

Communicating Corporate Purpose

Dr Tania Braga prepared this report under the supervision of Professor John Weeks and Dr Aileen Ionescu-Somers. Philippe Margery and Aparna Dogra prepared the case studies.

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Executive summary	2
1. Defining corporate purpose	3
2. Research methodology	9
3. Purpose input.....	12
3.1. <i>Why do companies communicate on corporate purpose?</i>	12
3.2. <i>How do companies communicate on corporate purpose?</i>	16
4. Purpose impact	19
4.1. <i>Which companies excel in communicating corporate purpose?</i>	19
4.2. <i>Is there a link between purpose and performance?</i>	23
4.3. <i>Balancing purpose and performance</i>	26
5. Case stories.....	28
5.1. <i>Allianz: Communicating Corporate Purpose</i>	28
5.2. <i>BAE Systems: Communicating Corporate Purpose</i>	31
5.3. <i>Nestlé: Communicating Corporate Purpose</i>	34
5.4. <i>Nokia: Communicating Corporate Purpose</i>	36
5.5. <i>Novo Nordisk: Communicating Corporate Purpose</i>	38
5.6. <i>Philips: Communicating Corporate Purpose</i>	41
5.7. <i>TNT: Communicating Corporate Purpose</i>	44
6. References	46

Executive summary

European companies are transitioning from a “just do it” approach to a “talk the walk” approach on communicating purpose, since leading companies that have been used to taking a low-key approach have recently become more active in this regard.

Yet the decision to actively communicate on purpose is not straightforward. Managers have good reason to see it as a double-edged sword. On the one hand, it can build, sustain and increase trust. On the other hand, many stakeholders perceive it with mistrust and skepticism since they feel it can open the door to accusations of cynicism.

Companies articulate and communicate on corporate purpose with the ultimate aim of building and sustaining reputation and trust. Communicating purpose in way that is consistent with corporate action can boost differentiation, strengthen reputation risk management and build additional competitive advantage.

European companies publicly express their sense of purpose either in terms of balancing the interests of different stakeholders or through customer-focused messages.

Customer-driven statements of purpose tend to be more specific and credible since they provide organizations with a clear sense of fundamental priorities by establishing the focus on a single constituency, which carries a high level of legitimacy – the customer.

European companies declared that they dedicate the largest share of their communication efforts to stakeholder-driven messages by communicating on issues that help them to align corporate interests with those of key internal and external constituencies. Customer-focused messages and financial performance also take up a good share of the communication efforts these companies declared.

We find that among large European companies, effectively communicating corporate purpose is more positively associated with higher financial performance than company size is. Corporate purpose enhances not only economy-wide financial performance but also relative financial performance within industries.

1. Defining corporate purpose

The debate around business's ends and means has recently made a resurgence in the skeptical environment brought about by the global recession, as it did in the early 2000s when a series of scandals shook people's trust in business. Recent events have brought back strong divergences regarding the role of business in society and how it links to the purpose of corporations. These divergences have been influencing the thinking of managers, directing them toward three fundamentally different points of view.

The first view can be summarized as "the business of business is making money." It sees profit as an end and therefore equates corporate purpose with (financial) performance. This view was articulated by Milton Friedman in his influential article in *The New York Times* in 1970,¹ and is widely expressed nowadays as "maximizing shareholder value."

The second view can be summarized as "the business of business is to produce goods and services." It sees profit as a necessary motive but relegates maximizing shareholder value to a secondary priority, articulating purpose from an operational perspective. Peter Drucker (1973:60) summarized that view as follows:

...profitability is not the purpose of, but a limiting factor on business enterprise and business activity. Profit is not the explanation, cause or rationale of business behavior and business decisions, but rather the test of their validity.

The third view is built around the balance between purpose and (financial) performance. It sees profit as an essential means to achieve business ends but articulates purpose in a strategic way. This view allows for a broad definition of purpose, combining customer-, stakeholder- and shareholder-focused perspectives.

Although the concept of corporate purpose has had its place in business and management literature over the past 50 years,² there have been very few attempts – such as the ones from Collins and Porras (1996), Ellsworth (2002) and Binney (2006) – to examine its meaning in depth.

Collins and Porras (1996:68) say:

Core purpose is the organization's reason for being. It doesn't just describe the organization's output or target customers; it captures the soul of the organization. A primary role of core purpose is to guide and inspire.

Ellsworth (2002:4) takes a similar approach:

Corporate purpose sits at the confluence of strategy and values. It expresses the company's fundamental value — the "*raison d'être*" or overriding reason for existing. It is the end to which the strategy is directed.

Binney (2006) defines corporate purpose as:

A shared sense of "Why do we exist?" and "What is the essence of how we do things around here?" It was what gave exceptional companies a compass to steer by, and enabled them to adapt and thrive in periods of great economic and social change.

According to Wilson (2004), corporate purpose is built from the companies' mission and values and links tightly to strategic objectives.

Corporations must position themselves in the minds of a wide variety of key stakeholder groups, thus communicating on corporate purpose can be an effective impression

¹ Friedman, M. "The social responsibility of business is to increase its profits." *The New York Times*. September 13, 1970.

² Corporate purpose has been central to the ideas of classic management scholars such as Chester Barnard, Peter Drucker, Philippe Selznick and Kenneth Andrews (Ellsworth, 2002).

management tool, since it could be linked with advantages such as increased reputation, legitimacy and identification. Communicating with a large set of internal and external stakeholders clearly, consistently and openly, backed up by a strong personal example from top management is an intrinsic part of effectively operationalizing corporate purpose.

However, corporate purpose is often received with mistrust, skepticism and cynicism, and many relevant stakeholders perceive it as “window dressing” or “political correctness.” The literature on corporate purpose points to the subsistence of what might be termed “corporate schizophrenia” or “corporate hypocrisy,” meaning that companies make efforts to build and communicate a sense of purpose while jeopardizing them with incoherent actions and messages from their management teams. It concludes that transforming purpose into action through coherency and consistency – with values, strategy and management systems – is the main factor determining its relevance to business competitiveness.

Although Collins and Porras, Ellsworth, and Binney have established a good ground for the debate on corporate purpose by providing a conceptual framework, showing its influence on competitiveness and executive leadership and making the case for coherence with business action, there has been little research to follow up on the work of these authors.

This study aims to contribute to the debate on the subject by bringing updated empirical information on how leading European corporations build, integrate and communicate corporate purpose in an effective way. It takes two complementary perspectives:

- Purpose INPUT, evaluating:
 - the essence of the purpose being communicated by leading companies;
 - why and when companies communicate their sense of purpose to internal and external audiences;
 - how purpose is integrated into the company's strategy and business model;
 - how companies express their sense of purpose publicly.
- Purpose IMPACT, evaluating:
 - the impact of purpose in building trust with key stakeholders such as employees, financial analysts, media, NGOs, suppliers and customers;
 - the link between impact purpose and (financial) performance.

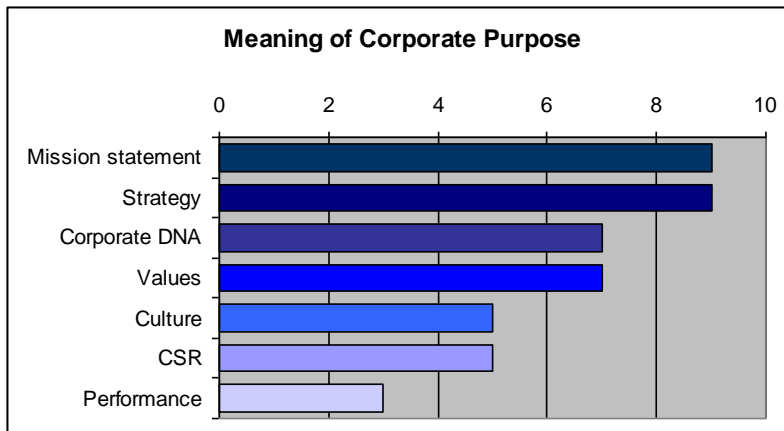
We started by looking at what our interviewees³ understand by corporate purpose.

Mission statement and strategy is at the top of their minds, followed closely by corporate DNA (or *raison d'être*) and values.⁴ Very few equated purpose with financial performance. Managers' perceptions on the meaning of corporate purpose align with management scholars' thoughts on the subject.

³ Refer to section 2, page 10, for descriptions of sample and other aspects of research methodology.

⁴ Respondents were allowed to choose multiple options, which is why the total of answers is higher than the number of interviewees.

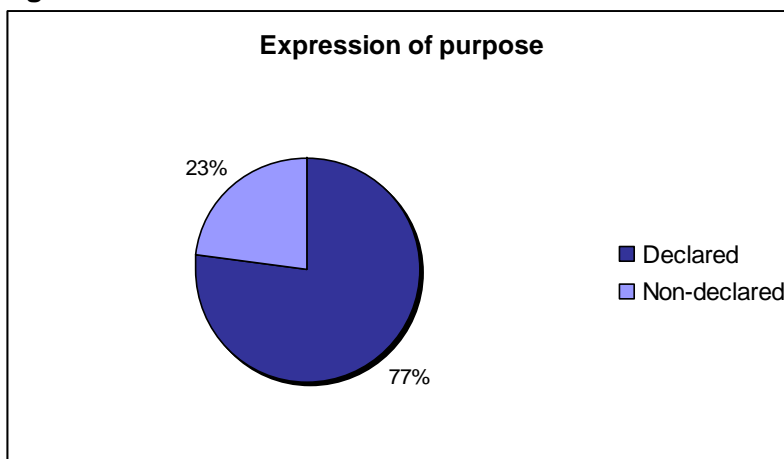
Figure 1



Source: Communicating corporate purpose survey

Over two-thirds of the companies taking part in our study declared their expression of purpose; less than one-third did not have a formal expression of purpose.

Figure 2

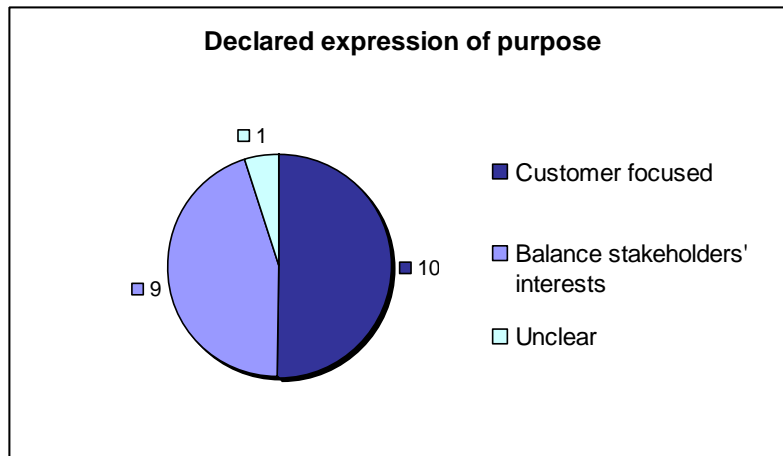


Source: Communicating corporate purpose survey

Expressions of purpose balancing the interests of different stakeholders and customer-focused expressions of purpose were dominant. One company expressed its purpose in a vague and unclear way and none of them expressed shareholder value as their main purpose. Those results are similar to findings from previous studies.⁵

⁵ Binney (2006) looked at 27 companies (16 from the US, 8 from Europe and 3 from Japan/Korea). He found that 85% of companies publish expressions of purpose. Among them, 11 expressed their purpose as balancing stakeholders' interests, 6 had a customer-focused purpose, 3 expressed their purpose as "serving society", 2 as "exploiting technology", 1 in terms of quality and none expressed shareholder value as their main purpose.

Figure 3



Source: Communicating corporate purpose survey

Box 1 gives some examples of companies' expressions of corporate purpose:

Box 1

Novo Nordisk – Changing diabetes. Changing diabetes is more than curing diabetes. It implies being innovative beyond curing diabetes, implies working to improve the way people with diabetes live and work, through the company's products and services.

Aegon – We feel responsible for the financial education of our clients.

Allianz – Build the world's strongest financial community. Manage and balance risks and opportunities of our clients and create solutions to reduce the systemic risk of our interconnected world.

Bayer – To make people's life safer, easier and better.

Nokia – Connecting people in new and better ways, with smart services, seamlessly integrated solutions with other communication tools and an effortless user experience in which technology becomes "invisible."

Philips – We are a company focused on people, bringing meaningful innovations to people in the domain of health and well-being via our brand promise which conveys a sense of simplicity.

L'Oreal – We have made cosmetics the focus of all our energy and know-how for nearly a century. We are fully committed to putting all our expertise and research resources to work for the well-being of men and women, in all their diversity, around the world.

Unilever – We meet everyday needs for nutrition, hygiene and personal care with brands that help people feel good, look good and get more out of life.

Shell – The objectives of the Shell Group are to engage efficiently, responsibly and profitably in oil, oil products, gas, chemicals and other selected businesses, and to participate in the search for and development of other sources of energy to meet evolving customer needs and the world's growing demand for energy.

Shire – We enable people with life-altering conditions to lead better lives.

Eni – We are a major integrated energy company, committed to growth in the activities of finding, producing, transporting, transforming and marketing oil and gas. Eni's men and women have a passion for challenges, continuous improvement, excellence and particularly value people, the environment and integrity.

