

Business Essential Briefs: What is the Real Purpose of your Business?

Well at face value you would think your business purpose is obvious, wouldn't you? Perhaps something along these lines - *To make a sustainable and growing level of profit that meets and exceeds your lifestyle goals, whilst creating a valuable business; and this is achieved from operating a successful and vibrant company, with a highly engaged team of skilled people on-board, fully aligned to the core objectives of the business owners.* Sound about right?

The subject of business purpose is constantly being referred to in business publications and commentary today. Let's explore some of that commentary, to glean some of the best ideas that may be suitable for SME business owners to consider.

Where Purpose Affects Your Organization

Purpose can have an impact on four business agendas. To determine what that is, ask yourself these questions.

DEMAND GENERATION

How can purpose increase consumers' preference for our products and services?

EMPLOYEE ENGAGEMENT

How can purpose strengthen the connection that employees feel to the work and to one another?

GOVERNANCE & SUSTAINABILITY

How can purpose help reinforce our reputation as a good corporate citizen and a strong ESG performer?

STRATEGY & BUSINESS VALUATION

How can purpose enhance our opportunities for profitable growth and reduce business risk?

The Three Senses of Purpose

Despite its elevation in corporate life, purpose remains a confusing subject of sharply polarized debate. A primary reason is that it can be understood in three distinct ways.



For an individual business, determining its real purpose is fundamentally a business decision that must be anchored to and in its core strategy.

The answer usually sits at the intersection of four core business factors:

- For marketing & sales: It can assist with gaining quality customers and enhance their loyalty;
- For HR, it could attract, engage and retain good employees for the business;
- For governance and sustainability it might enhance environmental, societal and governance performance where this is particularly relevant for your business;
- For strategy and finance it could guide how resources are allocated and risks are managed in the business.

Culture based purpose statements are perhaps the best option for businesses that provide products and services, but don't make any significant contribution to positive social change per se. By defining your purpose as embedded in culture – i.e., operating in a thoughtful, disciplined and ethical manner – can be both pragmatic and authentic.

Companies that cannot credibly claim to produce external benefits or to promote a social cause, should accept that satisfying the functional and emotional needs of their customers can be a sufficient foundation for the particular business. In other words, you must be authentic and absolutely clear on what it is, that supports you being a “purpose driven” company. It must be relevant.

For family businesses the notion of purpose may be a little different to other SME's because they must consider the business, the family and the owners and other stakeholders.

One definition of purpose in family businesses has been expressed as follows:

“Family purpose is a long-term goal that families share across generations and that becomes meaningful to younger generations of family members, as they form their own plans to accomplish acts of consequence to the world beyond themselves”.

There are five key dimensions of this definition for a family business:

1. The pursuit of collective, family purpose represents a long-term intention. Although a family's purpose is likely to evolve over time, it manifests as a thread of consistent focus and vision that extends across time and generations.
2. A family purpose is meaningful to members of the family. It matters to them. Rather than merely talking about it, family purpose is so important to family members that they actively engage in making progress toward it.
3. A family's purpose is reflected in the family's history, present activities, and future plans. The family's purpose is consistent with the family's actions over time.
4. A family purpose is oriented toward a cause beyond the family. Families may use their shared businesses as vehicles for purpose or they may use the proceeds from their businesses to support causes they value. In both cases, the target of the family's intention resides beyond the family.
5. A family purpose is shared by members of the extended family. This does not mean that every family member actively supports the purpose—in large families with more than 100 or even 1,000 members, this would be unlikely—but it does mean that most family members recognize the aim as a significant and meaningful vision for the family.

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