

# Purpose first, profit later

By [Ernest North](#)

7 Jan 2019

South African business headlines were dominated by corporate disgrace in 2018 - the continued fallout from the Steinhoff scandal, the listeriosis outbreak, the Momentum life insurance controversy, and the state capture allegations tainting the reputations of several leading management consulting firms, to name just a few.



Ernest North, co-founder at Naked

My hope is that 2019 will be the year that more South African companies embrace the importance of putting long-term purpose ahead of short-term profit. I say short-term profit because having a purpose beyond making money is what actually enables the world's greatest businesses to thrive and grow in the longer term.

This is not a new idea, but an old idea that is taking on more urgency in the age of the connected and empowered consumer. Jim Collins and Jerry Porras argued in their 1994 book, *Built to Last*, that companies guided by a purpose beyond making money returned six times more to shareholders than explicitly profit-driven competitors.

## Crisis of trust

This resonates in an age where there is a crisis of trust in capitalism and growing cynicism about the role that large companies play in our lives. Today's consumers expect more from businesses than compliance with the law. They also expect them to be a force for social good and to have a reason to exist that goes beyond simply making money for their shareholders.

Connected customers – especially Generations Y and Z – look for brands that align with their values, do the right thing and behave in a manner that is fair, transparent and equitable. Research such as Deloitte’s millennial annual survey consistently finds that these generations overwhelmingly feel that business success should be measured in terms of more than financial performance.

Navigating social justice isn’t a simple matter for brands in a polarised world – think about the passionate debates about climate change, Donald Trump and Brexit and closer to home, state capture and land reform – but companies that get it right can reap significant rewards. Consider how Nike’s sales soared after an ad campaign starring, Colin Kaepernick, the American football player and ‘take a knee’ protester.

Elsewhere, the European insurance company, AXA, has redefined its purpose as empowering people to lead better lives. This includes goals for sourcing electricity from renewable energy by 2025, making insurance affordable for emerging consumers, and helping customers collectively become 50,000 years ‘younger’ through wellbeing programs.

Patagonia, the outdoor clothing brand is another great example. It is well-known for its support of environmental initiatives and its transparency about where it sources its materials and how it makes its products. Such is its commitment to sustainability that it encourages customers to repair, reuse or recycle its clothing rather than buying new apparel.

There are several reasons that purpose-driven companies thrive:

- Having a purpose and a focus on business sustainability is attractive to investors. Why? Because it goes hand in glove with good corporate governance, visionary leadership, great employees and loyal customers. Investors know that a purpose-driven company is less likely to get caught up in a value-destroying reputational crisis because its processes behind the scenes are designed to balance short-term profitability with ways to sincerely serve customers’ needs. What’s more, its customers are less likely to switch to a competitor for a small cost-saving because they are invested in its mission and products.
- Purpose-driven companies have a good story to tell that differentiates them from other companies selling similar products and services. And this resonates with customers, winning their trust and excitement. In our media-saturated world, customers believe that most companies are the same. Purpose-driven companies show that they are different. They break through the noise because their customers share their story through authentic social media and word of mouth testimonials.
- The workforce in purpose-driven companies is happier, more productive and more customer-focused. When the people believe in what the business does, it will enjoy higher employee retention rates and better performance.

Having a vision and purpose beyond profit resonates with customers and employees. The businesses that stand up against dodgy practices in their industry, those that balance their need for profits with the best interests of consumers, are not only getting customers, but also fans and members of their tribe. This is how one builds a sustainable and profitable business that lasts.

## ABOUT THE AUTHOR

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