Holcim – Having a corporate purpose is having a vision with a mission. Our vision is to provide foundations for society’s future. Our mission is to be the world’s most respected and attractive company in our industry – creating value for all our stakeholders.

Nestlé – We believe that to have long-term business success, you must simultaneously create value for shareholders and for the public. At Nestlé, we call this Creating Shared Value, and it is the fundamental principle behind the way we conduct business at Nestlé.

Marks & Spencer – To provide excellent quality, great value products and service to our customers; to provide a good long-term investment for our shareholders; to be the most ethical retailer in the world; to provide a meaningful, rewarding place of work for our employees.

Volkswagen – We are a mobility provider. We give equal importance to economic performance, employment and ecology.

According to previous studies,⁶ statements of corporate purpose are often bland, generic and derivative with little meaning; only a few companies actually distinguish themselves through a thrilling, specific and original purpose statement.

We find that customer-driven purpose statements tend to be more specific since they have the advantage of providing the organization with a clear sense of fundamental priorities by establishing the focus on a single constituency, which carries a high level of legitimacy – the customer.

According to Ellsworth (2002), purpose statements balancing the interests of stakeholders could blur the message, since those interests are widely diverse and sometimes even contradictory. However, we could argue that for companies whose purpose is to balance the interests of multiple stakeholders, the message might not be blurred, as companies might be perfectly clear about what they want to deliver to specific stakeholders.

Since statements of corporate purpose only give the headline of what companies are effectively communicating to their key stakeholders on purpose-related matters, we asked our respondents to specify which issues/themes they communicate.⁷

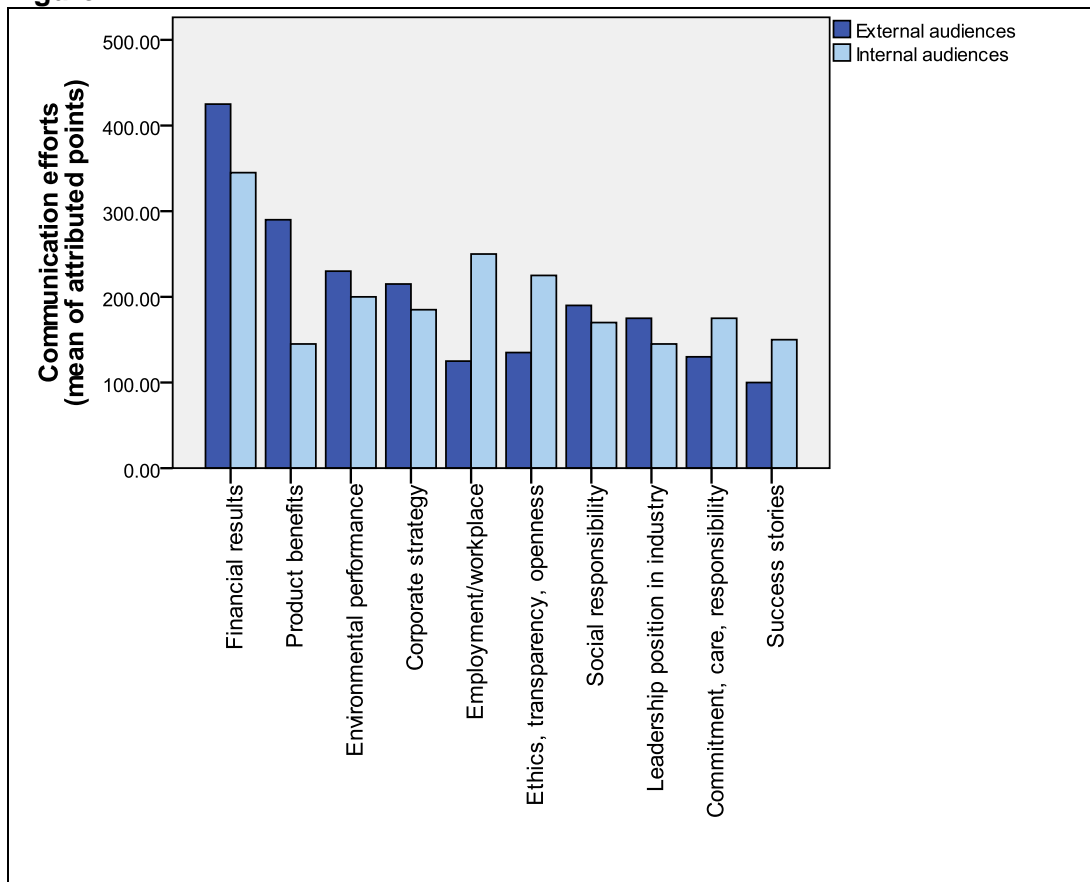
Figure 4 shows the top ten items that companies declared to be communicating to their external and internal audiences. Figure 5 shows the correspondence between the subjects communicated and purpose orientation by grouping the subjects into three categories: shareholder value information; customer-focused messages and messages balancing the interests of different stakeholders.

Balancing the interests of stakeholders through communicating on issues such as: environmental performance; social responsibility; ability to create and sustain employment; ethics and transparency; openness to engagement and dialogue; compliance to regulation; and quality of workplace; is the dimension of purpose to which companies dedicate the largest share of their communication efforts. This finding is no surprise, since the final objective of purpose communication is to build trust in the company by aligning corporate interests with those of key internal and external stakeholders.

⁶ Collin and Porras, 1994; Ellsworth, 2002; Binney, 2006.

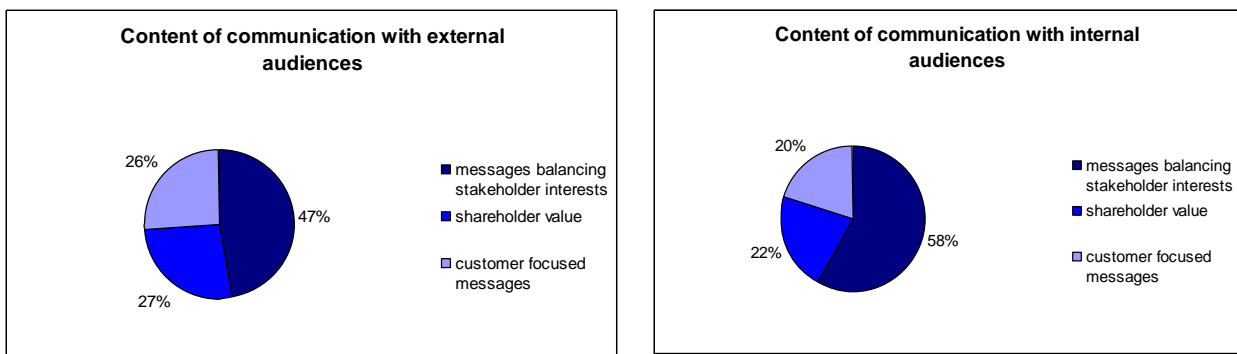
⁷ The survey question on issues/themes of corporate communication related to all corporate communication. It was not specific to corporate purpose communication. It was formulated as: What are the key issues/themes your company communicates with external stakeholders? What are the key issues/themes your company communicates with internal stakeholders?

Figure 4



Source: Communicating corporate purpose survey

Figure 5



Source: Communicating corporate purpose survey

Although none of the companies in our sample expressed shareholder value as their company purpose, they actually dedicate a good share of their communication efforts to content related to financial results/shareholder value. Financial results appear as the most recurrent content of corporate communication efforts.

Customer-focused messages account for a quarter of communication efforts with external audiences and 20% of those directed to internal stakeholders.

2. Research methodology

The research is based on a quantitative study of 213 European companies and interviews with a selected group of 27 of those companies. We used the following criteria to compose the sample for the quantitative study:

- Presence among the top 25 companies in sales in base-year 2009, in 10 industries:
 - Banking
 - Food and beverage
 - Energy
 - Insurance
 - Technology and communications
 - Pharmaceutical and health care
 - Transportation equipment (automotive, aerospace)
 - Transportation services (logistics, passengers transportation and services)
 - Retail and wholesale
 - Heavy manufacturing (industrial manufacturing, cement and chemical)
- Sales in base-year 2009 greater than €5 billion
- Available and updated data on financial performance (from 2005 to 2009).

The 27 companies in the in-depth study were extracted from the broader sample through self-selection, that is, those which accepted our invitation. The rate of response was 12%. Interestingly, approximately half of the companies taking part in the qualitative study scored very highly in our purpose impact ranking, showing a bias of excellence in our qualitative sample, probably because they are better primed to communicate purpose and dedicate time to participate in such efforts.⁸ Data was collected directly through an online survey with senior communication executives of 20 companies⁹ and semi-structured phone interviews with 12 heads of communications.

The interviews and survey were followed by an analysis of expressions of purpose on the companies' websites and in their annual reports. Companies whose online purpose statement did not correspond to the one obtained through the interview/survey process were excluded from the study.

Impact data was collected from a comprehensive palette of trustworthy sources and used to construct a meta-ranking of purpose impact.

We opted not to measure excellence in purpose communication by simply checking for coherence between the messages at the emission and receiving points. This is because we were not interested in communicating purpose for its own sake, but rather as a tool to build and sustain trust. Therefore, we opted instead to measure it through its impact at the end point by evaluating the level of trust that companies have actually built with key stakeholders.

⁸ As the objective of the study is to analyze the effectiveness of corporate purpose communication, the excellence bias is a desirable one.

⁹ Five companies took part in both the survey and interview.

The purpose impact ranking was compiled by aggregating the following existing renowned rankings in two key dimensions of purpose identified during the qualitative research:

- Company reputation:
 - *Fortune's World's Most Admired Companies* (based on surveys with firm managers and directors and market analysts)¹⁰
 - *World's Most Reputable Companies*, by Reputation Institute, published by *Forbes* (based on surveys with consumers in their home countries)¹¹
- Public recognition of leadership in CSR, sustainability, accountability and ethics:
 - Global ESG 100¹² – Environmental, Social and Governance Performance – by Risk Metrics Group¹³
 - Dow Jones Sustainability Index¹⁴
 - AccountAbility Ranking¹⁵
 - EthicalQuote, by Covalence¹⁶

The aggregation of rankings was done following eight consecutive steps:

- Step 1: Classification rankings¹⁷ were brought to a common base (scores from 0 to 3). We calculated the top (.7) and bottom (.3) percentiles of the full sample for each ranking and attributed scores to each company, as follows:
 - company is absent from the ranking = 0;
 - company classified in the bottom percentile = 1;
 - company classified between the bottom and the top percentile = 2;
 - company classified in the top percentile = 3.
- Step 2: Nomination rankings¹⁸ were given a numeric value, as follows:
 - company is nominated = 1
 - company is absent = 0.
- Step 3: Rankings in the company “reputation” category were aggregated by taking the highest score from the two rankings to compose the “reputation” index (A). This index is henceforth denominated “reputation index.”
- Step 4: Classification scores in the “CSR, sustainability, accountability and business ethics” category were aggregated by taking the highest score (b1).
- Step 5: Nomination scores in the “CSR, sustainability, accountability and business ethics” category were aggregated by taking the sum of scores (b2).
- Step 6: A single “CSR, sustainability, accountability and business ethics” index (B) was calculated by taking the average of (b1) and (b2). This index is henceforth denominated “recognition index.”

¹⁰ <http://money.cnn.com/magazines/fortune/mostadmired/2010/index.html>.

¹¹ http://www.forbes.com/2006/11/20/leadership-companies-reputation-lead-managing-cx_hc_1120rep_list.html.

¹² The list by RiskMetrics of the top 100 sustainable corporations represents a continuation of the list compiled by Global Knights, a Canadian magazine focusing on sustainable development, between 2005 and 2009. Both are based on data provided by Innovest Strategic Value Advisors (company acquired by Risk Metrics in 2009).

¹³ <http://www.riskmetrics.com/docs/global-esg-100-2010>.

¹⁴ <http://www.sustainability-indexes.com/default.html>.

¹⁵ <http://www.accountabilityrating.com/>.

¹⁶ <http://www.covalence.ch/index.php/ethical-rankings/>.

¹⁷ *Fortune's Most Admired Companies*; *World's Most Reputable Companies*; AccountAbility; EthicalQuote.

¹⁸ A nomination ranking singles out outstanding performers without classifying them according to the level of excellence. Global ESG 100 and the Dow Jones Sustainability Index (components) were treated as nomination rankings.

- Step 7: A purpose impact index was calculated by taking the average of (A) and (B). This index is henceforth denominated “purpose impact index.”
- Step 8: The final ranking was determined by calculating the quartiles of the corporate purpose index and classifying companies according to the following ranking:
 - Top purpose impact = maximum value
 - Very high purpose impact = third quartile
 - High purpose impact = second quartile
 - Fair purpose impact = first quartile
 - Low purpose impact = lower than limit of first quartile
 - Out of ranking = 0 (minimum value).

The ranking was then used to single out companies excelling in corporate purpose communication and to investigate the link with (financial) performance.

