

# The long-term view most CEOs aren't seeing

What CEOs think about purpose





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**Under pressure:  
the CEO today**



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and the instant:  
CEO priorities**



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what CEOs think of  
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tomorrow**

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**Summary**

# Introduction

Love it or hate it ‘purpose’ is currently one of the most talked about business concepts, with books appearing every day and industry leaders promoting its importance. Yet virtually no-one can agree on what it is and why it is useful in business.

When Larry Fink, CEO of BlackRock, wrote in his 2018 letter to CEOs that *“Purpose gives your business its license to operate in today’s society”* and intimated BlackRock is less likely to invest in businesses that don’t have a clear purpose, he got a storm of responses – some positive, but many questioning this wisdom.

Which got us thinking: what do today’s business leaders really think about purpose?

So we asked them. We polled over 700 CEOs in Germany, France, the UK and the US, to see if they think purpose is important and – if they do – what they use it for. Ultimately, we wanted to understand if CEOs believe it helps them to improve bottom line performance, and if so how?

## What we found was:

Almost all CEOs have a purpose for their organization. But their commitment to it and how it is used varies considerably.

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Purpose has moved away from being just a CSR initiative, and is now used as part of setting business direction, connecting with customers or recruiting and retaining talent - all important elements of driving business performance.

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There is a perception that purpose takes time to deliver a visible impact on results – so most CEOs focus remains on profitability in the shorter term.

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**In short, for most of the CEOs we surveyed, purpose remains a tactical tool rather than a strategic enabler of their businesses.**

This is understandable, knowing that most of them are under increasing pressure to deliver quickly, and so some of them feel they don’t have the time to realize a dividend from having a purpose. But others are looking towards bigger horizons, deploying the idea to benefit their businesses in ways beyond the financial, whether that is engaging talent or leaving an imprint on society.

There is no doubt that purpose is here to stay and for some CEOs it clearly impacts the bottom line over the long term. Those CEOs, on the basis of what we have found, are bold in action compared to their peers and are seeing the benefits in driving change and increasing their bottom line.

We will be digging deeper into purpose over the coming months and years to help you think through how best to use it to grow your business.

## Join the debate #CEOPurpose

Dave Allen  
Founder

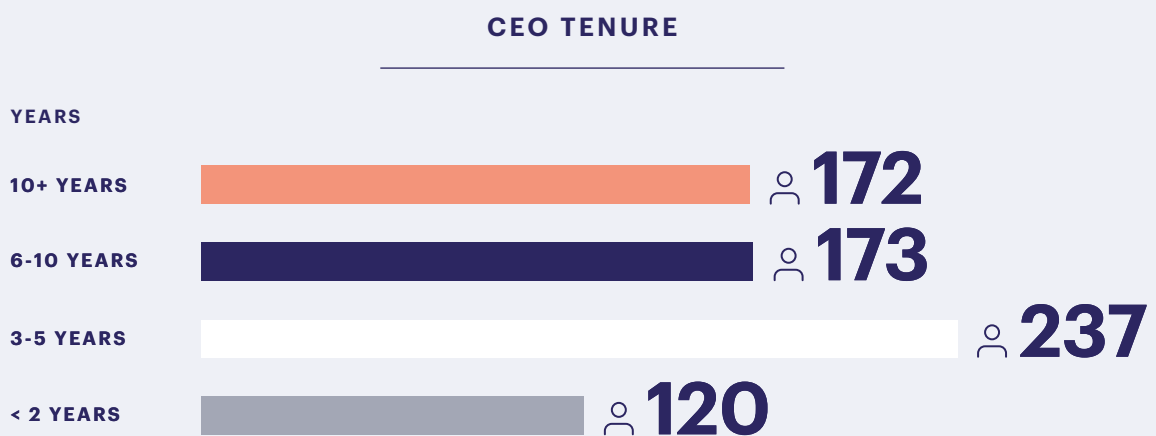
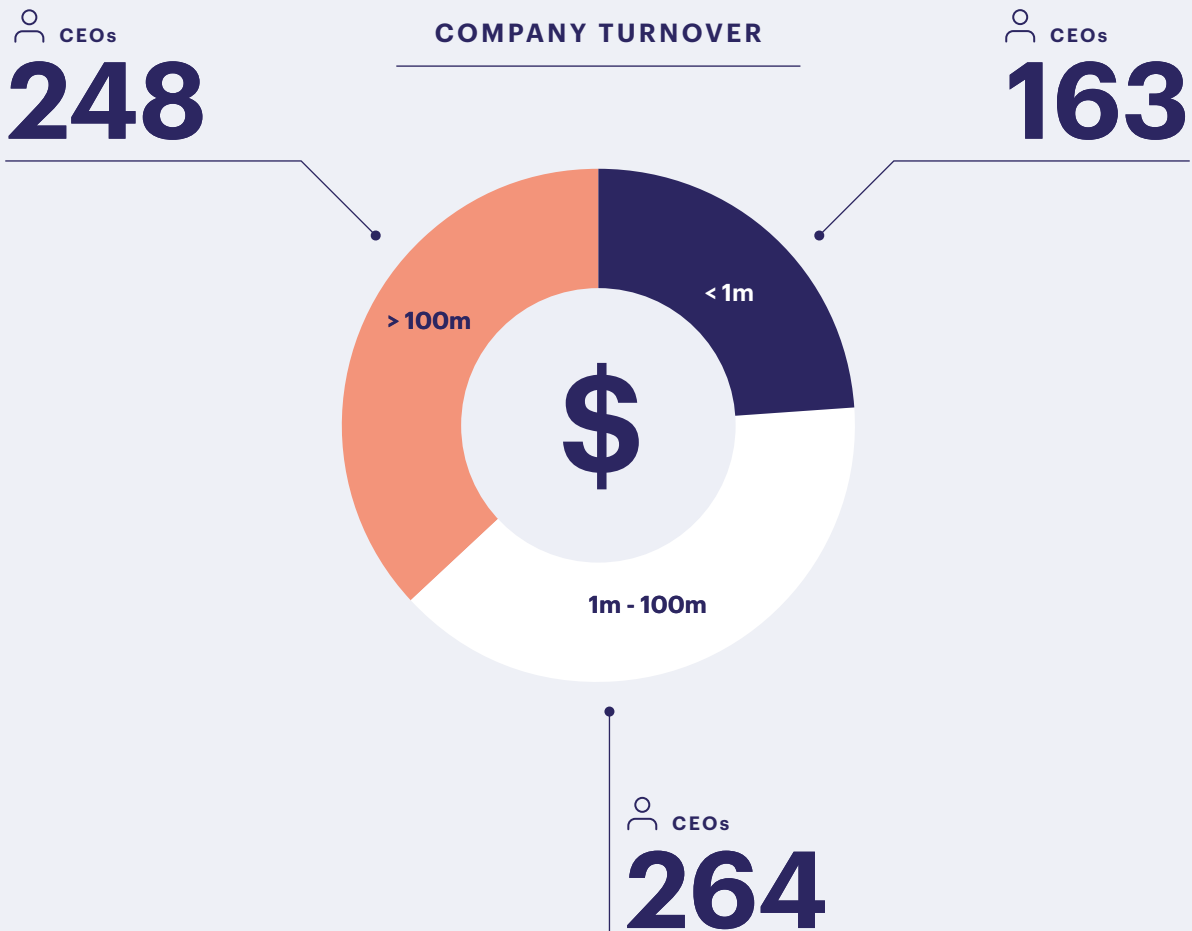
# Our cohort of CEOs

We gathered opinions from a broad range of CEOs across Europe and the US, with a representative sample drawn from SMEs to corporates. We have also drawn on different levels of CEO tenure to ensure a balanced range of experience in the role.

