companies undertake developing corporate purpose statements, they must be created, executed and reported upon in good faith to have value. Actual practice must be tied to commitment.

IR OPPORTUNITY

This corporate challenge represents an IR opportunity. As several Think Tank members noted, companies that are mission-driven with clearly articulated strategies that align with their corporate purpose are viewed favorably by investors. Further, without corporate purpose, companies lack a true identity and culture and will have difficulty attracting talent, clients, vendors, and importantly, investors.

Against the backdrop of heightened societal, investor and corporate interest in purpose, Think Tank discussions reflected the evolving nature of this topic and the push and pull of the various schools of thought. The Think Tank’s focus was synthesizing and considering the vast, myriad inputs and data in a manner that would lead to relevant conclusions and actionable output for the IR profession, and in turn, for publicly traded companies.

It is helpful to consider the Think Tank’s discussions relative to IR in the context of NIRI’s definition of investor relations: “Investor relations is a strategic management responsibility that integrates finance, communication, marketing and securities law compliance to enable the most effective two-way communication between a company, the financial community, and other constituencies, which ultimately contributes to a company’s securities achieving fair valuation.”

Beyond the CEO, there is no other corporate role with the same opportunity as IR to influence and shape a company’s corporate purpose activities, from both the strategic and tactical perspectives. Sitting at the nexus of the information flow between the company and Wall Street, IR has its finger on the pulse of the investment community and its interests. Likewise, IR is connected to all key internal constituents and is in the stream of material information flow giving it unique insight and understanding of how the company’s activities contribute to externally reported metrics, and ultimately, its impact on stakeholders.

This unique positioning provides effective IROs with the opportunity to both advise the c-suite and boardroom on matters of strategy as relate to corporate purpose, as well as influence tactics. This was reflected in the Think Tank's discussions, including these representative highlights:

- This is an opportunity for IROs to establish or burnish their role as strategic advisors to the c-suite and board of directors, shaping the conversation and highlighting the benefits internally and externally.
- IR can show how corporate purpose translates into strong ROI and lower cost of capital for their companies and delivers a significant long-term return to investors.
- IR can tie purpose to the results of the company: how purpose differentiates your organization; positions your company favorably among peers; attracts better people; allows employees to chart new and innovative paths; makes society better in some way; and, ultimately, how this translates to the long-term growth and sustainability of the organization.
- IR professionals can convey to their c-suites and boards the growing importance of corporate purpose to the investment community, particularly as it relates to ESG and the overall future viability of the company. This is particularly relevant given the growing emphasis on corporate culture by the large passive investors such as BlackRock, Vanguard, and State Street, who have significant voting pressure with almost all publicly traded companies.
- IR professionals can work to ensure that messaging about the corporate purpose is incorporated into the company's external-facing communications, such as the annual report, proxy, earnings and other press releases, and corporate website. And equally importantly, effectively communicate to the Street how the company's purpose ties to its strategy, business, and success metrics.

NEXT STEPS

We have rapidly and suddenly reached a tipping point with respect to expected corporate behavior. Spurred on by changing workforce demographics and disruptive shifts including America's ongoing racial reckoning sparked by George Floyd's murder, the Covid-19 pandemic, climate change, and Russia's invasion of Ukraine, many companies are taking actions and taking stands they wouldn't have considered just a few years ago. These and other events have brought more corporate stakeholders to the forefront and put pressure on companies to become better partners to their employees, communities, suppliers, customers, etc., in order to succeed for all.

Many companies have already developed and published a corporate purpose. Not all corporate purpose statements hit the mark in terms of addressing their activities in relation to all stakeholders and value creation. Many companies have not yet considered their corporate purpose. This represents an opportunity for IR professionals considering they are often referred to as the company's "Chief Disclosure Officer." As the *NIRI Standards of Practice for Investor Relations: Disclosure* states, "Communications excellence in the form of complete, consistent disclosure can yield strategic benefits including strengthened credibility, reputation, brand, and ultimately fair valuation. Positioned at the nexus of internal and external communications, IR practitioners have a unique opportunity to positively influence corporate transparency


Companies that are
mission-driven with clearly
articulated strategies that
align with their corporate
purpose are viewed
favorably by investors.

for the benefit of their companies and, ultimately, their shareholders."