3. Purpose input

3.1. Why do companies communicate on corporate purpose?

A Burson-Marsteller survey on purpose and performance in 2008¹⁹ concluded that companies that deliver on purpose and performance are viewed as role models and are more trusted. It also pointed out that the vast majority of managers and key stakeholders felt that purpose was growing in importance. It gave support to the claim from previous studies that moving beyond simply describing financial performance to communicating more broadly on corporate purpose is an essential part of building trust in brands and corporations.

Yet, the decision to communicate on purpose is not straightforward, since managers have good reason to see it as a double-edged sword. On the one hand, a corporate communication on purpose which is consistent with actions can build, sustain and increase trust. On the other hand, many key stakeholders view purpose communication with mistrust and skepticism. Public declarations of purpose can open the door to accusations of window dressing, and companies' reputations can suffer when they are perceived to fail in "walking the talk." As the head of communication of a company in the energy sector explained:

We know that critical groups pay attention to what we say. We are aware that the high standards we set ourselves might make us more vulnerable. Because we are open, they are able to use these things against us. But that is their business. From our side, we know that it pays to explain our "*raison d'être*" to a sophisticated workforce and stakeholders. So we try to be consistent and link all actions back to corporate purpose so as to reduce the risk of being attacked.

Figure 6 illustrates the different ways companies can position themselves regarding communicating purpose and putting it into action.

Figure 6

		Put into action	
		Yes	No
Communicate	Yes	Walk the talk Talk the walk	Corporate hypocrisy
	No	Just do it	Sit down and shut up

For example, a company that puts purpose into action but does not communicate it, would fit in the "just do it" quadrant while a company that communicates on purpose but fails to put it into action will fit in the "corporate hypocrisy" quadrant. Companies that communicate and put purpose into action can take two different approaches:

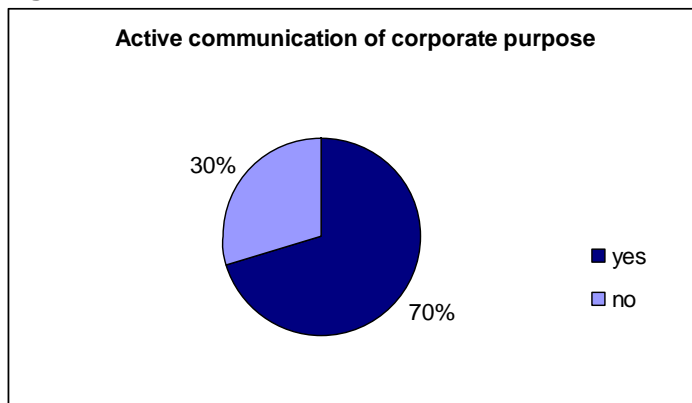
- "Walk the talk," – purpose is used as an aspiration, or a driver, since companies communicate a clear sense of purpose and transform it into action by working to align corporate behavior with it;
- "Talk the walk," – purpose is used in a descriptive approach since companies align their communication on the subject behind the fundamentals that guide corporate behavior.

¹⁹ In-depth one-on-one interviews were conducted in 11 countries (Belgium, Denmark, France, Germany, Italy, Netherlands, Norway, Spain, Sweden, Switzerland and the UK). Approximately half of the interviewees were top managers (CEOs, corporate communications heads/managers), and half were key stakeholders (media, NGOs, financial analysts, academics, government officials).

European companies have long been known for being less vocal on corporate purpose than their US peers. In his study, Binney (2006:28) concluded that “from many European and Asian perspectives, declaring your purpose and values may seem boastful – or at least in poor taste,” thus indicating that European companies would mainly position themselves in the “just do it” quadrant.

In our study, however, we find no support for the prevalence of the “just do it” approach. The majority of the companies in our sample do actively communicate on corporate purpose (Figure 7) and many have dedicated increased efforts to it in the past five years.

Figure 7



Source: Communicating corporate purpose survey

Indeed, we find anecdotal evidence of European companies that have made efforts in the past few years to move from a “just do it” approach toward a “talk the walk” approach.

Nestlé has consistently shown a low-key approach to communicating purpose. However, since 2007, the company has changed its approach and become active in communicating its corporate purpose of “Creating Shared Value.”²⁰

TNT has also been more active in communicating purpose in the two past years. Although the company has had a reputation for “going the extra-mile” for a long time, TNT only recently started to use this to differentiate its brand and actively communicate the company’s identity. In 2008, after a branding exercise, the company encouraged staff to put words around TNT’s attitude and gradually engaged in actively communicating corporate purpose to external audiences.²¹

Allianz is a good example of a sustained “talk the walk” approach:

Allianz communicates its purpose by training its employees and supporting these activities through press releases, advertising and use of media channels. Allianz does not say: “we are good in managing your risk.” You don’t trust someone that says: “trust me.” Trust is built through expertise and experience. You can only effectively communicate purpose if you are already acting on that in a coherent way.²²

Although we find good indicators of change in the behavior of European companies regarding purpose communication, it does not mean that the cultural differences to which Binney (2006) referred to are disappearing, since the companies are moving toward a “talk the walk” approach, instead of a typically American “walk the talk” one.

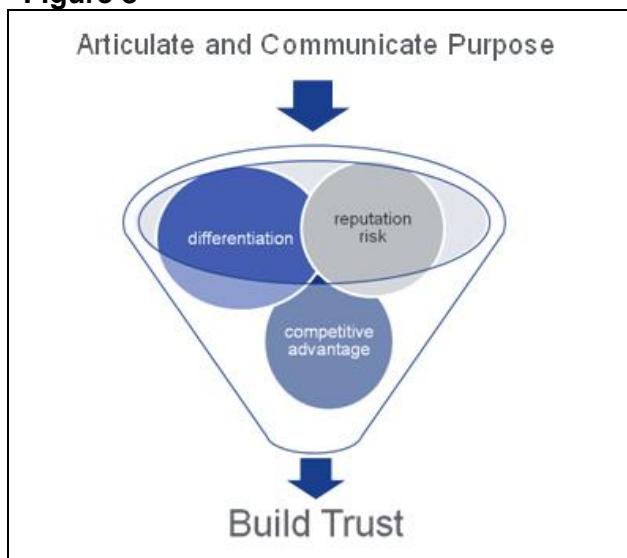
²⁰ Refer to the Nestlé case story on page 31 of this report.

²¹ Refer to the TNT case story on page 41 of this report.

²² Interview with Allianz’s Group Head of Communications. Refer to the Allianz case story on page 28 of this report.

Our study confirmed “build and sustain trust” as the general motive for companies to articulate and communicate on corporate purpose. The link between purpose communication and trust building can be better understood by looking at cases that illustrate three specific motives: market differentiation, reputation risk management and competitive advantage building.

Figure 8



Better reputation risk management is often a motive for a company to become active in purpose communication. Companies being challenged by attacks on their reputation can act to ensure/restore key stakeholders’ trust by articulating and communicating a sense of purpose, which would position them differently in the minds of their stakeholders. In some cases, this is done by using corporate purpose in a descriptive way, for example by being vocal on existing corporate behaviors. In other cases, corporate purpose is part of a broader change process and is brought into the picture as an aspiration purpose, with the aim of inspiring and driving desired behavior changes.

BAE Systems illustrate the case of communicating corporate purpose being used as key aspect of reputation risk management. The company put in place a large initiative to communicate purpose to internal stakeholders as part of a strategy to review business practices in order to comply with responsible conduct when bidding for defense contracts. As explained by the company’s Head of Communication²³:

For us communicating corporate purpose goes beyond reputation and image management, as it is directly linked to the company’s license to operate.

Nestlé is also a good illustration of using corporate purpose communication as a key aspect of reputation risk management.²⁴ As the company’s head of corporate communications explained:

Nestlé’s previous policy was not to actively communicate on certain topics. This led to other people telling Nestlé’s story while Nestlé itself remained silent. This also led to misinformation in the public domain. We understood that letting key stakeholders know about our corporate purpose strengthens trust they have in Nestlé. We are now telling Nestlé’s story ourselves.

²³ Refer to the BAE System case story on section 5 of this report.

²⁴ Refer to the Nestlé case story on page 31 of this report.

Communication of corporate purpose can also be triggered as part of a strategy to give visibility to company differentiation in order to secure/gain industry leadership. A communications director at a company in the manufacturing sector noted:

We went through a rebranding in 2001. We were a loose conglomerate and had a desire to add a strong group culture, which would help to differentiate us from competitors. It became fundamental that the employees could see that we walked the talk. Having a clear corporate purpose became an efficient vehicle in explaining internally, as well as externally, what our ambitions were with the rebranding of the company.

Our research shows that BASF, Unilever, Allianz, Danone, Vodafone, Nestlé and Shell are recognized by their peers as examples of companies that have successfully differentiated themselves from other players in their industry through effective communication on corporate purpose.²⁵

Allianz and Unilever have taken initiatives to drive their industries toward action on long-term issues – respectively, climate change and sustainable fishing/sustainable agriculture– based on purpose-related motives. Interestingly, those initiatives have reinforced the companies' differentiation positioning in the industry and have also been effective in trust building.²⁶

A third major motive for communicating corporate purpose is competitive advantage. Companies can boost competitive advantage by creating special bonds with stakeholders that allow them to create (or capture) exceptional value. Corporate purpose can play an important role in building, increasing and sustaining trust with those constituencies. Nokia, Philips and Novo Nordisk are good illustrations of such motivation.

For Nokia, corporate purpose is fundamental to supporting the brand in building trust not only with consumers, but also with an increasingly strategic stakeholder, the community of developers for smartphone applications. As applications become the key competitiveness driver, ensuring that developers invest their time and resources in creating applications for Nokia's smartphones, and not for its competitors, is the key to securing (and gaining) market position.²⁷

In the case of Novo Nordisk, its corporate purpose "Changing diabetes" plays an essential role in building long-term relationships with stakeholders such as doctors and medical researchers. Through committing the company to the cause of diabetes in a broad way, the company has succeeded in positioning itself in the minds of those stakeholders as a preferential partner.²⁸

Philips links its effective communication of corporate purpose with the success it had in smoothly changing its product portfolio and corporate profile. In order to create and sustain competitive advantage, the company changed its focus from "making products for the end consumer" to "serving professionals" in its core areas of commercial activity: health care, lighting and consumer lifestyle. For the company, the purpose of communicating purpose is to share with key stakeholders the rebuilding of its business and to clearly position "what Philips is transitioning to and why."²⁹

But the existence of a powerful motivation does not tell the full story about why companies communicate corporate purpose, since other important factors need to come into play: timing

²⁵ Survey results.

²⁶ Refer to the following cases: IMD-2-0142 "Feeling the Heat: Allianz and WWF pushing an industry toward climate change action"; IMD-2-0083 "Transforming the global fishing industry: the Marine Stewardship Council at full sail?"; "Certification: Lipton tea can do that!" in: Hurlings, S. Marketing sustainability, IDH, 2009.

²⁷ Refer to the Nokia case story on page 33 of this report.

²⁸ Refer to the Novo Nordisk case story on page 35 of this report.

²⁹ Refer to the Philips case story on page 38 of this report.

and preparedness. For example, although reputation risk is a strong motive for a company to communicate on corporate purpose, it can backfire unless substantial changes to address the origin of the risk have been put into place, and the company can defend itself against accusations of empty rhetoric by showing concrete and consistent change. During our study, we found that companies in the banking sector were reluctant to talk about corporate purpose, since they clearly felt that a low profile was the best approach at a time when industry credibility had been deeply shaken.

3.2. How do companies communicate on corporate purpose?

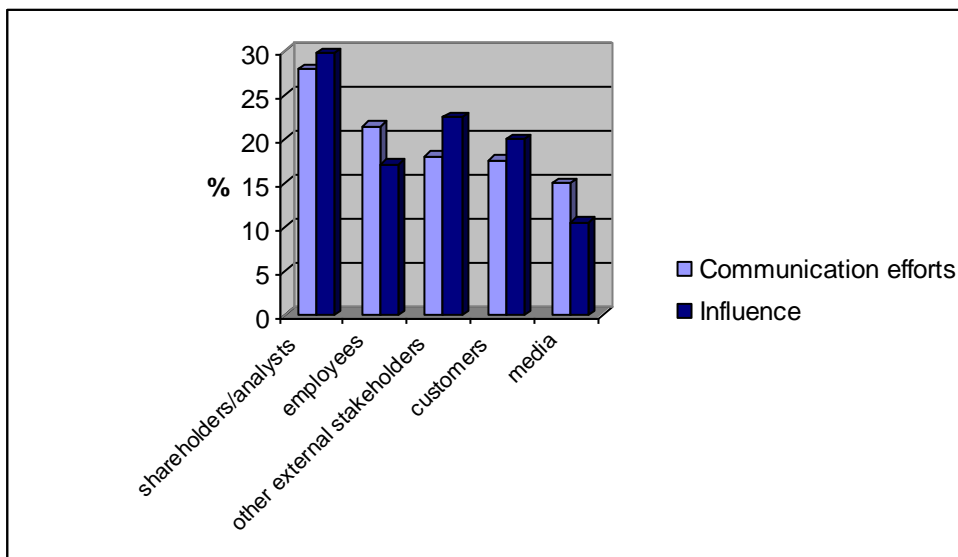
Communicating on corporate purpose goes beyond articulating, publishing and broadcasting a purpose statement. As expressed by the head of communication of an energy company, “communicating effectively on corporate purpose means gravitating naturally back to it whenever engaging in dialogue with internal and external stakeholders.”