## CEO LOCATION

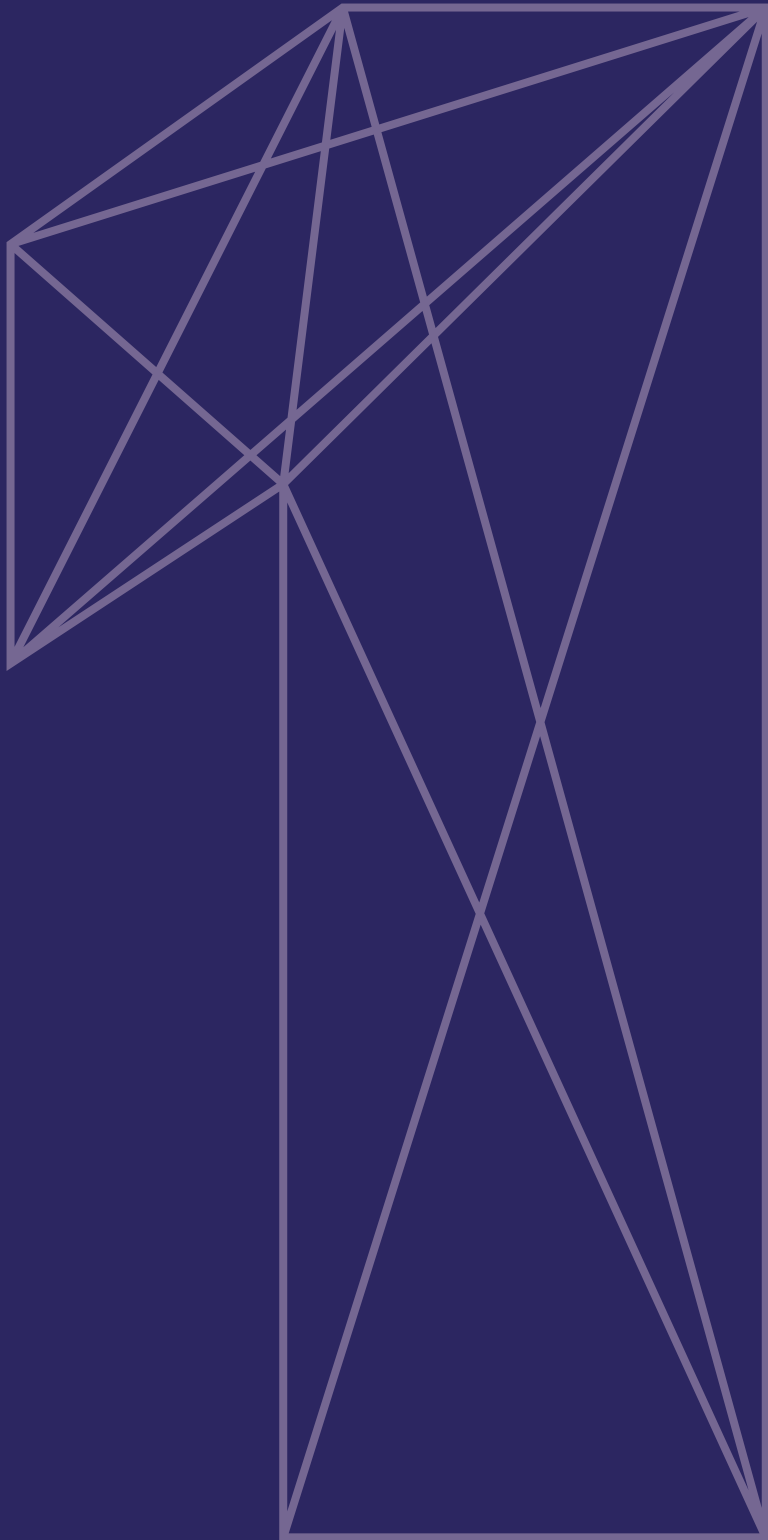


# Introduction



Total respondents 702

Via an online panel conducted by Censuswide, abiding by MRS & ESOMAR codes of conduct and principles. Research was conducted in November 2018. More details on the methodology can be found at the end of the report.



## SECTION 1

# Under pressure: the CEO today

# The taxing need for CEOs to add value

A newly appointed CEO has only 90 days to make an impact, a task made harder by having to shoulder broader responsibilities. They recognize purpose has a role to play in driving profit, but few are using it to do so.

Today, the role of CEO is more challenging than ever, with increasing expectations from stakeholders and the need to shoulder a broader set of responsibilities.

We asked CEOs how their business priorities have changed since 2008. What we found was, that while creating shareholder value is still a key responsibility, they must simultaneously focus on creating value in many other ways to keep multiple stakeholders satisfied.

This need to create value in other ways appears to be shifting CEOs focus. While the short-term is clearly important, more businesses are prioritizing improving long-term business sustainability by looking to customers, employees and society to create the value shareholders expect, and to make a positive social contribution.



Thinking about how your business has changed since the 2008 financial crisis, which of these values are more or less important to your business now?

**Creating value by improving long-term business sustainability**

Creating value by fulfilling customer needs

Creating value by investing in people

Creating value through a positive contribution to society

Creating shareholder value above all else



# 46%

faster growth from Unilever's sustainable brands than the company's others<sup>1</sup>

# 47%

more topline growth by businesses with long-term strategies than those without<sup>2</sup>



Purpose is not a mere tagline or marketing campaign; it is a company's fundamental reason for being – what it does every day to create value for its stakeholders. Purpose is not the sole pursuit of profits but the animating force for achieving them.

