

# WHAT IS A SOCIAL PURPOSE BUSINESS?

A Social Purpose Business is a company whose enduring reason for being is to create a better world. It is an engine for good, creating social benefits by the very act of conducting business. Its growth is a positive force in society.

Businesses around the world are redefining their role in society to foster business and societal success. They are adopting a “social purpose” to navigate turbulent times, and attract and engage top talent and customers. A global scan of these businesses, and recommendations from those that advise them, reveals there are three elements of a social purpose business, summarized below.




## REASON FOR BEING

First, the purpose company has an enduring core reason for being. It is clear and consistent about why its business exists, what it stands for and what it is about – beyond what it makes, does or sells. It has defined its:

- ➔ Unique purpose for being in business at all
- ➔ Inspirational, essential, aspirational reason for being
- ➔ Burning ambition, quest, world view, belief system, core identity, higher calling or ideal – the engine that powers its business

This enduring reason for being goes beyond the company’s product or service, it guides everything it does and determines its goals and strategy. It is placed at the core of its operations, central to the company’s brand proposition, as a focal point, guidepost or “stake in the ground”, at the heart of what the company does, as an animating, motivating, *raison d’être*. This purpose sets the company’s strategic vision and decision-making, determining the significant choices it makes. It helps the business decide what to start doing, what to stop doing and what to do more of. The purpose acts as a headlamp illuminating

What’s the point?

Why do we do this?

Why do we make this product?

Why are we in business?

Why do we exist?

the company’s growth pathway. It is the strategic engine of the organization.

These are the qualities of a *purpose* company. But a *social purpose* company goes further. The qualities listed above could be the focus of a company whose reason for being is to create profits for shareholders, be the best in its industry, or to have quality products for its customers. The social purpose company has an intent to create a better world in some way. The foregoing is a narrower purpose than a company which has a social ambition, a higher purpose.



## SOCIAL AMBITION

The second dimension of a social purpose company is one which has a social ambition.

The social purpose company has defined how:

- ➔ It creates a better world and beneficial results for society at large; it improves life for humanity, is humanistic or human-centric
- ➔ It is a force or vehicle for good where its growth is a positive force in society; it couples its growth with its positive social impact, so that as the company prospers, its stakeholders prosper too
- ➔ Its core offer is aligned with long-term social solutions so that the company's core business, products, services and operations create value for, and benefit, society

The social purpose company determines the role it can play to improve society – how it contributes to society and the greater good overall. It has a desire to contribute to human betterment, and has embraced a human goal for its business.

### ACTION STEPS

If you reconfigure the ideas above as questions, they can be useful for determining your company's social purpose – as in, why does our business exist?

Create a few questions combining items in sections 1 and 2 and ask internal and external stakeholders for their ideas. Consider if you have a foundational, heritage or legacy story that addresses these questions.

What need do we fill in society?

Is there a wrong we are trying to make right?

An injustice or condition we are addressing through our business?

How we contribute to the greater good?

Why the world is a better place because of us?

Its social purpose is a shared intent by everyone in the business to improve people's lives. It has a mission that everything the business does increases a social good. As such, it creates social benefits by the very act of conducting business. The social purpose focuses the company's business strategy on delivering value and meaning for customers, employees and other stakeholders; it determines the significant choices the business makes, who it works with, what it does to create value for them and what it chooses to speak out on. It is a beacon from within the business that guides decisions and leaders and employees in every department. The fact that the social purpose can never be fully realized means that the business never stops stimulating social change and progress.

| What a social purpose is not  | What a social purpose should be   |
|---|---|
| A vision, mission statement, a company's values, specific business strategy or a big goal                             | Core to the business model; how the company grows; driving force of the business model                              |
| Representative of what is possible today  | Aspirational and belief-driven  |
| A wrap-around for the company's current efforts   | Energizing and inspirational, builds momentum   |
| An initiative or set of initiatives   | A way of business   |
| Branding, marketing, tagline, strapline, campaign or slogan, a communications device                                  | Constant; its story and growth strategy are one and the same  |
| A tactical decision   | Long-term   |
| An employee engagement tool   | An organizing centre for the company's vision, strategy and culture   |
| Supporting a social issue or the objective of the company's community investment or corporate responsibility strategy | Broader than the company's activities, products or services; incorporated into the company's marketing and products |
| Morality, altruism, giving back, philanthropy   | Company's commercial model  |
| Focused on the internal organization  | External facing, outwardly-focused  |
| A goal or a strategy that can be achieved   | A North Star, an ongoing quest, forever pursued but never reached; it cannot be fulfilled                           |



## PROFIT MOTIVE

The final consideration is the profit motive or model. Social purpose companies take different approaches to this question of profits, pursuing one of two profit models:

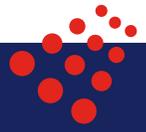
- 1) they see their social purpose as either beyond profitability and transcending profitability; or
- 2) as the route to profitability.

In both cases the financial agenda is linked with the societal agenda.

Social purpose companies see their social purpose as either the route to profitability or beyond profitability.

- ➔ **Route to profitability:** Characterized by statements of how the business creates value both for itself and society, and how it marries business value with societal value; how its social purpose is a program for profit and growth based on improving people's lives; how the shareholder or profit seeker is rewarded as result of the social purpose.
- ➔ **Beyond profitability:** Characterized by statements of how the business model goes beyond making money and beyond making a profit, wherein its purpose is something that transcends creating shareholder value, commercial success or maximizing profits; the social purpose is the compelling world mission that transcends profitability. In these business models, profit follows as a consequence, rather than an end in itself.

For some, social purpose transcends maximizing profits and shareholder value, and for others it is how they create value and grow. Either way, profits are essential and a fundamental feature of the social purpose company. For purpose to be enduring it has to be commercially relevant and contribute to the company's long-term value creation.



## ACTION STEPS

Your business must be clear on the definition, prioritization and weighting given to the social, alongside more commercial, purposes. Here are three strategic responses. Which one is most relevant to your business?

- 1) Our social purpose is a subsidiary purpose to help deliver shareholder or owner value;
- 2) It is placed alongside shareholder or owner value or other declared business purpose such as serving customers; it is embedded at the business core, along with the business purpose; or
- 3) It is at the core of the business; the social purpose is the only purpose, there is no other purpose of the business.

## HOW PURPOSE DIFFERS FROM MISSION

There are different opinions on whether a mission and a purpose can be the same thing, and/or whether a company should have both. There is no one right way. It is up to each company to determine its preferred approach. Here is one optional model that suggests a company could have both a mission and a purpose.

Companies also often develop a long-term corporate vision, which directs where the company is going – how it sees the world after its done its purpose and mission. The vision creates a mental image of the ideal state or outcome that the company wishes to achieve.

| Mission              | Purpose            |
|----------------------|--------------------|
| What we do           | Why we do it       |
| Operating a business | Sharing a dream    |
| Strategic            | Cultural           |
| Creates buy-in       | Instills ownership |
| Provides focus       | Fuels passion      |
| Builds a company     | Builds a community |

Source: <https://hbr.org/sponsored/2016/02/the-difference-between-purpose-and-mission>

### SOCIAL PURPOSE TOOLKIT SERIES

This is a module of the Social Purpose How-to Toolkit Series authored by Coro Strandberg, Social Purpose Advisor to the United Way.

Contact Mary Ellen Schaafsma, Director, Social Innovation & Research, 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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