A little over a quarter of the communication efforts of companies in our sample are directed toward shareholders, investors and financial analysts. Current and prospective employees are the second target of communication efforts on corporate purpose, followed by a group of diverse external stakeholders – such as governments, NGOs, opinion leaders and local communities – customers and media.

When asked about the influence of stakeholders on corporate behavior, communication executives place shareholders and financial analysts at the top, followed by external stakeholders, customers, employees and media.

Figure 9 illustrates a convergence between purpose communication efforts and executives’ perception of stakeholders influence on corporate behavior.

Figure 9



Source: Communicating corporate purpose survey

The study shows that European companies believe that an effective communication of purpose is based on dialogue and warm communication. Allianz’s head of group communications defined the importance of warm communication:

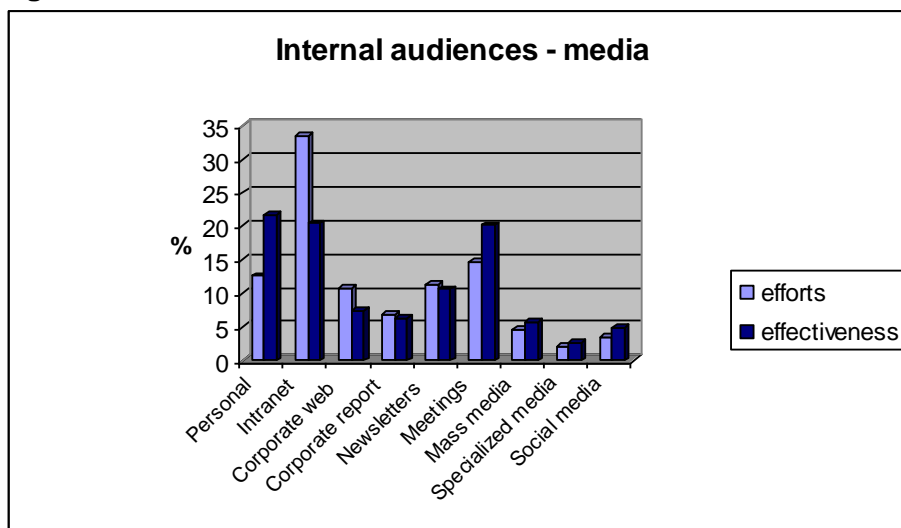
The traditional way of using “cold media,” such as intranet, company magazine and reports, is not the best way to communicate purpose, since they are one way and not interactive. Purpose communication can only be effective if it is “warm,” in other words, if it happens as a

continuous loop of sending and receiving information. There is no point in broadcasting corporate purpose. The only way to do it is through dialogue with stakeholders. For example, corporate communication through newspapers or interviews in financial publications has lost credibility during the global economic crisis. The most trusted source for the external world to know about a company in the financial services industry today is its customers.

However, companies still mainly rely on cold media to communicate purpose, as shown in Figures 10 and 11.

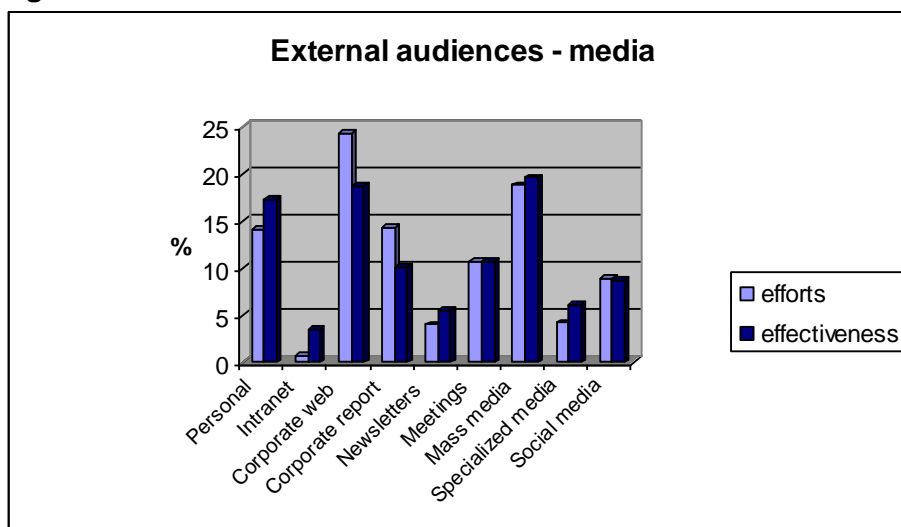
Personal (one-on-one) communication and meetings are perceived by executives as the most effective media when addressing internal audiences, while corporate intranet is the most used media. The gap between perceived effectiveness and media use of personal communication and intranet can possibly be explained by the cost of personal communication. Companies often end up using less effective, but less expensive, means of communication.

Figure 10



Source: Communicating corporate purpose survey

Figure 11

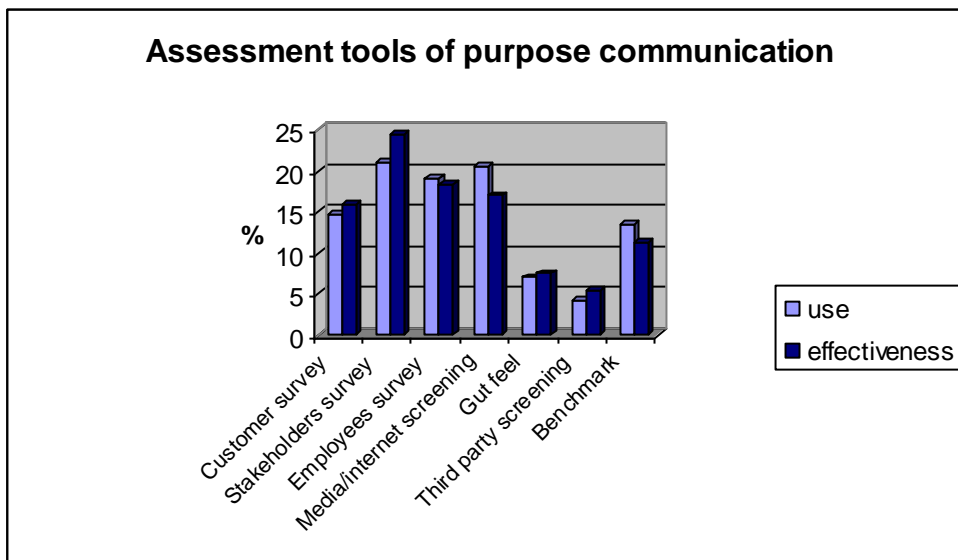


Source: Communicating corporate purpose survey

When communicating with external audiences, companies rely mainly on the corporate web site, mass media, personal communication and corporate reports. These are also perceived by executives as being the most effective media. It is interesting to note that the gap between effectiveness and media use in communication with external audiences is smaller than the one we observed for communication with internal audiences.

Feedback is another critical part of dialogue and warm communication. Companies usually get feedback on their corporate purpose communication through a mix of surveys – with stakeholders, employees and customers, media screening and internet search and benchmarks with other companies. Very few rely on gut feel or third-party screening. Figure 12 illustrates a sufficient convergence between the use of assessment tools by companies and their effectiveness.

Figure 12



Source: Communicating corporate purpose survey

4. Purpose impact

4.1. Which companies excel in communicating corporate purpose?

Table 1 presents the overall results of the Purpose Impact Ranking for the base-year 2009 and box 2 single out best performers³⁰. Nokia, Philips, BASF and L’Oreal are the top performers, scoring a maximum value in the purpose impact index.

Table 1 – Purpose Impact, 2009

Purpose Impact	Number of Companies	%
Top	4	2
Very high	31	15
High	37	17
Fair	46	22
Low	22	10
Out of ranking ³¹	72	34

Box 2 – Purpose Impact Ranking, 2009

Top Purpose Impact	Very High Purpose Impact	High Purpose Impact	
BASF	LVMH	Arcelormittal	Henkel
L’Oreal	Nestlé	AXA	Holcim Limited
Nokia Corporation	Novartis	Banco Santander	Iberdrola
Philips Electronics	Roche Holding	BHP Billiton	ING Groep
ABB	Royal Dutch Shell	BP	Lafarge
Air France-KLM	RWE	BT Group	Man
Anheuser-Busch Inbev	Sabmiller	Carrefour	Marks & Spencer
Astrazeneca	Sainsbury	Christian Dior	Munich Re
Bayer	Siemens	Credit Agricole	Novo Nordisk
BG GROUP	Statoilhydro	Credit Suisse	Peugeot
BMW	Swiss Reinsurance	Daimler	Robert Bosch
Danone	Telefonica	Delhaize Group	Rolls-Royce
Deutsche Lufthansa	Tesco	Deutsche Bank	SAP
Diageo	Total	Deutsche Post	Sberbank
E.ON	Unilever	EDF	Schneider Electric
ENI	Vodafone Group	Ericsson	ThyssenKrupp
Glaxosmithkline	Volkswagen	Gazprom	TNT
HSBC Holdings	Allianz	GDF Suez	Zurich Fin. Services

Figure 13 and Table 2 bring an across- and within-industry perspective on purpose impact. The Energy, Pharma & Health Care, Technology & Communications and Food & Beverage sectors score higher than the overall mean, while insurance and transportation services (logistics and passengers transportation) score well below the overall mean, due to the influence of a significant number (50% or more) of “out-of-ranking” companies.

³⁰ We singled out as best performers companies scoring high, very high or top on purpose impact.

³¹ Companies were classified as “out of ranking,” when they scored zero in the purpose impact index as a result of not being in any of the rankings we used in this study, thus being “out of the radar” of their key stakeholders.

Figure 13

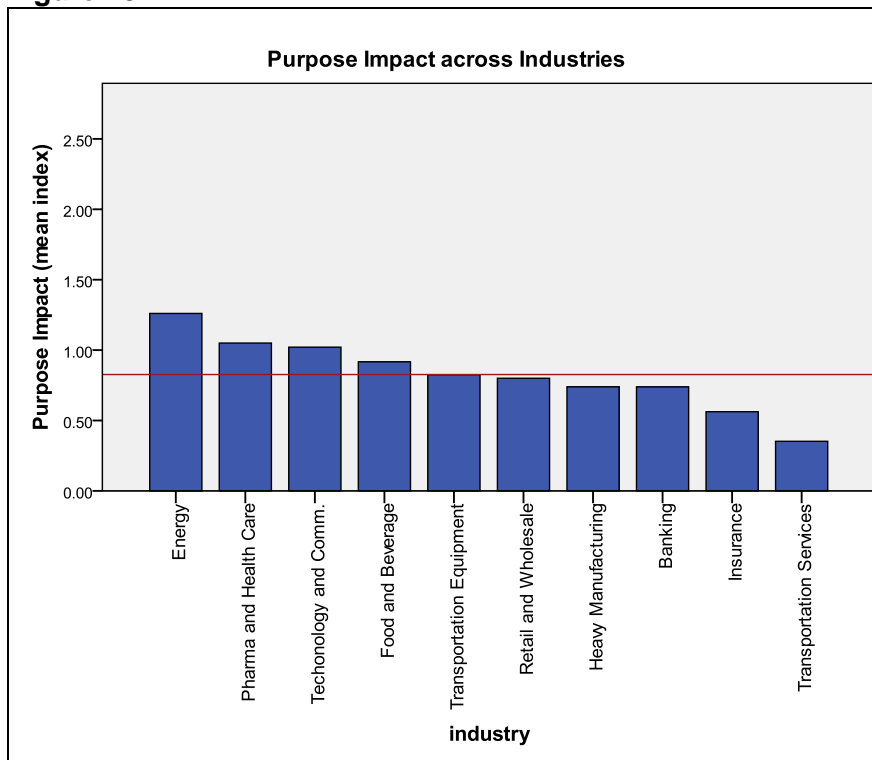


Table 2 – Purpose Impact within Industries, 2009

Industry	Purpose impact (% within industry)			
	Out of ranking	Low or Fair	High	Very high or Top
Energy	14.81	37.04	22.22	25.93
Pharma and Health Care	33.33	26.67	6.67	33.33
Technology and Comm.	12.50	50.00	16.67	20.83
Food and Beverage	38.89	27.78	0.00	33.33
Transportation Equipment	20.00	45.00	25.00	10.00
Retail and Wholesale	45.00	15.00	20.00	20.00
Heavy Manufacturing	30.43	39.13	21.74	8.70
Banking	27.27	45.45	22.73	4.55
Insurance	50.00	25.00	20.83	4.17
Transportation Services	68.18	13.64	9.09	9.09

Tables 3 to 12 give detailed information on the scoring of best performers per industry sector.