**Larry Fink**  
CEO, BlackRock

MORE IMPORTANT



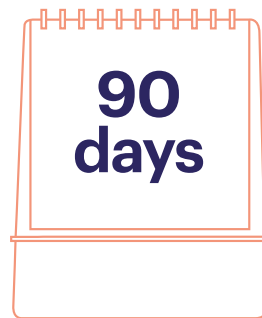
1. Accenture, 2018  
2. McKinsey, 2017

# CEOs have less time to add value

We wanted to understand the extent to which time pressure was impeding CEO priorities, from the '90 day' window at the start of their tenure, to ongoing pressures such as engaging employees and delivering shareholder returns.

What we found was that increasing pressure during their first 90 days is influencing their priorities.

**Two-thirds of executives believe short-term pressures have further accelerated since 2012<sup>1</sup>**



While CEOs know they have to deliver long term business sustainability, market and technology disruption makes this more challenging to do.

The combination of short-termism, reducing tenures and increasing shareholder demands is putting CEOs under increasing pressure.

This is compounded by the majority of CEOs' view that they have to prove themselves in their first 90 days.

# 78%

of CEOs believe that they have a 90 day window to prove themselves in an organization<sup>2</sup>

## Median tenure for US CEOs at large-cap companies<sup>3</sup>



## Average holding time for stocks<sup>4</sup>



1. McKinsey Global Institute, 2017  
2. Brandpie CEO Survey  
3. Equilar, 2018  
4. The New York Stock Exchange

# The role of a CEO goes way beyond solving their business issues

Shorter tenures and timeframes to act, combined with increasing society and stakeholder expectations, place greater demands on CEOs than ever before.

There is a growing expectation that CEOs will use their positions and their businesses to step in and solve social and economic issues that governments or society as a whole, are failing to address.

This expectation comes from more socially engaged consumers and employees, fellow leaders, business partners, investors and protest movements, who are increasingly looking to CEOs to take action on their behalf.

64  
3%

of millennials chose  
'improve society' than  
'generate profit' when  
asked what businesses  
should aim to achieve<sup>1</sup>

# 64%

**of people globally, expect CEOs  
to lead on social change rather  
than waiting for government  
intervention<sup>2</sup>**

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1. Deloitte, 2018  
2. Edelman Trust Barometer, 2018

# Purpose can meet new expectations

Given CEOs are under increasing time pressure to add value and face increasing demands from all stakeholder groups, we wanted to understand the extent to which Purpose was being used to help them tackle these challenges.

# 65%



of CEOs think the **main role of purpose** is to connect with employees or customers<sup>1</sup>



Our CEOs recognized the role that purpose can play in helping to meet the growing expectations of stakeholders – and its ability to ultimately drive profit. But few of them and their businesses are taking advantage of it.

#### The reality gap

The majority of CEOs agree that purpose has a role to play and can help them connect with customers, employees and increase the success of transformation efforts.

But there is a huge gap between this acknowledgement and the reality, with less than half of CEOs surveyed taking ownership of purpose to drive change and value creation.



of executives strongly agree that business transformation efforts will have greater success if integrated with purpose

**But only...**

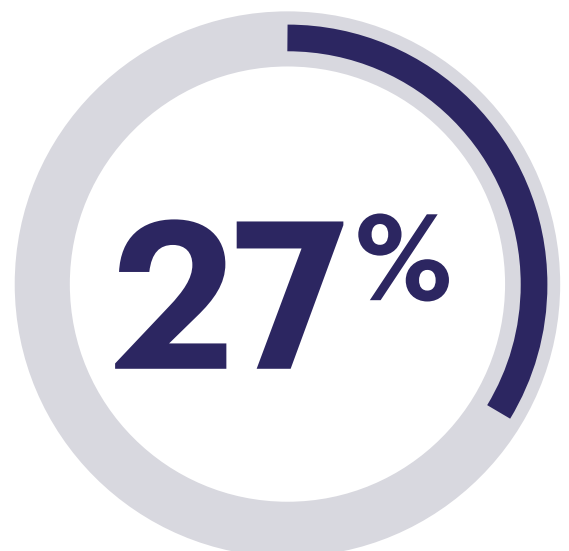


of executives think their organization has a strong sense of purpose<sup>1</sup>



of CEOs believe there is a role for purpose in an organization

**But only...**



of CEOs believe it is most effective under their ownership<sup>2</sup>

1. EY Beacon Institute & Harvard Business Review, 2017  
2. Brandpie CEO Survey





## SECTION 2

# The long, the short and the instant: CEO priorities

# CEOs have a strong personal belief in the longer term, but their personal beliefs are being compromised by short-term pressures

The now and urgent is derailing CEOs from thinking about the wider long-term sustainability of their businesses. This only changes when CEOs have been in their role for more than a few years.


Today most CEOs know that their businesses need to improve their sustainability over the long-term. Many CEOs claim this belief as a personal philosophy.

Yet they struggle to turn this belief into action. In office, they prioritize fulfilling the immediate needs of customers and talent.

And in comparison to other issues, CEOs place a relatively low priority on making a positive contribution to society. Almost twice as many CEOs are personally more motivated by shareholders (40.6%) than they are society (21%). This therefore suggests that shareholders have a crucial role to play in giving their CEOs the remit to think about and take decisions for a positive longer-term impact on society.



