



Why Being Purpose-Driven Can Be Painful...and Why the Alternative Is Even Worse

By Dev Patnaik

Customers and employees increasingly want companies to have purpose and values that align with their own. But recent controversies prove that companies that try to appeal to everyone end up appealing to no one. This article explains what those companies are getting wrong about purpose and how they can become truly purpose-driven.

(An earlier version of this article appeared in Forbes on September 24, 2023.)

If there's one thing corporate leaders hate, it's the prospect of losing money. And loss is what they see when they survey the recent wreckage of companies that took a stance on social or political issues.

First, there was Bud Light, whose recruitment of a transgender social media influencer backfired spectacularly. A consumer boycott cost it almost \$400 million in sales and its throne as the No. 1 beer in America. Then, Target faced a backlash over its Pride Month collection that featured LGBTQ+ merchandise, contributing to a \$1.25 billion sales drop from a year earlier. And let's not forget how Disney got caught in the crossfire over Florida's "Don't Say Gay" bill, first getting slammed by progressives for its silence and then getting slammed by conservatives for opposing the law.

Behind closed doors, executives have confided to me they feel anxious and exhausted. While their employees increasingly demand that they take a stand, the market has demonstrated the danger of doing it poorly. For many leaders, trying to be a purpose-driven company offers nothing to gain and everything to lose. Their natural conclusion is that they should just batten down the hatches and focus on the business of doing business.

Unfortunately, that's no longer an option.

In an increasingly polarized world, customers want the products, services, and experiences they're buying to reflect their values. They're not just buying things, they're buying *into* things. Similarly, employees want to work at companies that share their core beliefs, and they're getting more vocal and rebellious when that isn't the case.

In the age of transparency and authenticity, it's more critical than ever to know what you stand for. And here's the beautiful little secret: when you do it right, it's actually more profitable, too. Forthcoming research by my colleagues at Jump Associates shows that purpose-driven companies have achieved vastly superior stock market returns in the first 20 years of this century compared to less purposeful (but still great) industry peers. The results are astounding—purpose-driven firms achieved a 5x return advantage over the S&P 500 index and a 3x premium over leading peers.

So why are so many companies running into trouble?

It's because many fundamentally misunderstand what being purpose-driven means. And when folks in the organization are left to their own devices or unclear on what's most important, it's no wonder we're all one misjudged tweet or ill-advised marketing campaign from getting canceled.

Let's start with what purpose-driven is not. First, being purpose-driven isn't always about saving the planet or feeding the children. Either may be the greater cause of some companies—Patagonia comes to mind—but they need not be the purpose of every company.

Being purpose-driven also isn't just about adopting environmental, social, and governance (ESG) or diversity goals. To be sure, it's a good thing to not pollute the groundwater around your factory or only promote white men. But such initiatives are increasingly table stakes. They provide little in the way of a real payback beyond risk mitigation.

Nor is being purpose-driven the same as customer loyalty or purpose-driven branding as some past studies have contended. Branding is only skin deep and customer love means little if a company is disliked by its employees, suppliers, and communities. Just ask Amazon.

And finally, being purpose-driven isn't about being “woke.” Truly purpose-driven companies fall all along the political spectrum, from more progressive companies like Starbucks to more conservative ones like Chick-fil-A. It's not about trying to stand for progressive ideals if they're not authentic to the organization or its core customers. John Mackey, the founder of Whole Foods, has a strongly Libertarian streak to him. And Whole Foods reflects that mindset, or at least it did before he sold it.

Truly purpose-driven companies are so much more. They have activated their purpose—a clear and expansive reason to exist beyond making money that is unique

to them—so it’s a guide for decision-making and not just words on a wall. They have an aligned culture of beliefs and behaviors so that people inside and outside the company know what they can count on. They have a mindset for creating value for all stakeholders, not just providing a return to investors. They have robust systems for developing their next generation of leaders. And they’re focused on the future, not just living quarter to quarter.

But it does all start with discovering your organization’s purpose.

So the real question is: why does your company deserve to exist, beyond providing jobs and a return to shareholders? Put another way, if your company disappeared tomorrow... why would anyone miss you?

Maybe that’s about curing cancer. Or maybe that’s about the thousand little deaths that we all face every day. Target’s purpose is “To help all families discover the joy of everyday life.” Because, it turns out, it’s tough to raise a family these days. And if they can help you find joy in that... well, in a country where rates of depression and anxiety are skyrocketing, that’s a lot.

My friend Carolyn Sakstrup, the Chief Growth and Generosity Officer at Thrivent, once said that a great purpose acts like both a beacon and a filter. It attracts people and opportunities that align with your core reason for being. And it helps you eliminate the distractions.

Does being purpose-driven get you in trouble? Sometimes. Usually, that happens when a company doesn’t live up to its own ideals. That’s what happened at Starbucks when their own employees (Starbucks calls them partners!) decided they needed to unionize.

More often than not, though, our research suggests that being purpose-driven actually reduces the likelihood of making unforced errors like Bud Light. Aligning your customers, employees and other stakeholders around your purpose helps you stay focused on what’s important to you. Patagonia is super clear that they’re about saving the planet. That doesn’t mean that they don’t care about issues like income inequality or systemic racism. But if I was particularly passionate about one of those issues, I might go work somewhere else instead. And that’s a good thing.

The world is changing. People want to know what your company stands for. Employees are demanding it. Just offering vague platitudes about “building a better world” or “being the most admired supplier of widgets” just doesn’t cut it anymore. Having a clear purpose can no doubt set you up to be measured by a higher standard. But the alternative is even more dangerous.

About Jump

Jump Associates is the world’s leading independent strategy and innovation firm. We work with the world’s most admired companies to solve their most pressing growth challenges. Over the last twenty-five years, Jump has partnered with companies like Google, Nike, Samsung, Target, and Virgin. In a world that’s mired in yesterday’s data, we use a future-focused approach to help these organizations grow in times of dramatic change.

To learn more, please visit us at www.jumpassociates.com or contact us at inquiries@jumpassociates.com.