Table 3 – Purpose Impact, Energy sector

Company	Reputation Index	Recognition Index	Purpose Impact Index	Purpose Impact Ranking
E On	3.00	2.00	2.50	very high
Shell	3.00	2.00	2.50	very high
StatoilHydro	2.00	3.00	2.50	very high
Total	3.00	2.00	2.50	very high
BG group	2.00	2.00	2.00	very high
ENI	2.00	2.00	2.00	very high
RWE	2.00	2.00	2.00	very high
BHP Billiton	3.00	0.50	1.75	high
BP	2.00	1.50	1.75	high
EDF	2.00	1.50	1.75	high
GDF Suez	2.00	1.50	1.75	high
Iberdrola	0.00	3.00	1.50	high
Gazprom	2.00	0.50	1.25	high

Table 4 – Purpose Impact, Pharmaceutical and Health Care sector

Company	Reputation Index	Recognition Index	Purpose Impact Index	Purpose Impact Ranking
Roche	2.00	3.00	2.50	very high
Bayer	3.00	1.50	2.25	very high
GlaxoSmithKline	2.00	2.50	2.25	very high
AstraZeneca	2.00	2.00	2.00	very high
Novartis	2.00	2.00	2.00	very high
Novo Nordisk	0.00	3.00	1.50	high

Table 5 – Purpose Impact, Technology and Communication sector

Company	Reputation Index	Recognition index	Purpose Impact Index	Purpose Impact Ranking
Nokia	3.00	2.50	2.75	top
Philips	3.00	2.50	2.75	top
Siemens	2.00	2.50	2.25	very high
Vodafone	2.00	2.50	2.25	very high
Telefonica	2.00	2.00	2.00	very high
BT Group	1.00	2.50	1.75	high
Ericsson Telephone	2.00	1.50	1.75	high
SAP	0.00	3.00	1.50	high
Schneider Electric	1.00	2.00	1.50	high

Table 6 – Purpose Impact, Food and Beverage sector

Company	Reputation Index	Recognition Index	Purpose Impact Index	Purpose Impact Ranking
Danone	2.00	3.00	2.50	very high
Nestle	3.00	2.00	2.50	very high
Anheuser-Busch Inbev	3.00	1.50	2.25	very high
Unilever	2.00	2.50	2.25	very high
Diageo	1.00	3.00	2.00	very high
Sabmiller	2.00	2.00	2.00	very high

Table 7 – Purpose Impact, Transportation Equipment sector

	Reputation Index	Recognition Index	Purpose Impact Index	Purpose Impact Ranking
BMW	3.00	2.00	2.50	very high
Volkswagen	2.00	2.00	2.00	very high
Peugeot	2.00	1.50	1.75	high
Robert Bosch	3.00	0.00	1.50	high
Daimler	1.00	1.50	1.25	high
Man	1.00	1.50	1.25	high
Rolls-Royce Group	2.00	0.50	1.25	high

Table 8 – Purpose Impact, Retail and Wholesale sector

	Reputation Index	Recognition index	Purpose Impact Index	Purpose Impact Ranking
L'Oreal	3.00	2.50	2.75	top
LVMH	3.00	1.00	2.00	very high
Sainsbury	3.00	1.00	2.00	very high
Tesco	2.00	2.00	2.00	very high
Carrefour	1.00	2.00	1.50	high
Christian Dior	3.00	0.00	1.50	high
Delhaize Group	3.00	0.00	1.50	high
Marks & Spencer	0.00	2.50	1.25	high

Table 9 – Purpose Impact, Heavy Manufacturing sector

	Reputation Index	Recognition Index	Purpose Impact Index	Purpose Impact Ranking
BASF	3.00	2.50	2.75	top
ABB Limited	2.00	2.50	2.25	very high
Arcelormittal	3.00	0.50	1.75	high
Henkel	0.00	2.50	1.25	high
Holcim Limited	0.00	2.50	1.25	high
Lafarge	0.00	2.50	1.25	high
ThyssenKrupp	2.00	0.50	1.25	high

Table 10 – Purpose Impact, Banking sector

	Reputation Index	Recognition Index	Purpose Impact Index	Purpose Impact Ranking
HSBC Holdings	2.00	2.00	2.00	very high
Credit Suisse	2.00	1.50	1.75	high
Deutsche Bank	1.00	2.00	1.50	high
Sberbank Of Russia	3.00	0.00	1.50	high
Banco Santander	1.00	1.50	1.25	high
Credit Agricole	0.00	2.50	1.25	high

Table 11 – Purpose Impact, Insurance sector

	Reputation Index	Recognition Index	Purpose Impact Index	Purpose Impact Ranking
Swiss Reinsurance	2.00	3.00	2.50	very high
Zurich Financial Services	2.00	1.50	1.75	high
Allianz	1.00	2.00	1.50	high
AXA	1.00	2.00	1.50	high
Munich Re	1.00	2.00	1.50	high
ING Groep	0.00	2.50	1.25	high

Table 12 – Purpose Impact, Transportation Services sector

	Reputation Index	Recognition Index	Purpose Impact Index	Purpose Impact Ranking
Air France-KLM	2.00	2.00	2.00	very high
Deutsche Lufthansa	3.00	1.00	2.00	very high
Deutsche Post	1.00	1.50	1.25	high
TNT	1.00	1.50	1.25	high

4.2. Is there a link between purpose and performance?

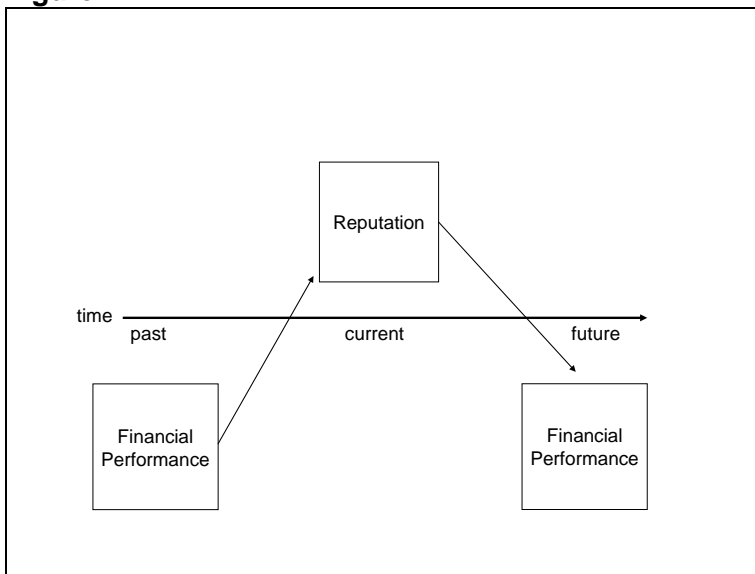
Previous studies have pointed to a positive relation between purpose and (financial) performance. Collins and Porras (1994) concluded, based on the data of over 60 leading US companies, that those with a clear and coherent sense of purpose and values had increased shareholder returns more than 15 times the market average over a sixty-four-year period (from 1926 to 1990).

Ellsworth (2002) looked at the link between corporate purpose and shareholder returns over a ten-year period (from 1983 to 1993) for 23 companies with clear expressions of corporate purpose. He found empirical support for his hypothesis that “a corporate purpose focused on providing value to customers not only is competitively superior to a purpose of maximizing shareholder wealth, but also typically produces greater long-term returns to shareholders.”³²

Other studies have found empirical support for a link between strong reputation and superior financial returns (Vergin and Qoronfleh, 1998; Roberts and Dowling, 2002). Some critics (Davies, Chun and Kamins, 2010) argue that it is more likely that financial performance leads to a good reputation than vice versa. However, Roberts and Dowling (2002) provided and tested the rationale for a more complex dynamic model, which includes cross-sectional relationships between reputation and financial performances. According to their model, past superior performance leads to current strong reputation, while current strong reputation leads to superior financial performance in the future (figure 14).

³² Ellsworth (2002), page 27.

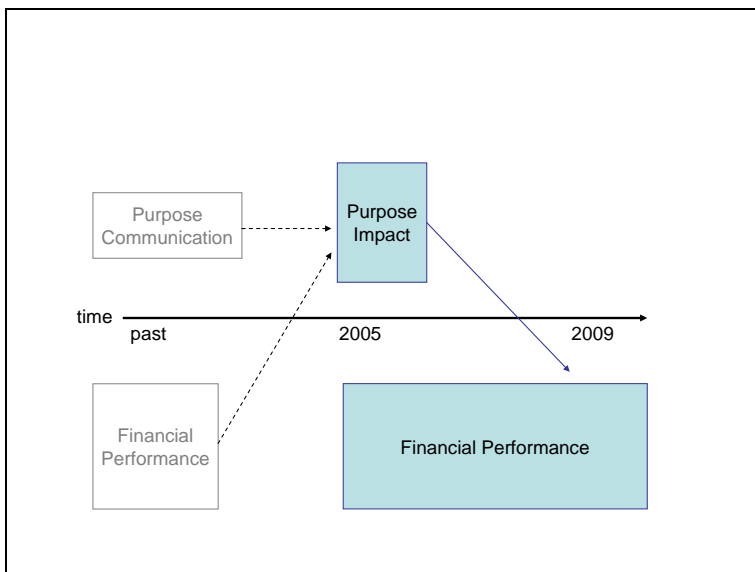
Figure 14



Source: adapted from Roberts and Dowling (2002)

Figure 15 shows the model we used in this study to statistically test the influence of purpose impact in base-year 2005 on financial performance over the following five-year period (2005 to 2009).

Figure 15



The effect of purpose impact on future financial performance was statistically tested through regression analysis.

The first step of the regression analysis was to calculate³³ the Purpose Impact Index for the base-year 2005, which was used as the independent (or explanatory) variable in the model. Out-of-ranking companies, scoring zero in purpose impact, were excluded from the regression analysis database.

³³ Using the data sources and methodology described in section 2.

Financial performance was measured through a profitability ratio, the Return on Invested Capital (RoIC).³⁴ Accounting measures of profitability such as RoIC are absolute performance measures. However, the model assesses the dynamic of a normalized profit time series. We followed the literature and normalized returns over time, by taking average returns over the five years following the base-year of the independent variable. The average RoIC over the period 2005–2009 was taken as the dependent (or explained) variable.

Following the literature, we used company size, measured through the natural logarithm of sales, as the control variable.

In summary, the dynamic of the model was operationalized by taking the purpose impact index at 2005 as the explanatory variable of the variations on the financial performance over the five subsequent years, controlling for the effect of company size on the model.

Two alternative models were tested. In the first model, the dependent variable is normalized over time, but not for industry. This means that the first model tests the effect of purpose impact on economy-wide returns normalized over time. The most persistent studies on profitability work with economy-wide measures.

However, because we are interested in capturing the effect of purpose impact on superior returns, it is desirable to look at the relative financial performance of a company in relation to the average performance within its industry. Therefore, in the alternative model, the dependent variable is the standard deviation of an RoIC (2005–2009 average) from the industry average RoIC (2005–2009 average).

Tables 13 and 14 show the results of the regression analysis.

Table 13 - Regression on industry-standardized return on investments (RoIC), 2005–2009.

Variable	Regression Results (standardized Beta Weights)	
	Model 1a	Model 1b
Control variable: logarithm of sales	-.178*	-.244**
Independent variable: purpose impact index		.225**
Model R ²	.032*	.078**

Significance: * p< .10; ** p< .05; *** p< .01
N = 108.

Table 14 - Regression on RoIC, 2005–2009.

Variable	Regression Results (standardized Beta Weights)	
	Model 2a	Model 2b
Control variable: logarithm of sales	-.284***	-.376***
Independent variable: purpose impact index		.311***
Model R ²	.081***	.169***

Significance: * p< .10; ** p< .05; *** p< .01.
N = 108.

³⁴ Return on Invested Capital = (Net Income before Preferred Dividends + Interest Expense on Debt - Interest Capitalized) / ((Last Year's Total Capital + Last Year's Short Term Debt & Current Portion of Long Term Debt)+(Current Year's Total Capital + Current Year's Short Term Debt & Current Portion of Long Term Debt)/2) * 100.

The regression analysis shows that:

- Assuming all other factors constant, the two predictors in the model – corporate purpose impact and company size – explain, with a high level of confidence, **8%** of the variation of the industry-relative financial performance of leading European companies.
- Assuming all other factors constant, the two predictors in the model – corporate purpose impact and company size – explain, with a high level of confidence, **17%** of the variation of the economy-wide financial performance of leading European companies.
- Among the two predictors used in the model, corporate purpose enhances financial performance while company size negatively affects financial performance.
- Returns on invested capital are expected to increase by 0.225 in relation to the industry average RoIC, in the subsequent five years, when the purpose impact index increases by one unit, holding all the other variables constant.
- Returns on invested capital are expected to increase by 0.311, in the subsequent five years, when the purpose impact index increases by one unit, holding all the other variables constant.

The interpretation of regression results requires a careful approach, since it can only ascertain relationships but never give solid information about underlying causal mechanisms, as regressions do not consider alternative causal explanations. One also needs to be careful when extrapolating the results of the regression, since it only ascertains relationships for the specific group of variables used in the analysis; meaning that the regression above holds true only for the specific group of 108 companies used in the analysis for those specific variables at this specific period of time. This is why a careful interpretation of a regression should focus on the existence, strength and sign (positive or negative) of the relationship, rather than on the actual values of coefficients.

The following is a safe and rigorous interpretation of the regression results, in practical terms:

- A well-executed corporate purpose communication enhances the financial performance of leading European companies.
- A well-executed corporate purpose communication is more important than company size in terms of its effect on financial performance.
- Corporate purpose enhances not only economy-wide financial performance of leading European companies but also relative financial performance within industries.