IR professionals are clearly well-positioned to showcase corporate purpose and execution in a credible way, ensuring, as Think Tank Executive Advisor Professor Jeffrey Sonnenfeld states, that institutional trust is preserved. Based on Think Tank discussions, IR professionals can contribute internally to the corporate purpose conversation in a variety of ways:

- If the conversation hasn't yet begun, form an internal team to develop the corporate purpose statement with key players including CEO, CFO, IR, HR, Legal and Communications.
- During the development process:
 - Ensure the corporate purpose is aligned to the company's unique stakeholders, and this is clearly stated. This transparency will set expectations appropriately.
 - Use IR's unique understanding of Wall Street's perspective to challenge "groupthink" as needed.
- Ensure board approval of the corporate purpose statement. Bob Eccles goes so far as suggesting the board chair or lead independent director and the governance committee should take the lead in drafting it. Regardless of the internal process, board approval is critical, and provides IR with an opportunity to interact with this key internal constituency.
- Once published, use IR's many communications platforms to socialize how purpose is integrated into the company's strategy and how the company is executing against these initiatives or beliefs.
- Craft the messaging of how the organization is meeting the needs of its stakeholder constituents, turning qualitative messaging into quantifiable metrics. As data and information continue to proliferate organizations, it is very likely more data points will be used to benchmark how well a company is meeting their stated purpose.
- Ensure a process is in place to revisit and evolve the corporate purpose statement as necessary.

Connecting Corporate Purpose and Stakeholder Trust

Daryl Brewster, Chief Executive Officer, Chief Executives for Corporate Purpose

The bar is high for corporations to drive sustainable value, live out corporate purpose, and build stakeholder trust. This year's [Edelman Trust Barometer](#) report—a survey of 36,000 people in 28 countries—finds trust in all organizations is changing, but business remains the most trusted (61%), followed by trust in NGOs (59%), government (52%), and media (50%).

Corporate purpose and stakeholder trust are inextricably linked, as the former when delivered well, builds the latter. And corporate purpose is gaining in significance with the most recent Chief Executives for Corporate Purpose®'s (CECP) [Giving in Numbers™](#) report finding corporate purpose is proliferating among employees with 75% of companies reporting that all, or most, employees know its purpose statement.

Of course, purpose and higher trust also brings higher expectations that companies will set goals, identify strategies, and note milestones to actualize it. Currently, however, many companies are not underpinning their corporate purpose with a clear plan, a key reason [most investors](#) think businesses are not really taking their purpose seriously.

There is a business case for sharing concise long-term plans about a company's purpose journey. Those with a strong corporate purpose tend to outperform those without it. [Research](#) demonstrates that companies with established and articulated purpose – high purpose companies – show 14 percent greater revenue growth, 8 percent higher operating profitability, and 6 percent better return on capital than those companies which focused only on maximizing profits. And the gap is increasing. The investors, suppliers, employees, and communities where these companies operate need to know there is not just corporate purpose, but one with a plan.

The Role of IROs in Building Stakeholder Trust in Corporate Purpose

Investor relations officers can play a key internal and external role on this important topic. They can help integrate the various activities and efforts within the company, while conveying to investors and other stakeholders how their company's sustainable business plan connects with its purpose. This can be achieved by addressing growth drivers, transformative efforts, and risk mitigation—including material ESG factors.

We have seen examples of this when biopharma companies focus on making vaccines during a pandemic, utility companies invest in environmental improvements, and financial institutions provide more equitable access to capital. These three examples show how companies can leverage assets to address societal challenges and create additional value.

According to [Bloomberg Intelligence](#), global ESG assets are on track to exceed \$53 trillion by 2025, representing more than a third of the \$140.5 trillion in projected total assets under management. Sharing strategic plans is crucially important to investors because most of a company's value is determined by its expected, discounted, risk-adjusted future cash flows. Due to recent and future regulatory pressures, such as the SEC's proposed ESG mandates, companies that share corporate purpose with a plan are also disclosing how they are, and will be, mitigating risk—all while improving trust and creating sustainable value. Investor relations officers can help investors see the value of corporate trust and explain it in a language that they understand.