**Twice as many CEOs are motivated by shareholders than by society**



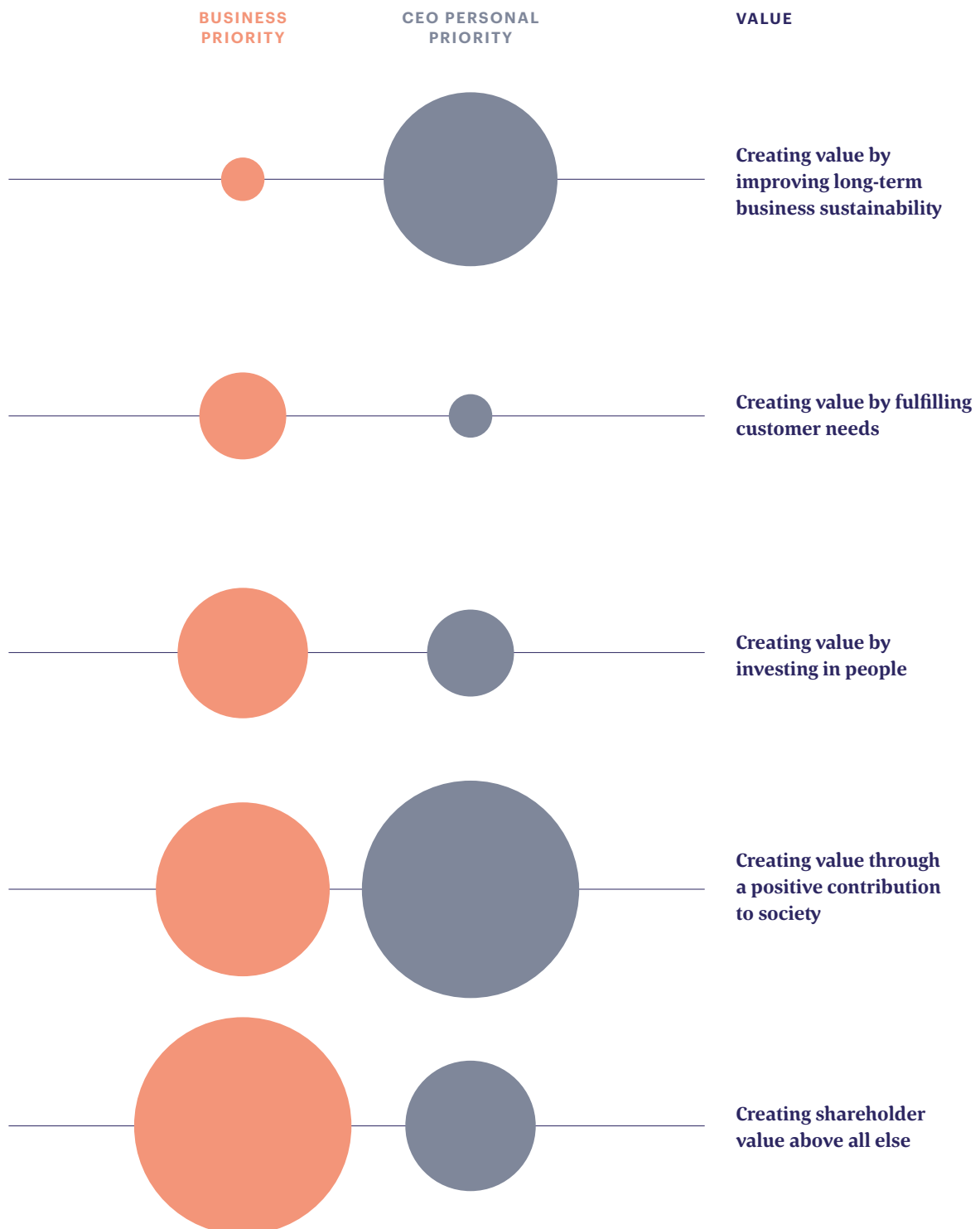
Today's CEOs have to constantly think about how to improve their business models, while simultaneously navigating fast-paced, massive disruption of industries and businesses and a strong undercurrent of uncertainty running through societies around the world.

**Mark Weinberger**

Global Chairman and CEO, EY



Thinking about how your business has changed since the 2008 financial crisis, please indicate whether these 5 values are more or less important to your business now? Which of the following are most central to your personal business philosophy today?



# Creating value through a positive contribution to society has become much more important since 2008

Larger businesses are recognizing that they need to give back to society and significantly more so since the financial crash. 'Creating value through a positive contribution to society' has grown in importance across the board, especially in businesses with 500+ employees, compared with those with 1-9 employees. This is potentially due to the increased expectation of, and attention placed on, large corporations to use their size and influence to affect social change.

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## CREATING VALUE THROUGH A POSITIVE CONTRIBUTION TO SOCIETY

**50.95%**

AGREE



 **500+**

Businesses with 500+ employees believe 'creating value through a positive contribution to society' has become much more important

**26.7%**

AGREE



 **1-9**

Businesses with 1-9 employees believe 'creating value through a positive contribution to society' has become much more important

In comparison to the recognized need to contribute positively to society, short-termism is forcing CEOs to neglect long-term goals.

It is clear that CEOs are under huge pressure to perform from day 1. The CEOs we surveyed recognized that the 90 day window is an expected part of the job – but most believe it to foster a dangerous short-termism.

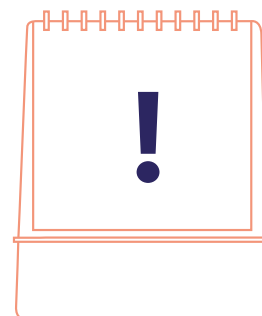
And the expectation on CEOs to deliver instantly, and within shortening tenures in the role, is creating a tension that is at odds with the growing importance of taking a long-term view of business.



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# 78%

of CEOs believe that they have a 90 day window to prove themselves in an organization



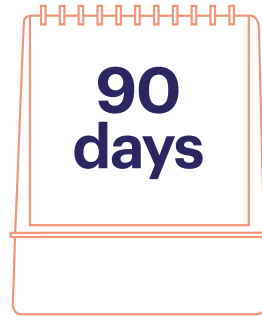
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# 60%

of CEOs believe the 90 day window is dangerous because it encourages short-termism

# Short-term pressures: location matters, size matters, tenure matters

While all CEOs are expected to deliver in the short term, CEOs of French businesses are under the greatest pressure to deliver in their first three months. In comparison, CEOs of UK businesses feel this pressure the least.



# 63%

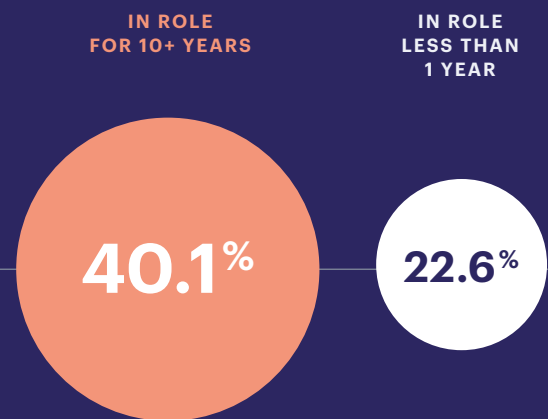
of CEOs of French businesses strongly agree that they have a 90 day window to prove themselves in an organization



# 33%

of CEOs of UK businesses strongly agree that they have a 90 day window to prove themselves in an organization

CEOs who have been in their role for less than a year are least likely to consider long-term business sustainability as central to their ambitions. They are clearly thinking in the immediate term, focused on survival and stability. But the longer they stay in post, the more important this becomes – almost doubling as they reach 10 years in the role.



Importance of creating value by improving **long term business sustainability** to a CEOs business philosophy

# 3x

as many CEOs of businesses with +500 employees strongly agree that they have 90 days to prove themselves compared to businesses with 1-9 employees (21.6% vs 61.5%)

CEOs of larger businesses with more employees are under greater pressure to prove themselves in their first 90 days. It would appear that smaller teams perhaps benefitting from flatter structures and being closer to leadership, are willing to grant new CEOs more latitude.

# Long-term sustainability and shareholder value

As businesses grow and seek to attract investment and talent to scale, 'shareholder value above all else' becomes much more critical to a CEO as their business' annual turnover increases.

CEOs have to constantly balance delivering shareholder value alongside delivering long-term business sustainability. Clearly as businesses grow delivering shareholder value becomes more important.