4.3. Balancing purpose and performance

Following the analysis of the relation between purpose and performance and the identification of companies which excel in communicating corporate purpose, we look at companies' results in purpose and performance.

The graphic in Figure 16 compares the economy-wide financial performance of companies from 2005 to 2009 with the impact of their corporate purpose in 2009, while the graphic in Figure 17 compares the industry-relative financial performance of companies from 2005 to 2009 with the impact of their corporate purpose in 2009.

Companies at the high-right quadrant show well-balanced outstanding results in the two dimensions, while companies on the high-left and bottom-right quadrants show unbalanced results, with a significant gap between purpose and performance. Thus, companies such as

Nokia, GlaxoSmithKline, Unilever, AstraZeneca and ABB are the best-positioned ones and can be considered as role models with very high impact purpose well balanced with outstanding performance results.

Figure 16

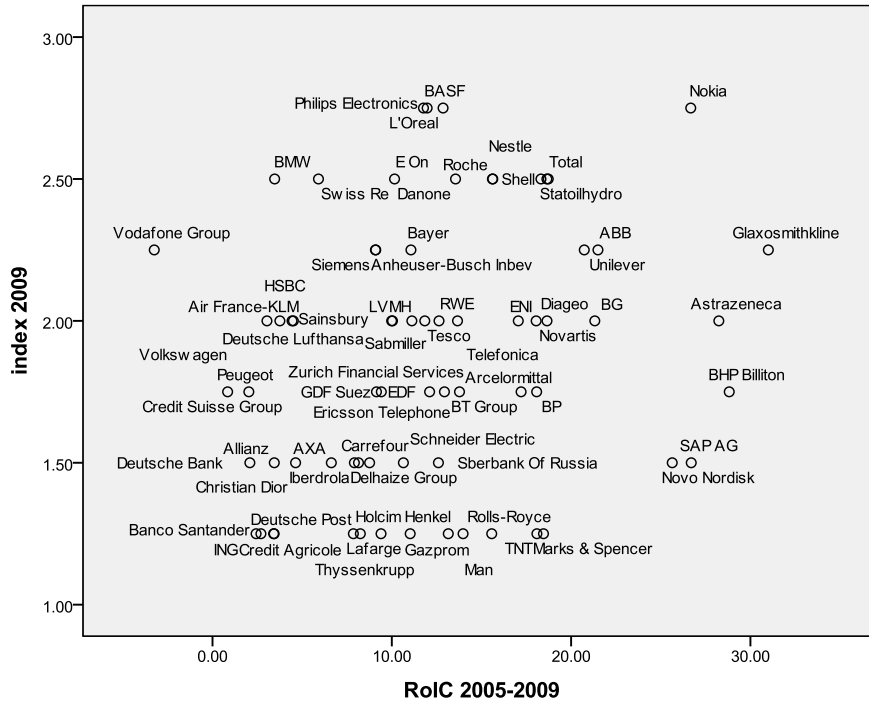
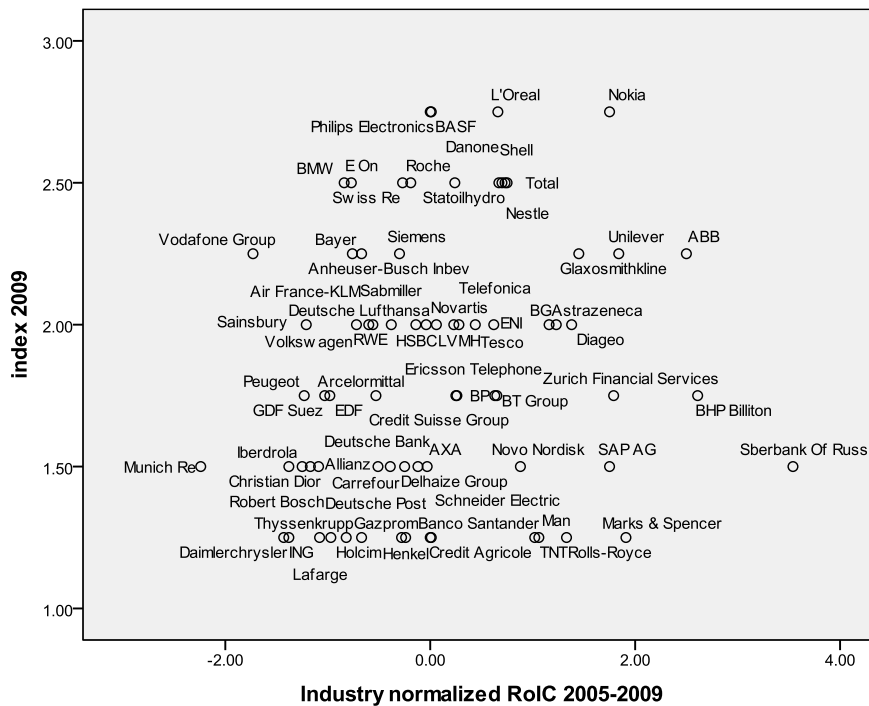


Figure 17



5. Case stories

5.1. Allianz: Communicating Corporate Purpose¹

Allianz Group is one of the world's largest financial providers, with a strong presence in the insurance and asset management businesses. Headquartered in Munich, Germany, it reaches approximately 75 million customers in about 70 countries. In fiscal year 2009, the company achieved total revenues of over €97.4 billion, managed €926 billion of third-party assets and employed 153,000 employees worldwide.

Amid the financial turmoil of the past couple of years, Allianz has been able to achieve its financial targets by ensuring that it remains relevant to its stakeholders. As stated on the "company profile" section of Allianz's corporate website:

Beyond the quality of our financial performance, a number of other activities and factors are important for the sustainable growth of our competitive strength and company value. These include, but are not limited to, our global diversification, the reduction of complexity, our value-based management approach, and our crucially important employees.

Emilio Galli-Zugaro, head of group communications at Allianz, equated corporate purpose with corporate strategy and articulated Allianz's specific corporate purpose as follows:

Build the world's strongest financial community. Be the most trusted financial services company throughout the world.

Trust is the single most crucial asset for Allianz, since its core business is to manage and balance the risks and opportunities of its clients. Galli-Zugaro explained the company's approach in creating an atmosphere of trust:

Allianz does not say "we are good in managing your risk." We simply try to build trust; through expertise, integrity and customer experience. We understand that we can only earn the trust of our customers and partners if we create solutions to reduce the individual as well as the systemic risks of our interconnected world.

Communication of Corporate Purpose

Galli-Zugaro explained Allianz's strategy in communicating corporate purpose as "warm communication," meaning a continuous feedback between sending and receiving information in a dialogue with its stakeholders. Customers and employees are key stakeholders for Allianz's communications, followed by investors, media, politicians, regulators and NGOs as well as local communities.

Any available means of one-to-one personal communication with employees in various roles and managerial level is the preferred media to convey corporate purpose to internal audiences. "Cold media," such as corporate website, intranet and corporate magazine, are used by Allianz as supplementary media. Galli-Zugaro explained that the ultimate aim of internal communication of corporate purpose is to transform every employee into an Allianz ambassador, illustrating the point with a striking example:

I was pleasantly surprised when recently a company receptionist at the Kuala Lumpur office of Allianz asked for a change in her job title. She wanted to henceforth be known as "Director of First Impressions" as she is the first person who comes in contact with the customer who reaches out to Allianz.

¹ Research Associate Aparna Dogra prepared this case for IMD's Center for Corporate Sustainability Management (CSM) as part of a joint venture project between Burson-Marsteller and IMD on corporate purpose in organizations. Core project team: Professor John Weeks, Dr Aileen Ionescu-Somers and Dr Tania Braga.

The key issues and themes of communication with the internal audience are related to value-based leadership, a concept introduced by Allianz aiming to raise the quality of leadership and promoting a cultural transformation to help the company to “communicate openly and create an atmosphere of trust.”² Allianz value-based leadership is based on five principles:

- i) Align strategy and communication, so that each and every employee understands the strategy of the company, gives his or her input into it and communicates accordingly with all stakeholders;
- ii) Promote a high performance culture, so that employees give and receive feedback, and are coached, encouraged and rewarded for exceptional performance;
- iii) Focus on customers, so that employees develop and grow strong customer relationships through delivering excellence in products, operations, processes and behaviors;
- iv) Develop employees through transparency in career opportunity creation and diversity leverage and valorization;
- v) Build on mutual trust and feedback, by placing values such as trust, fairness, integrity, and clear and open communication at the heart of corporate culture.

The effectiveness of communication with the internal audience is measured through a leadership survey – targeting leaders and managers – and a employee engagement survey – targeting employees at large – which are directly linked to managers’ remuneration. In these surveys, employees are asked about leadership values that the company focuses on and have the opportunity to rate their superiors’ performance according to the same principles.

Allianz’s communication with external audiences on corporate purpose goes along similar lines. Personal communication from employer to customer and from customer to customer is the preferred media. This is supplemented by communication using different types of “cold media,” such as press releases, advertising, mass media and specialized media channels. Galli-Zugaro explained that the most trusted source for the external world to know about Allianz’s services is its customers, thus the focus on a superior customer experience. He illustrated this with an example:

When someone has an accident, the first question that should come from Allianz should not be, “What is your policy number?” but “How are you feeling?” It is more than being kind. It is conventional wisdom. At Allianz, we try to foster conventional wisdom practices.

Allianz communicates with external audiences on issues identified by the company as relevant drivers of corporate decision-making, aiming to improve responsiveness to customer opportunities and risks and to stakeholder concerns on pressing global issues.

An example of such an approach is the Allianz Knowledge Partnersite, a web platform focusing on climate change, aging populations, energy security, safety, health and microfinance – topics considered by the company as vital to its business and to the world. The platform gathers trustworthy information on proven solutions and concrete case studies from partners and from within the Allianz group and makes it available in a well-presented format to a broad international audience.

Another example highlighted by Galli-Zugaro is Allianz’s work on car safety issues. Allianz conducts safety experiments in partnership with automotive companies and shares the results with customers. Also, the company communicates with customers on post accident

² https://www.allianz.com/en/about_allianz/strategy/leadership_values/page1.html.

care provided by the company, such as childcare services for children of parents who might have met with an accident.

Allianz does not directly measure the impact of its own communications with external audiences because it is not interested in communicating purpose for its own sake. Instead, the company measures the degree to which it has built trust with clients during the “moments of truth” when clients interact with Allianz. The company measures this using the Net Promoter Score³ which has been adopted as a core KPI throughout the company and employs it to motivate employees and achieve corrective measures and improve their behaviors.

³ Net Promoter Score (NPS) is a registered trademark customer loyalty metric introduced by Fred Reichheld in the article “The One Number You Need to Grow” (2003). Companies obtain their NPS by asking customers a single question on a 0 to 10 rating scale: “How likely is it that you would recommend our company to a friend or colleague?” and categorizing them into one of three groups: promoters (9–10 rating), passives (7–8 rating), and detractors (0–6 rating). The percentage of detractors is then subtracted from the percentage of promoters to obtain the NPS.

5.2. BAE Systems: Communicating Corporate Purpose¹

BAE Systems is a global defense, security and aerospace company with approximately 107,000 employees worldwide. With a preliminary revenue statement of £22,415 million in 2009, BAE Systems has evolved to become one of the world's leading defense companies. BAE Systems has seven home markets – Australia, India, Saudi Arabia, South Africa, Sweden, UK and the US – where the company has established, or is seeking to establish, a position in the defense industrial base along with strong customer relationships.

In January 2009, the company issued its global Code of Conduct, which, as stated in the BAE Systems' 2009 Corporate Responsibility Report,

provides all our employees with practical guidance on how to deal with ethical dilemmas that may arise, and represents an unequivocal public statement of what we stand for, and how we do business.

The Code of Conduct was developed to provide clear global standards to all employees. It was part of BAE Systems' strategy to restore public confidence in the company and a result of two years of reviewing its business practices to provide further assurance to customers, investors, employees and communities that it was committed to continuously improving its policies, relating to ethics and business conduct. The code is also an important part of the way the company communicates its corporate purpose.

Communicating corporate purpose, for BAE Systems, goes beyond reputation and image management, as it is directly linked to the company's license to operate. When asked about the meaning of BAE Systems' corporate purpose, Barney O'Kelly, Head of Communication – Strategic and Digital, acknowledged:

Your call about corporate purpose is timely! I would say that our corporate purpose is best encapsulated in our vision. Our vision statement has recently been revised and we are now actively communicating what BAE Systems is about. We aim to be the premier global defense, security and aerospace company and we want to be recognised as a company with a culture of Total Performance.

Ian King, Chief Executive of BAE Systems, voiced what the company meant by Total Performance²:

We are committed to becoming recognized as a leader in responsible business conduct within the global business community. To realize this aspiration, it is vital that we achieve the same degree of rigor and pursuit of continuous improvement in business conduct as we currently do in our financial and program management. Our focus is total performance against every aspect of the way we do business.

