

airmic

Roads to Repurposing

Driving Transformation,
Building Resilient Organisations

Boardroom Edition

We are dealing with the aftermath of the first global pandemic in living memory. Climate change and the shift to net-zero carbon will change the foundations on which our economies and businesses have been built.

Realising this has led many organisations to revisit their entire purpose and to establish a clear North Star to guide them through these turbulent times.

What do we mean by repurposing?

The objective of a repurposing journey is to reach clarity about why the organisation exists, which is distinct from its profit-making motive. Clarity of purpose will then inform the organisation's brand, values and desired behaviours, and act as a focus for everything the organisation does.

The idea of corporate purpose has incorporated related concepts such as Corporate Social Responsibility (CSR), Socially Responsible Investing (SRI) and Environmental, Social and Governance (ESG) criteria.

There are two key elements to an organisation's purpose – the why and the who. The why explains the company's reason for being. The who highlights which stakeholders an enterprise exists to serve.

This enables an organisation to define why it exists, what it exists for and who it benefits.



Why are we talking about this now?

1. Shifting business trends

Corporate purpose, ESG and related concepts such as investor stewardship have been gaining traction. The level and intensity of the discussion is different from that of previous decades. These have now radically changed the business conversation.

2. Changing social attitudes

Social attitudes have shifted significantly over the last decade. This shift has been particularly marked in attitudes to gender roles and sexuality. Nowhere has the shift in attitudes been starker than in people's views on climate change.

3. The impact of social media

These attitudinal shifts have occurred in parallel with the rise of social media. Corporations are now more visible.

The Covid-19 pandemic appears to have added momentum to

these changes. Companies are coming under pressure to 'do the right thing'. It is likely that the aftermath of the Covid-19 pandemic will only increase pressure on organisations to demonstrate their commitment to purpose and to groups of stakeholders beyond their executives and shareholders.

4. The challenge of the 2020s

The 2020s will be a decisive decade, and one in which governments and businesses will face major challenges. In addition to the aftermath of the Covid-19 pandemic, three factors will have a significant impact on companies:

- The transition to a net-zero carbon economy
- An ageing population
- Rapid change, driven by technology.

Where do risk professionals come into the picture?

A clear definition of an organisation's purpose and stakeholders can provide a reference point for managing and mitigating risks in these areas.

Purpose can make organisations more aware of shifting external consumer sentiments, policy directions and industry developments. Through deeper stakeholder engagement, organisations on a journey of repurposing can identify and mitigate risks they would otherwise miss. Risk professionals must be among those to whom top management look for guidance when undertaking a repurposing exercise – as they understand the opportunity that repurposing presents in the quest to build the resilient organisation.

The business case for the purposeful company

1. Purpose gives the company clarity and direction

The combination of a clear purpose and a clear shared understanding of that purpose differentiates high-performing organisations. Those with high purpose-clarity exhibit superior accounting and stock market performance.

Many business judgements involve trade-offs. Defining the why and the who gives clarity of direction but also helps organisations make decisions about what they are not going to do.

2. Investors are increasingly expecting statements of purpose

High-profile investment firms are increasingly asking questions about an organisation's purpose, who it serves and who its stakeholders are. A clear stance on these questions and measurable ESG impacts are becoming key criteria for investment decisions.

3. It improves the recruitment, retention and engagement of employees

There is a similar rise in expectations from employees. Recruiters warn that being 'a purpose driven organisation' is becoming a prerequisite for attracting top talent. This is particularly so for 25- to 40-year-olds. For younger employees, corporate purpose is becoming as much a hygiene factor as a motivator. They expect a clear purpose other than the pursuit of profit.

Maintaining engagement will be that much more difficult if the level of remote working remains high after the pandemic. Organisations with a clearly stated and well-understood purpose will be in a better position to manage these tensions.

4. Protecting and enhancing brand reputation

The pandemic has significantly shifted consumer expectations. Consumers – particularly among younger generations – are now making decisions on an organisation's purpose, rather than on price..

Public expectations of organisations are increasing and the pandemic appears to have accelerated this trend. A disappointed customer can take to social media and a personal protest can quickly become a storm.

5. It improves financial performance over the long term

A focus on something other than profit can be beneficial for the financial performance of organisations over the longer term. A focus on employee satisfaction, customer satisfaction and eco-efficiency takes time to affect the stock price. The evidence shows that it is possible to be purposeful while still providing returns to investors. Pursuing a corporate purpose with social and environmental considerations need not be detrimental to the bottom line.

What makes a successful repurposing programme?

1. Defining the 'why' and the 'who'

The 'why' needs to be based on the principle of comparative advantage:

- What is the organisation good at?
- What are its advantages in the market?
- Does it deliver more value through its activities than other organisations?

The 'who' needs to be based on the principle of materiality:

- Which stakeholders are material to the organisation's business?
- Which other stakeholders does the organisation believe it ought to prioritise?

While this process must be initiated and led by the senior executives, it is important to involve employees at all levels. Many will have been with the organisation for some time and they often have a sense of its purpose, or a view of what it ought to be, without necessarily having articulated it. This means that the purpose is more likely to have a sense of ownership among the people who have to execute it on a daily basis.

It is important to create a 'blame-free' environment of psychological safety to allow 'risk talk' in which employees feel they have the freedom to speak openly.