Which is why CECP developed a Long-Term Plan framework, based on investor input. The framework sets out nine themes to communicate precisely what is most important to a company—and ultimately, how they can best make an impact:

- Corporate Purpose—the purpose and its alignment with long term strategy
- Trends—mega and market trends
- Competitive Strategic Positioning—long-term, medium-term, short-term value drivers
- Corporate Governance—executive and board compensation, role & diversity of board
- Capital Allocation—having a plan for things like M&A, R&D investment, and excess cash
- Human Capital—how it's managed over the long-term
- Long-Term Value Creation—value of partnerships and improving the operational ecosystem
- Financial Performance—capital efficiency, leverage, revenue growth
- Risks and Opportunities—assessment of financially material ESG issues and risk management

More than 40 CEOs and companies—representing over \$3 trillion in market capital—have delivered sustainable business plans to investors—managing over \$25 trillion in assets. The feedback from these companies and investors speaks to how these plans are helping investor relations leaders connect corporate purpose to a real investing framework. This helps stakeholders better understand a company's values and provides the opportunity to align different departments of the same company under its purpose.

Companies that are clearly demonstrating corporate purpose with a plan can attract long-term investment, address material ESG matters, and provide a roadmap to long-term value creation with relevant metrics and milestones.

IR and the Connection Between Corporate Purpose and Stakeholder Trust

**Jeffrey A. Sonnenfeld, Senior Associate Dean for Leadership Studies,
Lester Crown Professor of Leadership Practice, Yale School of Management**

Corporate purpose speaks to a firm's unifying mission at satisfying what it identifies as its key constituencies. A 2019 pronouncement on corporate governance principles by 181 members of The Business Roundtable famously redefined the purpose of the corporation as one to serve all Americans—customers, employees, suppliers, communities and shareholders.

This widely celebrated break with the assumption of shareholder primacy was not as revolutionary as many in the media and the business world presumed. I knew the founding generation of The Business Roundtable shared this multi-stakeholder perspective fifty years earlier. GE's Reginald Jones coined the term "corporate social responsibility" as a major advocate for business social impact considerations. Tom Watson Jr. of IBM promoted early diversity initiatives while Raytheon's Tom Phillips was a forceful advocate of the foreign corrupt practices act.

Dupont chairman, Irving Shapiro, who also chaired The Business Roundtable, championed the "superfund" legislation for toxic waste cleanups. Shapiro commented in 1981, "I don't know anybody who really believes in dirty air or dirty water. I don't know anybody who believes that you ought not to have safety in your plants -- that you ought to be indifferent to accidents or death and so on... if you get rid of the adversary approach and simply say we have a common objective -- one as a representative of the public sector, the other as a representative of the private sector -- we ought to sit down and talk about how to get from here to there. You very often would wind up with good answers... I think we are at a point in history in which if you level with the American public they'll be very supportive of business."

It was routinely juxtaposed against economist Milton Friedman's September 13, 1970, New York Times column that: "The Social Responsibility of Business is to Increase Its Profits." Yet even in that article, Friedman allowed for the enlightened self-interest of social performance saying "it may well be in the long-run interest of a corporation that is a major employer in a small community to devote resources to providing amenities to that community or to improving its government. That may make it easier to attract desirable employees, it may reduce the wage bill or lessen losses from pilferage and sabotage or have other worthwhile effects." Friedman similarly went on to condone philanthropic community gifts as efficient vehicles for shareholders to collectively contribute to community causes.

Angry finger-pointing communities, hostile balkanized groups of workers, skeptical regulators, and disenchanted shareholders do not improve the performance of enterprises or enhance their effective governance. Just the opposite as this erodes public trust in the corporation. In his classic 1840 study of American

society, French political analyst Alexis de Tocqueville labelled such community trust in institutions as "social capital" and as valuable as "financial capital" for free markets to function. Shareholder referendums are needed for the use of their assets in market decisions and research investments. The same is true with uncertainties in the social side of the strategic context of business.