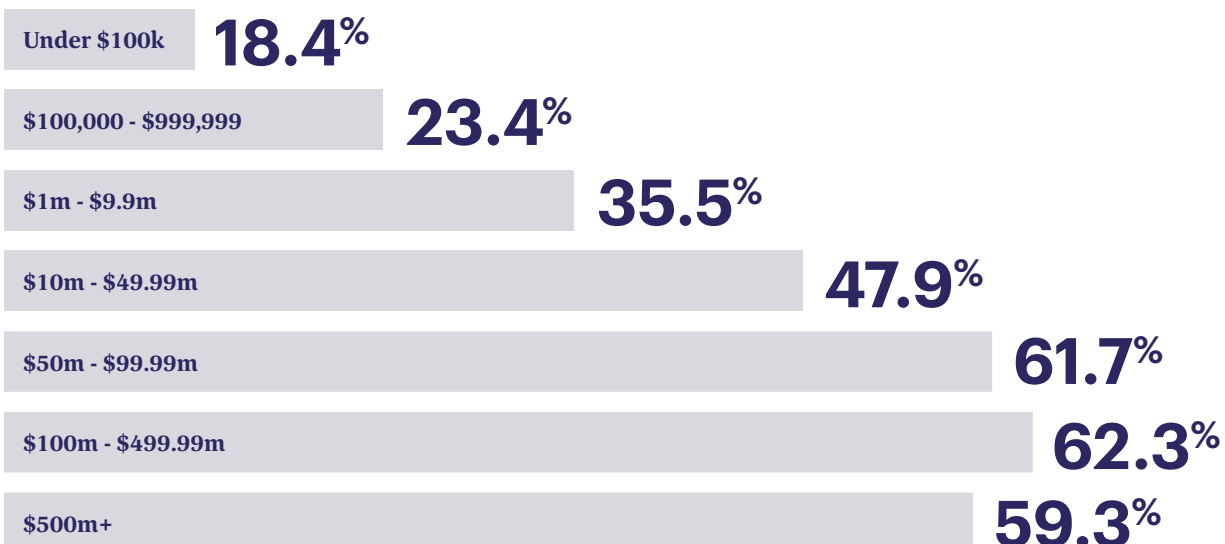
This suggests that shareholders themselves must become much more focused on the positive impact they can deliver to society by thinking about the longer term, rather than short-run financial returns.

But there are also key moments during the growth cycle where prioritizing the long term becomes more important and relevant. This may coincide with when businesses are looking to attract investment to scale and grow.



What is most central to your personal business philosophy today?  
(\$ measures business revenue)

## Shareholder value is much more important





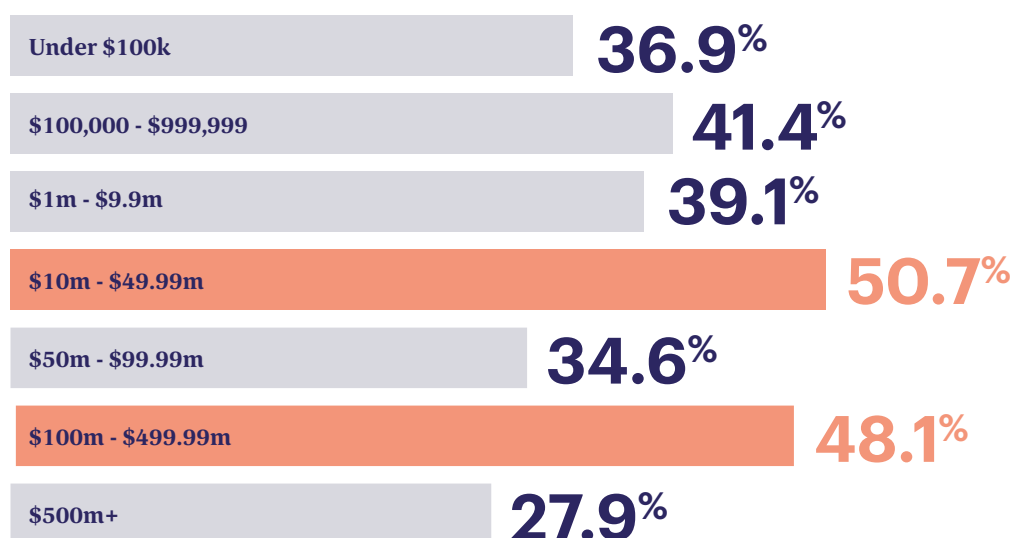
Over 50% of CEOs of businesses with revenues of \$10m - \$49.99m, 48.1% of CEOs of businesses with revenues between \$100-499.99m are the most concerned with creating value through improving long-term business sustainability. Only 28% of their peers at businesses with revenues of over \$500m feel the same.



What is most central to  
your personal business  
philosophy today?

(\$ measures business revenue)

### Long-term business sustainability





### SECTION 3

## The long view: what CEOs think about purpose, today and tomorrow

# What is purpose for? Right now CEOs don't agree

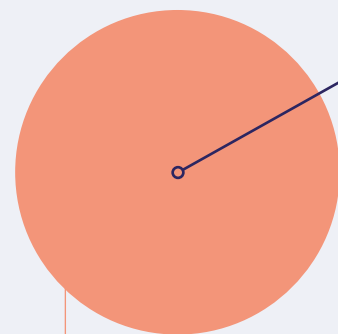
Purpose can help CEOs achieve their longer term ambitions – but most aren't using it to that end, or taking personal responsibility for it, only doing so once they've been in the job for a while. Smaller companies, however, are seizing and using purpose for competitive advantage.

It is clear that purpose is no longer seen as just a corporate social responsibility initiative; a growing number of CEOs see its value being used in wider areas of their organizations.

But in the main purpose is still overwhelmingly seen as a marketing endeavor, with almost twice as many businesses using it in this way – as a marketing tool rather than a strategic enabler of achieving business goals.

Purpose is one of the most exciting opportunities I've seen for this industry in my 35 years of marketing. Done properly, done responsibly, it will help us restore trust in our industry, unlock greater creativity in our work, and grow the brands we love.