2. Embedding purpose

Embedding purpose is where the real work starts. If a wide cross-section of employees and other stakeholders have been involved at an early stage, it is likely that the purpose definition process will take longer but also that the embedding process will be less of a challenge. If stakeholders have a stake in the purpose statement, that goes some way to achieving a sense of ownership.

The purpose statement – the 'what' and the 'who' – will need to inform everything else that the organisation puts in place. It becomes like the DNA running through the entire operation. It is essential that the purpose statement informs the organisation's strategy, its operating model, its performance measurement, its culture and, most importantly, its reward systems.

3. Getting line managers on board

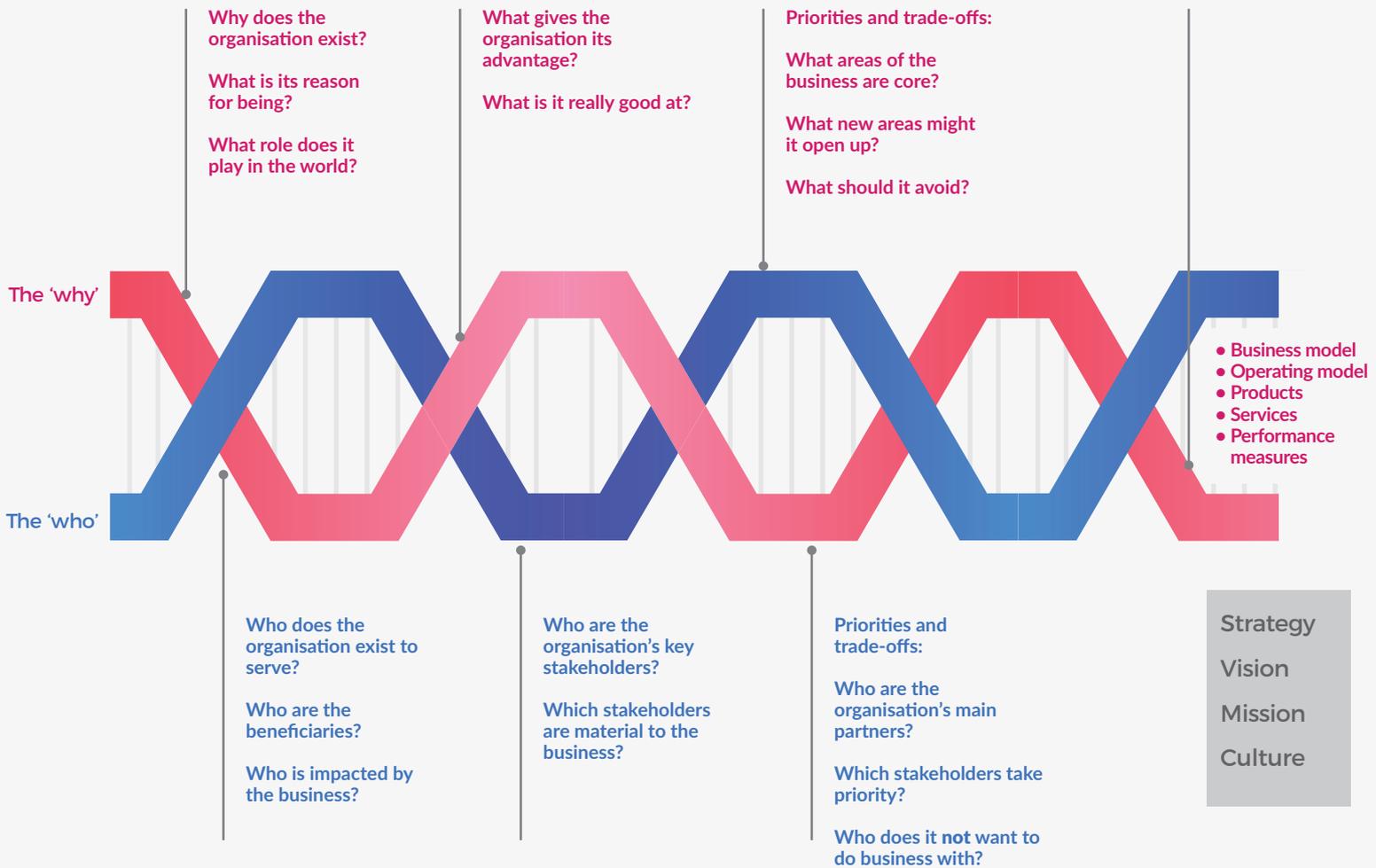
The key relationship any employee has is with their own line manager. So, although the senior executives must clearly articulate the organisation's purpose, line managers play a crucial role in embedding it.

It is sometimes said that many corporate initiatives get lost in middle-management layers. To embed corporate purpose, line managers must share a consistent understanding of the purpose and be able to explain it to their staff and customers.

4. Making the purpose part of the culture

Once the purpose – the 'what' and the 'who' – are embedded in the culture of the organisation, they then become fully part of it, running through it as a kind of corporate DNA, informing everything that it does.

The DNA of Purpose





Marlow House
1a Lloyd's Avenue
London
EC3N 3AA

Tel: +44 207 680 3088
Fax: +44 207 702 3752
Email: enquiries@airmic.com
Web: www.airmic.com