Working to restore trust

In 2004, the UK Serious Fraud Office initiated an investigation of BAE Systems' business conduct. Three years later, another investigation was initiated by the US Department of Justice. According to a BBC article³, the UK investigation followed denunciations about multi-million pound payments to help the company win a Saudi Arabia deal in the 1980s. According to BAE Systems sources⁴ the US investigation dealt with a "charge of conspiring

¹ Research Associate Philippe Margery prepared this case for IMD's Center for Corporate Sustainability Management (CSM) as part of a joint venture project between Burson-Marsteller and IMD on corporate purpose in organizations. Core project team: Professor John Weeks, Dr Aileen Ionescu-Somers and Dr Tania Braga.

² <http://ir.baesystems.com/investors/woolf/>

³ <http://news.bbc.co.uk/2/hi/business/6739805.stm>

⁴ BAE Systems. Corporate Responsibility Report 2009. Page 3.

to make false statements to the US Government relating to certain regulatory filings and undertakings”.

In 2007, the company reacted by appointing Lord Woolf, the former Lord Chief Justice of England and Wales, as the head of a committee responsible for reviewing BAE Systems' business practices. The company's objective was to restore public confidence in the business through independent verification of the company's practices when winning defense contracts.

In May 2008, the Woolf Committee published its report, issuing 23 recommendations for improving standards of business conduct and the company issued a public commitment to put in place an implementation program to act on all 23 within three years from the date of publication.

In February 2010, the Company announced a global settlement with UK and US investigation authorities. According to company sources⁵, the company agreed through the settlement to plead guilty “to one charge of conspiring to make false statements to the US Government” and to “one charge of breach of duty to keep accounting records in relation to payments made to a former marketing adviser in connection with the sale of a radar system by the Company to Tanzania in 1999”. The company explained the settlement as follows:

The Company very much regrets and accepts full responsibility for these past shortcomings. These settlements enable the Company to deal finally with significant legacy issues. In the years since the conduct referred to in these settlements occurred, the Company has systematically enhanced its compliance policies and processes with a view to ensuring that the Company is as widely recognised for responsible conduct as it is for high quality products and advanced technologies.

Communicating Corporate Purpose

Communicating corporate purpose to internal stakeholders was a key aspect of the company strategy to review business practices and to implement the recommendations from the Woolf Committee. As most companies communicating to employees, BAE Systems used intranet, corporate newspapers, posters and team-briefs – similar to “town-hall” meetings.

BAE Systems's external stakeholders are possibly more limited in number but certainly more diverse. Many tend to be key decision makers such as politicians and armed forces. Public opinion influences those decision makers and consequently becomes an indirect stakeholder. The company tends to prefer communicating its corporate purpose through individual relationships with particular journalists or stakeholders, supported by mass communication such as news releases. In this way, its communication strategy requires a more personalized approach than most companies we have looked at.

However, as technologies change, so does the art of communication. As new stakeholders gain more power so does BAE Systems' need to adapt and proactively reach out with their message. BAE Systems is not alone in facing this issue. With a world more interconnected than ever, more voices can be heard and historically “small” stakeholders can be heard more easily and take on more significance. Says O'Kelly:

We have a good understanding of the way financial analysts, employees and investors perceive our corporate purpose. It is less clear when it comes to media as it is a very noisy environment. Subject matter expertise in our sector diminishes as journalists don't tend to stay a long time in one place and on one topic. As a consequence, we need to identify and target the real opinion

⁵ BAE Systems. Corporate Responsibility Report 2009. Page 3.

leaders – people or groups – and focus on them more than ever. It's not about communicating but about getting people to engage and to understand.

As BAE Systems sites are often large local employers, it becomes important for the company to constantly reassure politicians about the groups' long-term sustainability and ambitions. Communicating corporate purpose through site visits is an important part of that process.

We are largely involved in face-to-face meetings with politicians, explaining what we are attempting to achieve as a business, and how we can support what they are trying to achieve as part of their political agenda. Corporate purpose plays a big part in reassuring politicians in those discussions.

However, as O'Kelly explained, the company's environment is rapidly changing, creating new challenges for the corporate communications team:

We recognize that we are less effective in reaching out to NGOs. The Woolf report looked at how ethical business was conducted at BAE Systems. We are now addressing the issues and we also want to hear from NGOs about what they think BAE Systems should be doing. We have started engaging in events and conference where they are.

The company is now facing the challenge to learn to better communicate with up-and-coming stakeholders, particularly NGOs focusing on ethical business practices and the social and environmental impact of businesses.

5.3. Nestlé: Communicating Corporate Purpose¹

Nestlé defines itself as “nutrition, health and wellness” company. With sales amounting to CHF 108 billion, 280,000 employees and operating in almost every country in the world, Nestlé is, by a large margin, the global leader in the food industry.

Since 2007, the company has made efforts to sharpen its concept of Creating Shared Value. In April 2009, Nestlé publicly launched the “Creating Shared Value” concept by stating:

The financial crisis which has resulted in the current deep recession revealed once more a basic business axiom: If you fail to work on behalf of the public interest and take shortcuts that place the public at risk, you will also fail your shareholders. We believe that to have long-term business success you must simultaneously create value for shareholders and for the public. At Nestlé, we call this Creating Shared Value, and it is the fundamental principle behind the way we conduct business at Nestlé.

According to Niels Christiansen, head of public affairs at Nestlé, the motivation behind the articulation of Creating Shared Value was to:

Make clear that Nestlé’s long-term business success is dependent on providing a benefit for, (or creating value for) society, and particularly in three areas: nutrition, water and rural development. Thus, corporate social responsibility is not something that is separate from the business, but is inherent in the basic business strategy.

He voiced a direct link with Nestlé’s overall corporate purpose:

I understand corporate purpose to be the way a company does its business, and as the very traits that differentiate a company from others. Therefore, for Nestlé, corporate purpose means Creating Shared Value.

Until recently Nestlé has kept a low-key approach on communicating “beyond performance” activities. However, a major change in Nestlé’s perspective regarding brand trust-building has led the company to change its communication strategy.

Actively Communicating Purpose

On the one hand, Nestlé holds the industry leadership² and has built a strong corporate reputation that has allowed it to be the number one in its industry on *Fortune’s* “Most Admired Companies” list since this ranking was created in 2006.³ On the other hand, the company has been the subject of criticism and scrutiny by campaign groups, consumer associations and NGOs around social and environmental issues, including, in the past, marketing of baby formula⁴ and, more recently, palm oil sourcing.⁵

Christiansen explained what propelled the change in Nestlé’s approach on communication:

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² Nestlé sales are higher than the combined sales of its two nearest competitors – Kraft and Unilever.

³ <http://money.cnn.com/magazines/fortune/mostadmired/2010/index.html>.

⁴ Campaign groups – such as Baby Food Action Network – have actively criticized Nestlé in the public arena for aggressive marketing of baby foods and undermining breastfeeding. Some of those groups have been promoting boycotts against the company since the 1980s.

⁵ In early 2010, Greenpeace campaigned against Nestlé’s sourcing of palm oil for Kit-Kat from suppliers in Indonesia with plantations in protected areas.

We need to strengthen the trust people have in our company. Nestlé's previous policy was not to actively communicate on certain topics. This led to other people telling Nestlé's story while Nestlé itself remained silent. This also led to misinformation in the public domain, particularly about the baby formula issue. Peter Brabeck changed that approach. He was clear that we needed to start actively communicating our *raison d'être*. We understood that letting key stakeholders know about our corporate purpose strengthens trust in Nestlé. We are now telling Nestlé's story ourselves.

Nestlé opened the dialogue around the concept with key external stakeholders – distributors & retailers and consumers – through diversified channels. The company engaged in nutrition, health and corporate strategy events. A dedicated website around Creating Shared Value was created and the company promoted the concept through social media to key individuals and organizations.

According to Christiansen, a further step in Nestlé's corporate purpose communication strategy was to develop the Creating Shared Value concept by product line. An example is the Nescafé "Quality Means More" initiative.⁶ He explained:

A link at the back of the Nescafé package that says "quality means more" directs customers to a website where the entire value chain is explained through the Creating Shared Value "lens." Through this link customers can find out how the Nescafé they are buying helps to create value for society through, for example, direct sourcing from coffee farmers or through adding extra anti-oxidants to products to enhance health benefits.

With other key stakeholders, such as farmers and local communities, the emphasis is on personal communication. Nestlé has been moving closer to farmers and rural communities through direct sourcing and through opening more factories in rural areas, particularly in Brazil, China, India and Africa.

When it comes to internal stakeholders, purpose is communicated mainly through intranet sites and by providing links to healthy lifestyle forums, advisory panels on sustainability, Creating Shared Value events, case studies and scientific meetings. Christiansen also mentioned that a dedicated training program is being developed and will be made available by end of 2010. The objective is "to motivate every Nestlé employee to reflect on how she or he can contribute to the creation of shared value."

⁶ www.nescafé.com.

5.4. Nokia: Communicating Corporate Purpose¹

Nokia is the world leader in mobile device manufacturing. At year end 2009, the Finnish company employed 123,000 people, reported net sales of €41 billion and was connecting some 1.2 billion people with its devices.

Although the company has not explicitly defined a corporate purpose, Juha-Pekka Sipponen, vice president of Products, Mobile Phones and Devices at Nokia, equates corporate purpose with “corporate DNA,” combining mission, values and corporate responsibility.

Sipponen explained that the evolution of Nokia’s corporate purpose over recent years echoes the industry’s rapid transformation. Corporate purpose became an increasingly important asset as the company reached out to new stakeholders – such as the mobile professionals and the generation of the 90s – in new ways:

The nature of the industry has considerable impact on the way the corporate purpose is written and used. Changes in the market and in the technology have brought many questions about our corporate purpose. We need to make people believe in our corporate purpose and we need to have success in fulfilling it.

The mobile phone industry went through a radical shake-up as the convergence of mobile devices, internet and personal computers became a reality. Mobile devices lost value and smartphones became the main source of growth and margin for the industry. They integrate the internet and a broad range of tools for communicating, such as e-mail, voice over IP (VoIP), video, chat, instant messaging and SMS.

Nokia, the technology-driven company became a consumer-driven company. Its corporate purpose evolved from “Connecting people” to “Connecting people in new and better ways,” meaning smart services, seamlessly integrated solutions with other communication tools and an effortless user experience in which technology becomes “invisible.”

Fierce competition from the likes of the Apple iPhone and Research in Motion’s Blackberry reshaped the market and disrupted the competitive field. The market place – the virtual space where users download applications on their smartphones – was propped up as the key competitiveness driver.

After moves to shake up its product portfolio, the company increased its share of the smartphone segment to 40% in the fourth quarter of 2009 (a year characterized by an overall decline in the market). Although Nokia continues to be the biggest mobile company by far, its CEO Olli-Pekka Kallasvuo acknowledged that the company has struggled to adapt to the rapid changes in the market.²

Gain and Maintain the Confidence of Stakeholders – Or Disappear

Sipponen explained that Nokia’s main motivation for communicating corporate purpose is to build relationships of trust with the increasingly broad stakeholder community. Nokia’s corporate purpose supports the brand in building trust in the eyes of consumers and developers alike.

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² <http://www.ft.com/cms/s/0/5af7cd20-0c05-11df-96b9-00144feabdc0.html>.

New stakeholders have emerged thanks to new communication media, such as socializing tools and online specialist sites, from which consumers will build much of their opinions about products and companies. According to Sipponen:

On average, for each person writing about a product, there are 10 commenting and 89 reading. Communication experts get to know writers and need to be able to correctly communicate our message to these opinion leaders.

A key aspect of the changes in Nokia's business model was the creation of a community of application developers for the Nokia phones market place. The smartphone market is dependent on developers' interest in building applications to the phones, in the hope that their particular application will stand out from others. As applications become more crucial to users of smartphone, they require ever more time and resources to be developed. With each smartphone working with its own operating system, it has become vitally important for developers to bet on the right one to develop an application for. This enables the Nokia smartphone ecosystem to develop with a diffusion effect – the more people use its smartphone, the more they will want to use it. Thus, communicating on corporate purpose is becoming an essential tool to build trust in Nokia's market place. Sipponen explained that if analysts and investors can see this, Nokia's corporate purpose will start making sense to them as well.

In summary, corporate purpose is, according to Sipponen, the “glue” for Nokia's vision, capability development and technical strategies.

5.5. Novo Nordisk: Communicating Corporate Purpose¹

Novo Nordisk is a global health care company with 87 years of innovation and leadership in diabetes care. The company also has leading positions within hemophilia care, growth hormone therapy and hormone replacement therapy.

Novo Nordisk is controlled by the Novo Nordisk Foundation, a non-profit institution whose formal purpose is to provide a stable basis for its company's operations and to make contributions to scientific, humanitarian and social progress.

Novo Nordisk's stable corporate culture has brought coherence to its corporate initiatives since the 1950s. In 1951, Novo established the Novo Foundation with the object of supporting scientific, social and humanitarian causes and providing the best possible protection of the company's purpose. Novo Nordisk joined the environmental charter of the International Chamber of Commerce (ICC) in 1991.

In 1994, it was the first company in Denmark – and one of the first in the world – to publish an environmental report. To quote Novo Nordisk's promise:

We believe that a healthy economy, environment and society are fundamental to long-term business success. This is why we build our business on the Triple Bottom Line principle, and make significant contributions to address global challenges such as the diabetes pandemic, climate change, natural resource constraints and imbalances of social development and economic prosperity.