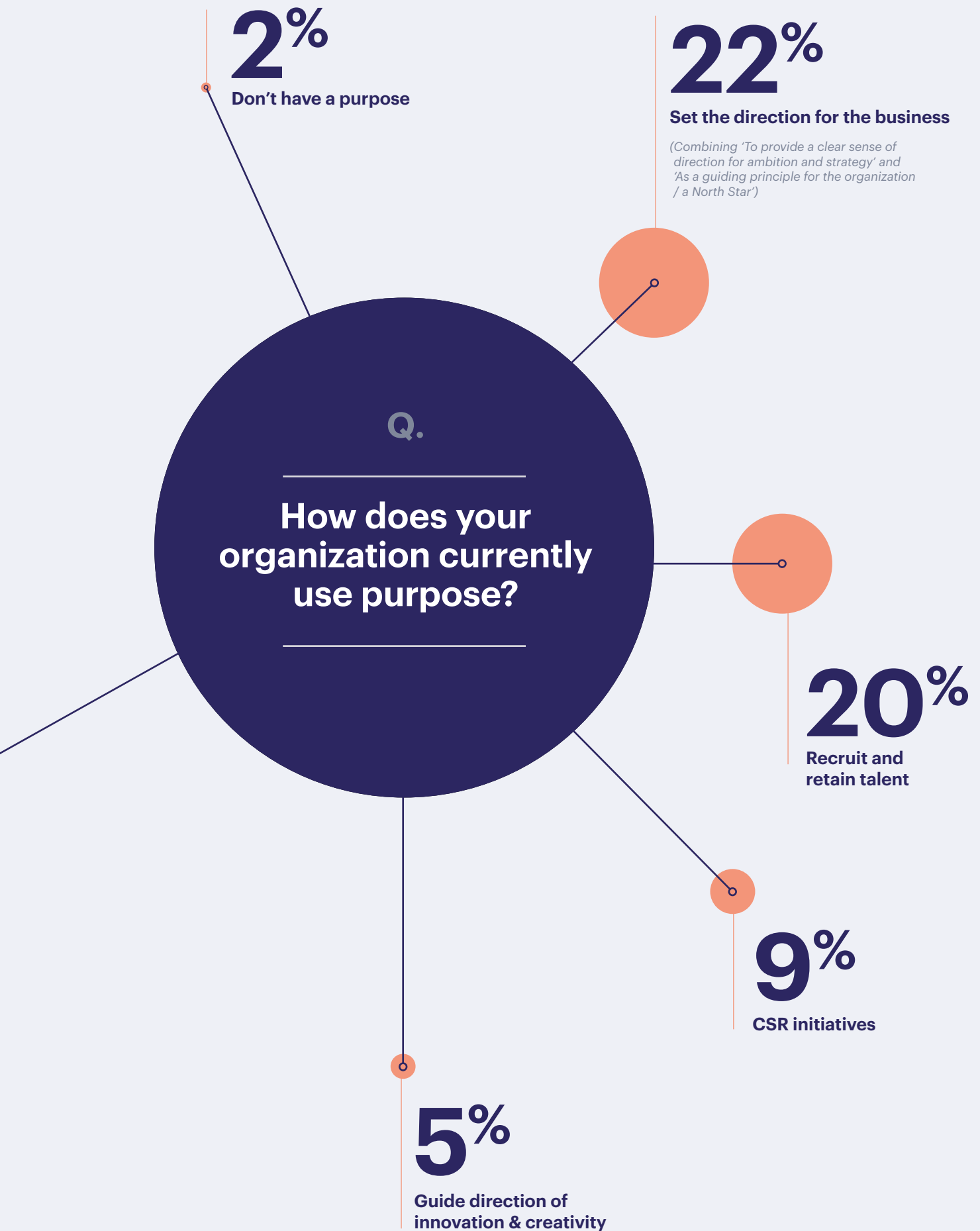
**Alan Jope**  
CEO, Unilever



# 43%

**Advertising / Branding**

*(Combining 'To define what our brand stands for 'to be used in advertising campaigns' and 'To differentiate from the competition')*



# The role of purpose in defining bigger ambition is becoming clear

An understanding of the role of purpose varies by size of business and the tenure of the CEO.

With more recent CEO hires, teams with fewer employees and companies with a turnover of over \$500M generally showing a greater understanding of purpose's social and strategic roles.



How does your organization currently use purpose?  
(business size by employee number)

## Using purpose to provide a clear sense of direction

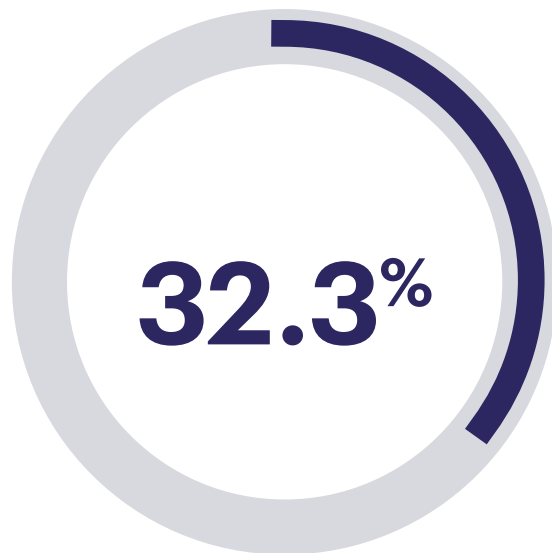
1-9:	24%
10-49:	33%
50-99:	17%
100-249:	23%
250-500:	18%
500+:	19%

33%

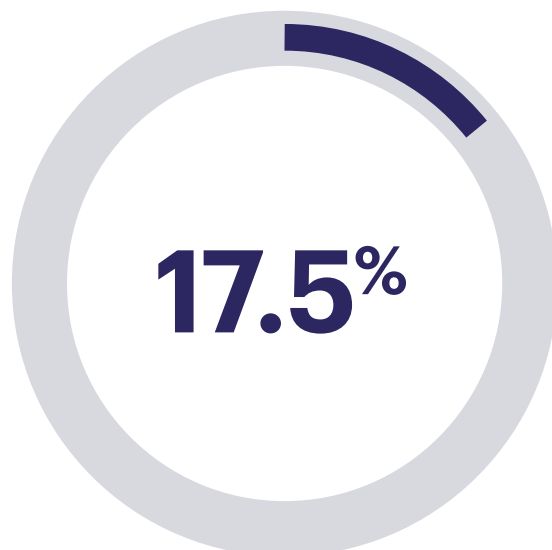
of businesses with 10-49 employees use purpose to provide a clear sense of direction for Ambition and Strategy.

### CEOs who think that purpose provides a clear sense of direction for ambition or strategy

New CEOs who have been in their role for less than a year are almost twice as likely to use purpose to 'provide a clear sense of direction for ambition or strategy' than the average. This suggests that purpose is providing newer CEOs with a useful way of demonstrating their vision and strategy to the company and world.



LESS THAN A YEAR



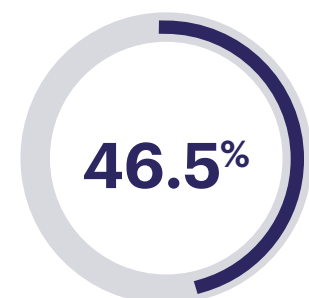
AVERAGE

### CEOs who think that purpose defines a social / societal cause.

CEOs of larger businesses are more likely to think purpose is perceived as defining a societal cause.