The Edelman Trust Barometer surveys show employees want their employers to engage in social issues. Morning Consult's surveys of Gen Z employees show the social image of firms drives where they chose to work, invest, and purchase. Sure, the ESG metrics can raise escalating expectations to solve endless social ills and a slippery slope of global injustices, but like a hospital ER, enterprises must use triage to make the decisions most important to a firm's character, reputation, and effectiveness.

When cynics admonish CEOs to "stay in their lane" I wonder why lane that may be – the breakdown lane?

The Role Investor Relations Officers Can Play

My first book, *Corporate Views of the Public Interest* (1981), examined the challenges of various external affairs professionals such as investor relations officials.

An especially vexing challenge back then, which has grown even more complicated given the complexity and volatility of public demands on the corporation, is their role as "boundary spanners." This includes serving as:

- **Defenders** – in place to importantly insulate and to protect the firm from frequent costs, distracting criticisms by the media, allegations of interest groups which may be in error or the short-term values of many activist shareholders.
- **Gatekeepers** – to help set priorities over who has access to the appropriate corporate officials to answer important, timely questions.
- **Ambassadors** – to engage with different stakeholders to listen and learn what their legitimate concerns and priorities may be.
- **Advocates** – to develop and share messages over needed policies.
- **Advisors** – to help educate management colleagues to appreciate the array of interested parties and their motives, and to coach colleagues on dealing with the financial press and key investor groups.

CONTINUED ON PAGE 14

A different set of challenges of investor relations officials is not their functioning as expert boundary spanners, but their effectiveness as internal executives. These challenges include:

- **Influence** – if there is not a crisis, they often can feel undervalued, if not ignored. This unconsciously can lead to adversarial brinksmanship with outsider constituents as a sense of urgency increases their power but not necessarily their effectiveness.
- **Harmonizing** – there are often inconsistent readings from other boundary spanners, legal, communications, PR, labor/employee, sustainability experts with different perspectives drawing upon different stakeholder contacts, not to mention internal political rivalries.
- **Balance** of staff insights with corporate operational and financial objectives which require prioritizing of corporate purpose as the gauzy statements are sometimes too generic and broad, not indicating importance of various goals.

- **Decision maker access** – sometimes these investor relations officials do not have direct access to the management committee or the board of directors and have a diluted or distorted voice through official executives such as the CFO, the head of corporate communications, or legal and government affairs.

To overcome these predictable obstacles, investor relations officials should never accept a corporate statement of purpose as the sufficient final words but rather seek guidance through collective interpretation with other company officials. They should play out various likely scenarios based on past experience to talk about how inconsistencies can be resolved, and which fellow company officials get involved, in what sequence as well as the desired tone and transparency.

APPENDIX

NIRI Think Tank on Corporate Purpose Resource List

Through its work, the NIRI Think Tank on Corporate Purpose developed a list of useful resources that investor relations professionals may find valuable to continue their inquiry into corporate purpose.

A Deeper Look at the Return on Purpose: Before and During a Crisis [Journal of Applied Corporate Finance]

Greg Milano, Brian Tomlinson, Riley Whately, and Alexa Yiğit [DIRECT PDF DOWNLOAD]

The board's role in embedding corporate purpose: Five actions directors can take today [McKinsey]

Celia Huber, Sebastian Leape, Larissa Mark, and Bruce Simpson | November 20, 2020

The case for stakeholder capitalism [McKinsey]

Vivian Hunt, Bruce Simpson, and Yuito Yamada | November 12, 2020

CEOs Lead America's New Great Awakening [WSJ Opinion]

Jeffrey Sonnenfeld | April 15, 2021

Creating a Meaningful Corporate Purpose [Harvard Business Review]

Hubert Joly | October 28, 2021

Debate: Can corporate purpose be global? [The Conversation]

Agathe Cagé | October 14, 2019

The Double-Edged Sword of CEO Activism [Harvard Law School Forum on Corporate Governance]

Brian Tayan | November 27, 2018

Following the Business Roundtable Statement [Medium]

Daryl Brewster | September 18, 2019

A Friedman doctrine-The Social Responsibility Of Business Is to Increase Its Profits [The New York Times]

