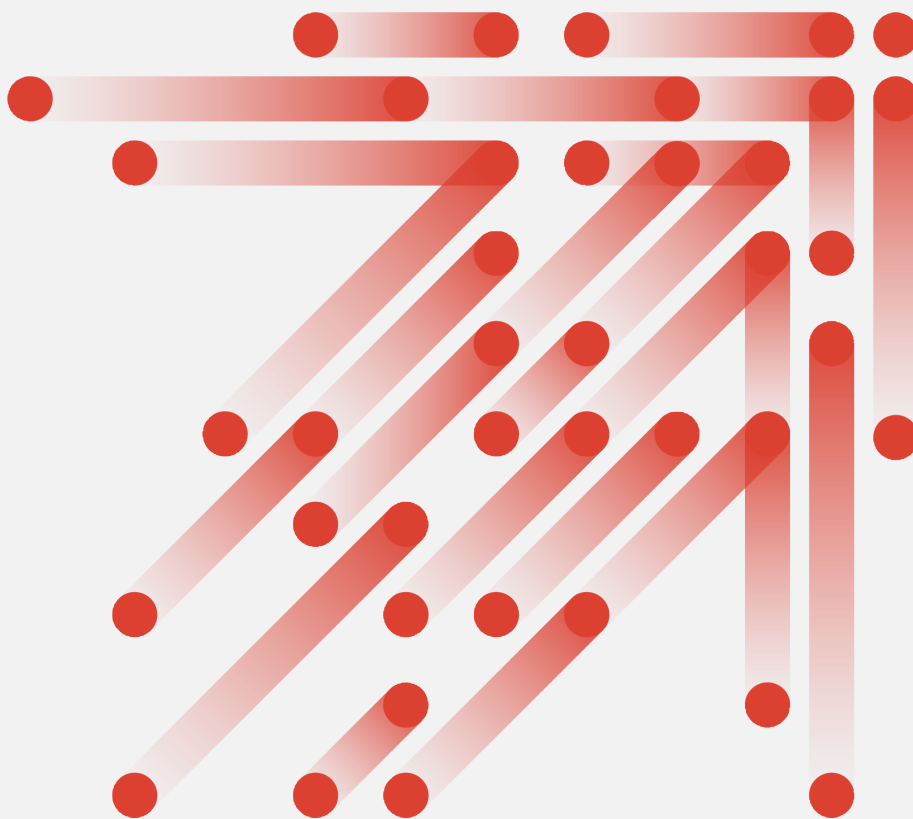


Purpose in Action:

Levers and strategies for the transformation of Italian companies

REPORT 2024



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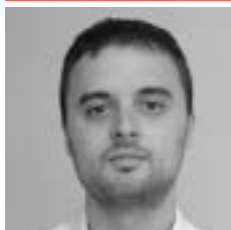
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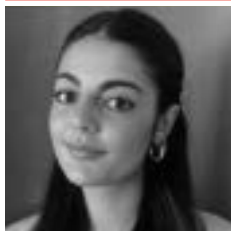
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Introduction

Introduction

The Purpose in Action Observatory was created in response to the growing interest in the concept of Purpose within the contemporary managerial context. It has assumed a central role in corporate strategies, becoming a reference point for many organizations that want to express their social impact and responsibility, going beyond mere profit generation. Despite its increasing relevance, the concept of Purpose is still subject to several issues and tensions that hinder its effective implementation within companies. Among the main difficulties are the lack of a unanimous definition, the perception that it may be just a managerial fad lacking solid foundations, and the risk of being communicated superficially, leading to practices of social or green-washing. Additionally, many organizations continue to prioritize profit above all else, undervaluing Purpose as a strategic component of corporate leadership.

This situation inspired the development of the first edition of the Purpose in Action Observatory, aimed at providing greater clarity and offering concrete operational models to guide organizations in the formalization, integration, and measurement of Purpose. At a time when this topic is gaining increasing importance in corporate strategies, many companies struggle to transform this concept into practical, measurable actions. Consequently, an in-depth exploration that is not only theoretical but also practical is needed, offering tools that can be applied and adapted to various business realities.

The Observatory's research was structured to explore the multiple dimensions of Purpose, combining rigorous theoretical analysis with an empirical investigation of corporate practices. Chapter 1 focuses on defining the concept of Purpose, a term that, despite being widely discussed, often remains fluid and lacks a unified understanding among different organizational actors. This chapter aims to build a shared conceptual framework, essential for ensuring that Purpose is implemented consistently and understood at all organizational levels.

Chapter 2 delves into the empirical analysis within the context of Italian companies, examining how managers perceive and apply this concept in their strategies. Through extensive data collection, it highlights the various perceptions and practices adopted, providing an overview of the maturity level of Italian companies regarding Purpose and offering insights for improvement.

Chapter 3 focuses on the practices and impacts of Purpose within organizations, particularly on the processes of formalization and its effective translation into concrete strategic actions. It explores the challenges and opportunities associated with managing Purpose and its impact on innovation, corporate strategy, and the contribution of businesses to sustainable development.

Specifically, Chapter 3.1 focuses on the formalization process,

exploring how companies can create a Purpose statement that is authentic, effective, and aligned with their overall strategy. A well-formulated Purpose statement not only guides the organization's actions but also inspires employees and clearly communicates corporate values to external stakeholders.

Chapter 3.2 analyses how Purpose can be translated into innovation and organizational change. An appropriately defined Purpose not only guides strategic decisions but also supports innovation and facilitates continuous change, providing a solid foundation for the long-term success of the enterprise.