REVENUE UNDER \$100K

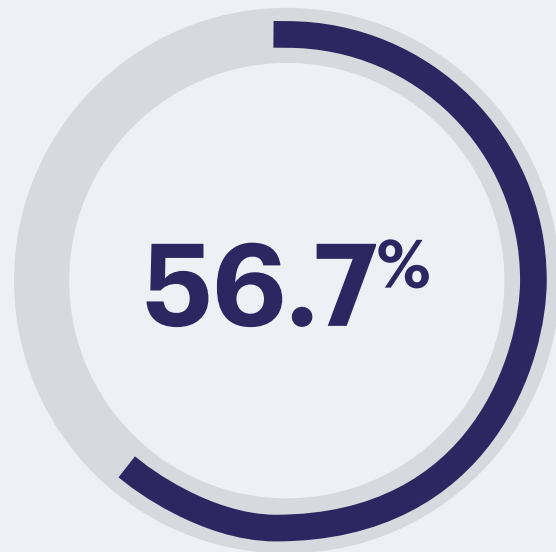


REVENUE UNDER \$500M +

# Most CEOs haven't yet realized how purpose can help them achieve their ambitions

Right now, there's a clear mismatch between the priorities of the CEOs we surveyed and their understanding of how purpose can help them achieve their goals.

Whilst almost all CEOs (97%) believe there is a role for purpose in their organization, only a selected few CEOs understand how it can support their own more immediate concerns of satisfying customers, talent and shareholders.



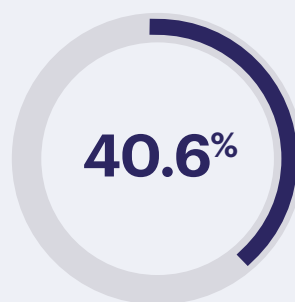
of CEOs prioritize 'creating value by fulfilling customer needs'

**But only...**



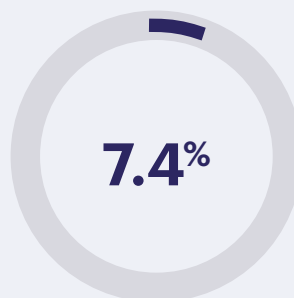
think purpose's most valuable role is helping them 'connect with customers'





of CEOs prioritize  
'creating value by  
investing in people'

**But only...**

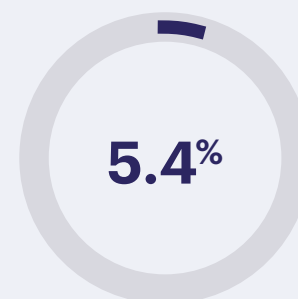


think purpose's most  
valuable role is helping  
them 'motivate employees'



of CEOs prioritize  
'improving shareholder  
returns above all else'

**But only...**



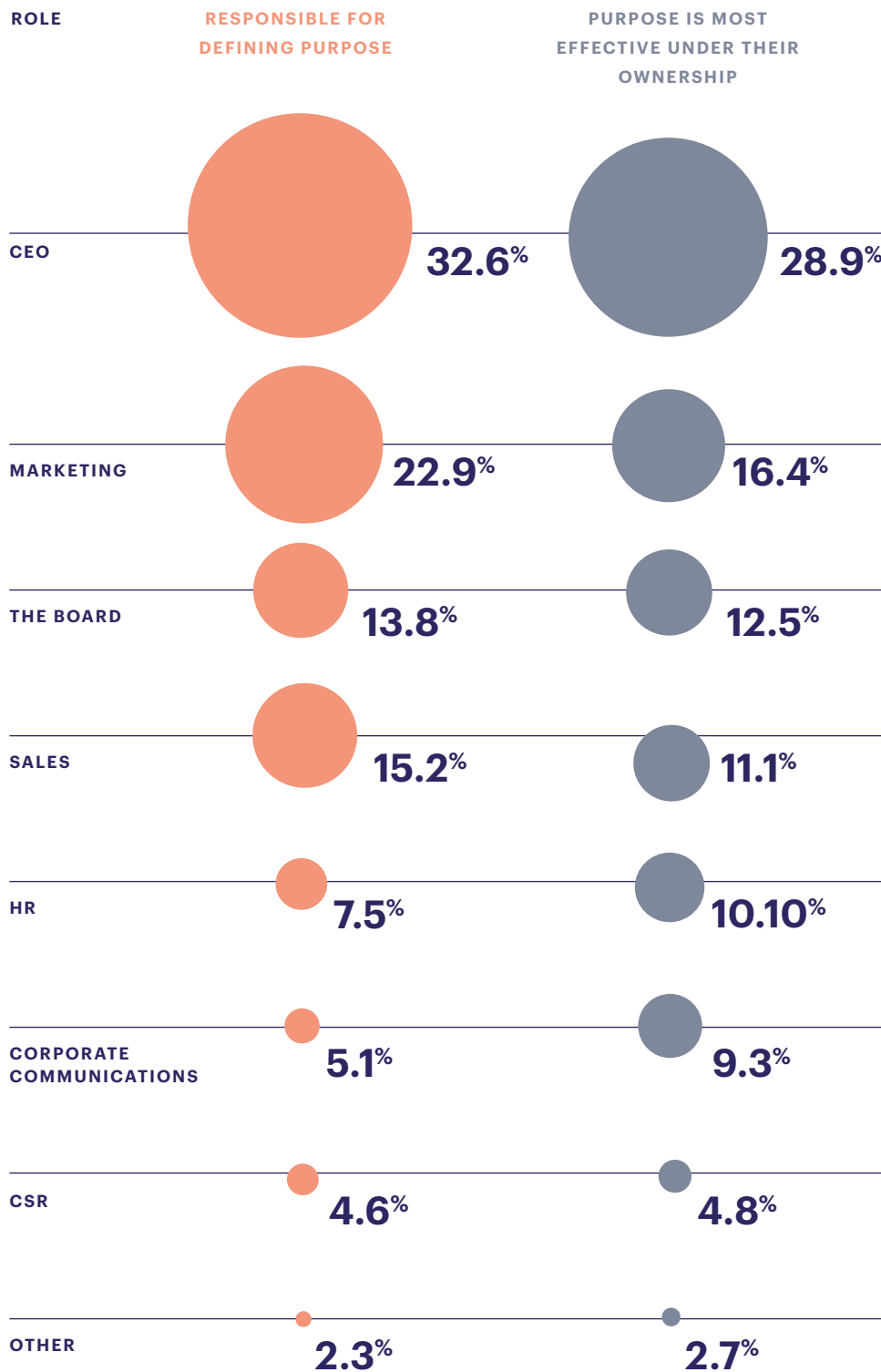
Think purpose's  
most valuable role is  
helping them 'deliver  
shareholder returns'

# The majority of CEOs are not taking control of purpose

While only one third of CEOs believe responsibility for purpose sits with them, almost two thirds of them believe it to be another function's task.