In 2001, Novo Nordisk established the World Diabetes Foundation with the purpose of improving diabetes care in developing countries.

For Mike Rulis, corporate vice president of corporate communications, it is very easy to articulate Novo Nordisk's corporate purpose. The company's purpose is expressed in its mission statement: "Changing diabetes."

In its simplicity it channels key messages to Novo Nordisk's principal stakeholders. Rulis continues:

To investors it means that we are the market leader and that the market is growing, with all that it means for financial outlooks. To doctors it shows what is in our pipeline for product innovation for diabetes. It also helps employees feel they serve a greater purpose. It's both explicit and implicit.

"Changing diabetes" is more than "curing diabetes." It implies "being innovative" to not only work toward curing diabetes. It also implies working to improve the way people with diabetes live and work, through the company's products and services. Rulis sees many benefits in having a corporate purpose able to encompass the different variations of the company's core message:

All slides on an investor road show will have the corporate purpose on them and it will be used as a vehicle for all subsequent messages. This goes for all communication tools – no tools remain unused in our company when it comes to communicating corporate purpose, whether internally or externally.

So what, according to Rulis, makes a corporate purpose mean something to the company's stakeholders and how does Novo Nordisk use it in its communication?

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Be Relevant

In line with the Novo Nordisk Foundation's purpose of making contributions to scientific, humanitarian and social progress, Novo Nordisk's articles of association were amended in 2004 to specify that the company "will strive to conduct its activities in a financially, environmentally and socially responsible way." According to Rulis, the company's triple bottom-line reporting ensures that importance is given to all three dimensions:

To fulfill a corporate purpose it needs to be credible and relevant to the target audience. It must be unique, durable and specific. By durable, I mean consistent over time. We are fortunate at Novo Nordisk to have had a consistent corporate purpose over decades. The phrasing of it may have changed but it has always consisted of the same principles.

The corporate purpose is what encapsulates the triple bottom-line in a relevant and coherent vision that is simple to communicate to all stakeholders.

Novo Nordisk's corporate purpose is also relevant in its efforts to recruit talented employees, as Rulis explains:

There are many themes that the company communicates during the course of a year and it's dependent on the target audience. For example, we also promote the quality of Novo Nordisk as an employer. Changing career can become "changing diabetes" for many who want a job with real meaning. Our corporate purpose encapsulates that working for Novo Nordisk can contribute to someone's professional as well as personal development.

Be Omnipresent

Consistency of message is key to making corporate purpose credible. At Novo Nordisk it is omnipresent: it is on the company's business cards, is included in induction programs, on the annual report, on the website and in corporate communication.

Rulis explains that as 80% of what the company does is directly linked to diabetes and improving the lives of those living with the condition, it is easier to have an omnipresent corporate purpose:

Broadly speaking, we have about five core messages we communicate. We make sure that each message gets its fair share of "air time" over a year. The corporate purpose is the one that gets the most visibility as it encapsulates all corporate messages. Of course, it is easier to define such a clear corporate purpose in a focused business like ours.

Make Sure It Is Understood

Rulis explains why Novo Nordisk takes such care to make sure the company's corporate purpose is well understood by its stakeholders:

The message we want to get out is that we are here to stay, that we are the people you can trust to deal with diabetes in the long term just as we have been for the last 80 years. All things being equal, when doctors consider prescribing our products versus those of the competition, I think many would prefer to engage with, or favor, a company who is known to be a reliable, long-standing organization. "Changing diabetes" shows our commitment to the cause.

Rulis adds that Novo Nordisk spends time to ensure that the corporate purpose is heard and understood by these stakeholders:

We survey health care professionals such as general practitioners and doctors who specialize in diabetes about our corporate purpose to ensure that it is understood. In our key markets we even survey patients. We also survey employees. Our corporate purpose has such a profound meaning that it is essential they bring that meaning into their daily work so that it goes beyond a normal job.

Many doctors want to do research and when choosing where to spend their valuable time and brain power, some companies stand out in their hearts and minds. Doctors always have the discretion of prescribing any of the products on the market. As Rulis says:

It's important to build trust. Novo Nordisk's corporate purpose plays an essential part in building long-term relationships with our stakeholders by committing the company to the cause of defeating diabetes.

5.6. Philips: Communicating Corporate Purpose¹

Philips Electronics is, according to a definition on the company's corporate website, "a diversified health and well-being company, focused on improving people's lives through timely innovations." The Vision 2010 strategy aims to fuel growth by making Philips the leading brand in health and well-being. This has been implemented through sharpened strategies in three core areas of commercial activity: health care, lighting and consumer lifestyle.

Philips has traditionally integrated technologies and design into people-centric solutions, based on fundamental customer insights and the brand promise of "sense and simplicity."

However, in the last decade, a new corporate strategy has set new goals for the company and reshaped the way business is done. "Sense and simplicity" continues to encapsulate the company's commitment to intimately understand the needs and aspirations of consumers and customers in order to deliver innovative solutions. But, from having mainly targeted the end consumer in the past, the business has changed to primarily servicing professionals that in turn will service the end-consumer.

André Manning, vice president and global head, Philips External Communications, explained:

Philips has long been a consumer electronics products company, well known in semiconductors, but over the last few years we have moved towards being primarily a professional company. So increasingly, the people we target with our corporate purpose are, for example, clinicians such as radiologists and cardiologists in the health care business, architects for the lighting business and opinion leaders and trend watchers for consumer life style. So our corporate purpose has changed and been adjusted to this complete rebuild of our business.

Philips is a leader in all its markets and has long enjoyed a high level of trust among its clients and stakeholders. To keep that trust while moving the company in a new direction, it was essential to Gerard Kleisterlee, president and chief executive officer, to place greater emphasis on communication.

When asked about Philips' corporate purpose, Manning replied:

We want to communicate that we are a company focused on people, bringing meaningful innovations to people in the domain of health and well-being via our brand promise which conveys a sense of simplicity.

The company was among the world's top 50 most valuable brands in 2009,² according to the Interbrand study, which further stated:

Consumer electronics were most affected over the last year, but their decline was offset, to some extent, by brand value growth in the other sectors. Philips is utilizing its brand as a central organizing principle. The company unites the business under the master brand and focuses coherently and consistently on sense and simplicity.

The communication of change had to be captured in the company's corporate purpose. So what shaped it and how did it adapt to a changing customer and technological landscape? Manning explained:

With a new strategy, communicating corporate purpose became even more essential to aligning employees and stakeholder perceptions to the company's overall objectives. The nature of communication has also changed. With consumers you traditionally communicate by using

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² http://www.interbrand.com/best_global_brands.aspx.

monologues. In the past, we told consumers and other stakeholders what we were about, what we were doing and our purpose in doing it. Nowadays, when communicating with the professional (and the consumer) we deal with, we have to enter a dialogue. There is a trend to moving the consumer “monologue” towards more of a dialogue. However, the target is still part of a mass market, making a dialogue far more difficult to have.

Repetition and Consistency

Executives at Philips feel that the nature of communication has changed, in part through the emergence of the internet, social media and the constant flow of news. Managing corporate communication has, as a consequence, become a more complex business and Philips has chosen to focus on mainly two areas for its external communication strategy. First, communication in person through the investor relations team, the media relations team and directly to professional customers. Second, through both the more traditional brand communications such as advertising, and increasingly via multi-platform approaches including stakeholder events. Manning observed:

There is a lot of individual contact taking place with certain stakeholders and we try to turn that into a dialogue as much as possible. Ideally, our corporate purpose is part of all communications we do. Being in transition mode it is important for us to clearly position what we are transitioning to and why. Our challenge now is to share with all our stakeholders the change in portfolio and the changed profile of the company – in other words, the changed corporate purpose.

Internally, communication happens primarily on a person-to-person basis throughout the hierarchy, including “town hall meetings.” There are primarily two themes being communicated. The main one is the board of management agenda, which states the strategy of the company. The second essential message communicated by Philips is its corporate purpose. In summary, in the past few years Philips has consolidated two important moves in its internal communication approach: from an ad hoc approach to a cohesive communication across the company; and from a monologue to a consistent dialogue.

Measure the Impact

Asked how Philips ensures the quality of the communication of corporate purpose, Manning replied:

We had to put in place the tools that would allow us to accurately measure how well our corporate purpose was being perceived and received and adapt it to our changing environment including new stakeholders and customers.

To Philips’s advantage, there is a long history of analyzing what the market wants and where trends move. The company has extensive experience in analyzing media and the impact of advertising on a regular basis, organizing road shows for its executives and organizing capital days with feedback sessions and so forth. There have, however, been things to learn.

What has been a very good tool for us is the Net Promoter Score – NPS³. It is now the most used tool. It’s being used to measure the impact of advertisement and brand advertisement. It helps us ensure we “walk the talk” and lets our stakeholders know that we do. The NPS not only identifies whether the customer wants to endorse you as a company. It also helps you

³ Net Promoter Score (NPS) is a registered trademark customer loyalty metric introduced by Fred Reichheld in the article “The One Number You Need to Grow” (2003). Companies obtain their NPS by asking customers a single question on a 0 to 10 rating scale: “How likely is it that you would recommend our company to a friend or colleague?” and categorizing them into one of three groups: promoters (9-10 rating), passives (7-8 rating), and detractors (0-6 rating). The percentage of detractors is then subtracted from the percentage of promoters to obtain the NPS.

understand whether or not the basis for that endorsement is the understanding of the corporate purpose.

Philips is just beginning to measure how its corporate purpose is being received and perceived by stakeholders, who have taken on a new importance, in particular NGOs and governments. That dialogue is being established and Philips sees the corporate headquarters as having real importance in demonstrating how serious it is to engage in that dialogue.

5.7. TNT: Communicating Corporate Purpose¹

TNT is one of the 10 biggest European companies in the transportation and distribution industry. In 2009, company revenues amounted to €10.4 billion and it had 159,663 employees. The company's business is to transfer documents and goods around the world according to the different requirements and needs of its customers.

When asked about TNT's corporate purpose, Carin Ten Hage, director of TNT's Planet Me programme, explained that even though the company have not explicitly articulated a corporate purpose, it is embedded in its mission statement.

TNT's mission, as stated on the corporate website, is:

To exceed its customers' expectations in the transfer of their goods and documents around the world. TNT delivers value to its clients by providing the most reliable and efficient solutions through delivery networks. TNT aims to lead the industry by instilling pride in its people, creating value for its shareholders and sharing responsibility for the world in which it operates.

According to Ten Hage, TNT's mission statement communicates its purpose. The aim is to articulate the company's *raison d'être* in a focused way, going beyond shareholder value creation and directly linking corporate purpose/mission with the company's new branding strapline, "Sure we can."

TNT describes "sure we can" as a collective attitude rooted in the professional behavior of its employees, and as the drive to "go the extra mile" that is inbuilt in the company's DNA.

Ten Hage explained that this attitude can be demonstrated by the flexibility of TNT's express delivery services, by the expert advice and special services accompanying shipments that require special care and by initiatives like Moving the World, Planet Me and Driving Clean.²

Searching for a Better Balance between Purpose and Performance

Although a "can do" spirit has characterized the company for a long time, it was not traditionally used in the past to differentiate the brand or to actively communicate the company's identity. In 2008, after a branding exercise was carried out, the company started to act on finding a better balance between purpose and performance communication.

Ten Hage explained that the company is encouraging staff to put words around TNT's "sure we can" attitude. The company produced a video launching TNT's new strapline to internal stakeholders as part of "Sure we can" workshops. The video was loaded on the corporate website and has been used in meetings with staff around the world as a teaser open discussion on how they can make the strapline meaningful to themselves, customers and the societies within which they operate. The video is also used as an introduction to new employees to explain to them what TNT is about.

"Sure we can" was gradually extended to external communications throughout the year 2009. The aim was to provide a "consistent brand positioning for all activities and all geographical markets where TNT operates, and to further increase brand value."³

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² Moving the World is a partnership with the United Nations World Food Programme, through which TNT offers logistics skills and in-kind resources to help combat world hunger, provide emergency response and improve disaster management. Planet Me is TNT's climate change program, which aims at reducing CO₂ emissions from operational vehicles, aviation activities and buildings. Driving Clean is TNT's programme to reduce soot and particulate emissions from its operational vehicles through new technology.

³ <http://group.tnt.com/aboutus/ourbusiness/branding/index.aspx>.

In December 2009, the company conducted a stakeholder dialogue, bringing together customers, employees, suppliers, subcontractors, investors and civil society. Stakeholders acknowledged that TNT was already doing well in its search to better balance purpose and performance, but suggested that it still had room for improvement. Among the suggested improvements were the disclosure of information regarding the alignment of subcontractors and suppliers with the company's integrity principles, the setting-up and communication of targets related to issues beyond financial performance and the provision of clear benchmarks on the company's corporate responsibility performance.⁴

In March 2010, in order to reflect an integration of "beyond financial performance" issues in TNT's business, the corporate responsibility report was embedded in the annual report for the first time, instead of being published as an "add on."

⁴ A summary of the results from the stakeholder dialogue can be found in TNT's 2009 annual report, which can be accessed at <http://group.tnt.com/annualreports/annualreport09/index.html>.

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