Milton Friedman | September 13, 1970

How to Answer the 'Trap Question' [WSJ]

Andy Kessler | April 4, 2021

How to Give Shareholders a Say in Corporate Social Responsibility [WSJ]

Alex Edmans and Tom Gosling | December 6, 2020

The Impact of Corporate Sustainability on Organizational Processes and Performance [HBS]

Robert G. Eccles, Ioannis Ioannou, and George Serafeim | November 2014

It's time to redefine the purpose of business. Here's a roadmap [WEF]

Colin Mayer | January 7, 2020

The JUST 100 - Companies Leading the New Era of Responsible Capitalism [Forbes]

Edited by Steven Bertoni in partnership with Just Capital | October 14, 2020

More Myths from Lucian Bebchuk [Harvard Law School Forum on Corporate Governance]

Martin Lipton | August 24, 2021

More than a mission statement: How the 5Ps embed purpose to deliver value [McKinsey]

Sebastian Leape, Jinchen Zou, Olivia Loadwick, Robin Nuttall, Matt Stone, and Bruce Simpson | November 5, 2020

Most executives think their ESG programs fall short, survey finds [Reuters]

Jessica DiNapoli | September 15, 2021

Redefining Corporate Purpose [Strategic Finance]

Frank P. Homburger | March 1, 2021

Running On Purpose: A Conversation With Charlie Moore [Forbes]

Robert G. Eccles | August 29, 2020

The Difference Between Purpose and Sustainability (aka ESG)

Robert G. Eccles, Colin Mayer, and Judith Stroehle | August 20, 2021

The Return on Purpose: Before and during a Crisis [SSRN]

Greg Milano, Brian Tomlinson, Riley Whately, and Alexa Yiğit

The Shared Purpose Has To Be Distinct Enough For Everyone To Understand It [LinkedIn]

Adam Bryant | November 2, 2021

What Is the Purpose of Your Purpose? [Harvard Business Review]

Jonathan Knowles, B. Tom Hunsaker, Hannah Grove, and Alison James | March-April 2022

Why Corporate Purpose is Important to the Recovery From the Pandemic [ProMarket]

Martin Lipton, William Savitt, and Carmen X. W. Lu | August 16, 2021

Why Silence Is Not Golden For CEOs [Corporate Board Member]

Jeffrey Sonnenfeld | 2021

With 'Stakeholder' Edict, Will Business Roundtable Catch Up With CEOs? [Chief Executive]

Jeffrey Sonnenfeld | August 20, 2019

A REPORT OF THE NIRI THINK TANK

CORPORATE PURPOSE



About NIRI

Founded in 1969, NIRI is the professional association of corporate officers and investor relations consultants responsible for communication among corporate management, shareholders, securities analysts and other financial community constituents. The largest professional investor relations association in the world, NIRI's more than 2,800 members represent over 1,350 publicly held companies with more than \$7 trillion in stock market capitalization.

About Foresight First LLC

Foresight First LLC collaborates with association/non-profit staff and voluntary decision-makers as they strive to understand, anticipate, and prepare for a full range of complex yet plausible futures. The primary focus of Foresight First LLC's work is helping association/non-profit boards set a higher standard of stewardship, governing, and foresight to build the resilience, responsibility, and readiness of their organizations and stakeholders while strengthening overall board performance.

About Sentieo

Sentieo provides the first financial intelligence platform specifically designed for the research needs of investors. Sentieo's AI-powered financial search engine aggregates internal and external content into a single shared workspace for a more efficient research process. Over 1,000 global customers, including 800 institutional investment firms and Fortune 500 companies, use Sentieo to surface, visualize, and share the insights that give them an edge. For more information, visit sentieo.com.

About S&P Global

S&P Global (NYSE: SPGI) is the world's foremost provider of credit ratings, benchmarks and analytics in the global capital and commodity markets, offering ESG solutions, deep data and insights on critical business factors. We've been providing essential intelligence that unlocks opportunity, fosters growth and accelerates progress for more than 160 years. Our divisions include S&P Global Ratings, S&P Global Market Intelligence, S&P Dow Jones Indices and S&P Global Platts.