Interestingly CEOs consider their own boards as less effective stewards of the purpose than marketing and sales divisions, despite more CEOs believing the board should define the purpose.

This delegating of purpose to marketing and sales teams suggests that 1) CEOs are overwhelmed by what they see as other more important concerns or 2) they see purpose as a marketing and sales narrative rather than the engine that drives fundamental business decisions and financial performance.

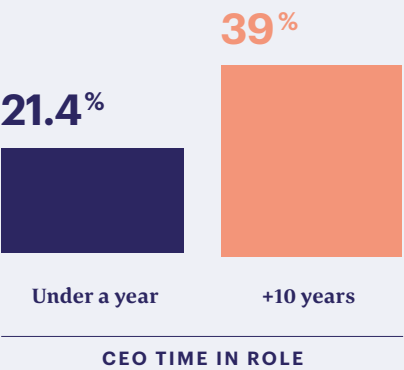


Where does the responsibility for defining purpose currently sit within your organization?

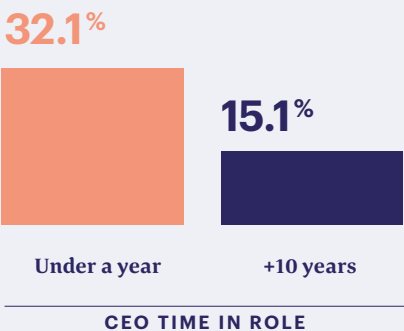
# The longer a CEO leads, the more ownership of purpose they take

CEOs in the role for less than a year are less likely than the marketing team to define purpose, and more likely to turn to an external consultant for guidance and advice than their own board. The longer a CEO is in place, the more likely they are to take responsible for defining purpose themselves.

CEO should be responsible for defining the purpose



Marketing should be responsible for defining the purpose

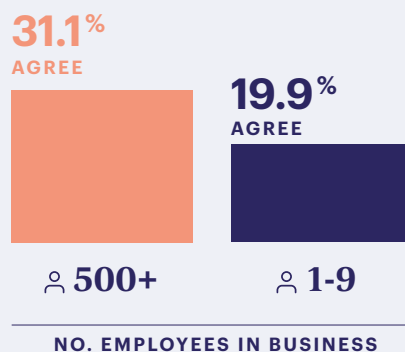


CEOs from smaller businesses are more likely to feel that they should be responsible for defining purpose than their counterparts in larger organizations—this may be because they are owner/founder CEOs. Smaller organizations are more likely to handle the creation of purpose in-house, whilst larger companies are likely to seek outside input.

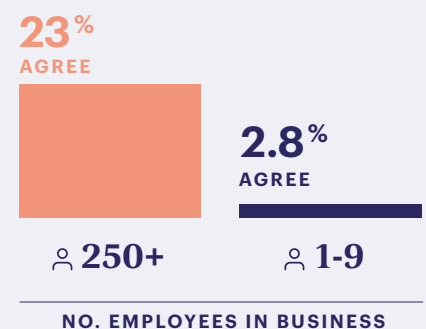
### Believe the CEO should be responsible for defining purpose



### CEOs would consider approaching a brand consultant when defining purpose



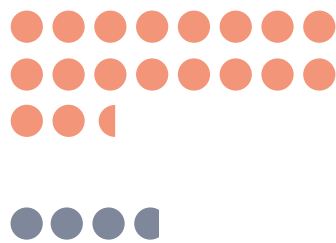
### Would consider approaching a organizational consultancy when defining purpose



# Smaller companies are using purpose for competitive advantage

The percentage of CEOs that think the most valuable role of purpose is connecting with customers.

In our survey, purpose was seen as more effective at connecting with customers by CEOs of those businesses with fewer employees.



1-9 employees

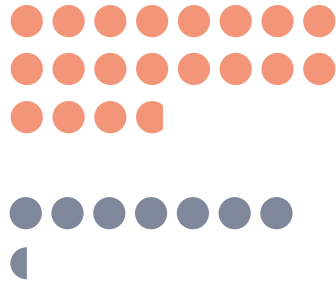
17.6%

250-500 employees

3.8%

The percentage of CEOs that think one of the main roles of purpose is to drive innovation and creativity.

And it is the smallest companies that see the greatest potential of purpose to drive innovation and creativity.



1-9 employees

19.9%

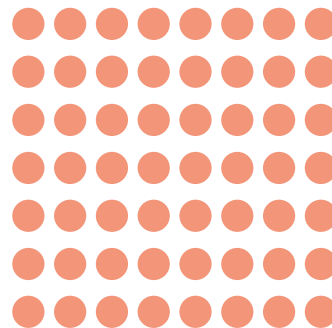
+500 employees

7.7%

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### The percentage of UK and French CEOs that use purpose used as a guiding principle / a North Star

CEOs of French businesses are more than twice as likely as their UK counterparts to use purpose as 'a guiding principle for the organization / a North Star.'



French CEOs

**56%**



UK CEOs

**26.5%**

## SUMMARY

# What CEOs think about Purpose

*It could help in the short term, but CEOs aren't sure how*

A newly appointed CEO has only 90 days to make an impact, a task made harder by having to shoulder broader responsibilities. They recognize purpose has a role to play in driving profit, but few are using it to do so.



## *Today is stopping CEOs from thinking about tomorrow*

It's obvious, but the now and urgent can derail CEOs from thinking about the purpose-driven, long-term sustainability of their businesses. For this to change the demands placed on CEOs by shareholders will need to shift, finding a better balance between short-term value creation and putting value back into society over the longer term. Ironically, this gets easier when CEOs have been in their jobs for longer.

## *Purpose isn't yet the CEO's job – it's the marketing and sales teams*

Purpose can help CEOs achieve their longer-term ambitions – but most aren't using it to that end yet, or taking personal responsibility for it, devolving it to marketing or sales. Smaller companies, however, are seizing and using purpose as a competitive advantage.

# About the research

## Methodology

**702** **100**

CEOs polled across Germany, France, the UK and the US, with the following market breakdown.

in Germany

**100**

in France

**151**

in the UK

**351**

in the US

Respondents were invited to participate in the survey via email. Research was conducted via online survey between 22.11.2018 - 29.11.2018.

All respondents were double opted in (with an opt in and validation process) and completed a profiling questionnaire when joining the online access panel.

Data was monitored to remove any 'career respondents.' We also included geo-IP checks to ensure respondents were completing from the right country, and cookie checks to ensure the same respondent didn't complete the research more than once.

The research was conducted by Censuswide who abide by Market Research Society rules and employ members of the MRS which is based on the ESOMAR principles.

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with the impact of a world-class  
creative agency.

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