Finally, Chapter 3.3 addresses the impact of Purpose in terms of sustainable development. This chapter discusses how companies can plan and manage their contribution to sustainability, with particular attention to measuring and managing the long-term effects of Purpose for both the organization and society. It examines how Purpose can contribute to sustainable development, harmonizing corporate objectives with the needs of the community and the environment.

We hope that this year's research will represent a valuable contribution to stimulate the debate on Purpose and provide useful insights for its adoption in Italian and European companies. The questions and challenges addressed in this edition will also guide the Observatory's future research activities, with the aim of providing practical and theoretical tools to support organizations on their journey towards increasingly effective and conscious Purpose management.

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Research methodology

Research methodology

The Purpose in Action Observatory is based on a broad, structured, and methodologically rigorous research program, divided into various phases of collection, integration, and analysis of heterogeneous data from both primary and secondary sources. The richness and variety of these sources allow for the construction of a detailed and complex framework of the concept of Purpose within organizations. The adopted methodology is based on high scientific standards, with the aim of responding precisely and accurately to research questions and addressing the present and future challenges that businesses must face. This systematic approach enables the identification of both practical solutions and theoretical contributions, providing appropriate responses to emerging challenges in the corporate context.

The research develops at the intersection of two distinct but complementary methodological approaches: qualitative and quantitative.

The qualitative approach, designed to deeply investigate the dynamics related to the adoption and implementation of Purpose within organizations, uses tools such as interviews, focus groups, and case studies. The goal is to understand how Purpose is interpreted, applied, and integrated into corporate strategies, with particular attention to its role in creating value for both the company and society. This methodology makes it possible to uncover dynamics, perceptions, and experiences that may not be visible through quantitative analysis, thus contributing to a broader and more in-depth understanding of the phenomenon. The qualitative investigation also provides a foundation for developing interpretative and operational models and for fostering the definition of shared practices within the corporate context.

In parallel, the program adopts a quantitative approach, aimed at measuring the impact of Purpose on a large scale within the context of Italian companies. The use of structured surveys and other quantitative data collection techniques allows for the gathering of empirical data that quantify the level of Purpose adoption in various organizations. Quantitative analysis also makes it possible to identify correlations between the adoption of Purpose and critical variables such as corporate performance, innovation, and sustainability.

The combination of these two methodological approaches ensures a multilevel understanding of Purpose within organizations. The program stands out for its scientific rigor and focus on practical implications, positioning itself as a reference point for those wishing to explore the transformative potential of Purpose.

Research on Purpose-Driven Enterprises

The first macro-area of the Observatory's research focuses on analyzing Purpose within organizational strategies, aiming to investigate how this concept contributes to value creation and impact within companies. This qualitative methodological approach is particularly suitable for exploring complex social and human phenomena, as it emphasizes understanding the meanings, experiences, and perspectives of those directly involved. In other words, qualitative research is adopted when it is necessary to investigate the nuances and complexities of a problem or research question, providing an empirical view of participants' perceptions and fostering the development of new theories and hypotheses.

The qualitative methodology used in this research relies primarily on semi-structured interviews, observations, and content analysis. This approach enables a rich and detailed understanding of the phenomena under study, ensuring an in-depth view of the internal dynamics of organizations. Semi-structured interviews, in particular, represent the main data source. These interviews were conducted following a pre-established protocol that included key themes of interest for the investigation. However, the interview protocol was flexibly adapted during each conversation to collect relevant data based on the professional role, position, and specific expertise of the interviewee. This customization ensured that the information gathered was not only accurate but also relevant to the context and experiences of the interviewees.

Whenever possible, the interviews were recorded with prior consent and subsequently transcribed. This process preserved the richness of the responses provided and enabled more accurate qualitative data analysis. Additionally, the sample of interviewees was carefully selected to ensure significant heterogeneity. Representatives from companies at different stages of Purpose integration were included: from those just beginning their journey to those that had already fully and strategically implemented Purpose. This variety provided a broad and diverse perspective on corporate experiences with Purpose.

Finally, in addition to company representatives, sector experts from both academic and professional domains were interviewed. This approach ensured that the research findings were relevant to both business practice and academia, fostering constructive dialogue and the development of knowledge useful to both contexts.

INFORMANT CATEGORY	DATA COLLECTION METHOD	DATA COLLECTION SESSIONS	AGGREGATE DURATION (MINUTES)
Professionals (national and international managers and leaders)	Semi-structured interviews	27	1620 min
	Workshop	2	250 min
Sector Experts	Semi-structured interviews	20	900 min

To analyze the data collected, a qualitative approach based on content analysis of the interviews—also known as *coding*—was adopted. The transcripts were carefully examined to identify recurring themes, concepts, and key categories.

Survey on the State of Purpose in Italy

The second macro-area of the Observatory's research is realized through a survey aimed at mapping the state of Purpose in Italy from the management perspective. The methodology for designing and administering the survey within the Observatory Purpose in Action research project was developed in collaboration with BVA Doxa, the Insight Partner responsible for its administration and dissemination. The survey targeted managers involved in the strategic direction and management of their organizations. Its primary objective was to provide a systematic, large-scale analysis of the Purpose phenomenon in Italian companies, focusing specifically on its dissemination, clarity in formalization, and implications within the corporate context. The interviews, conducted via CAWI (Computer-Assisted Web Interviews), took place between September 10 and 29, 2024.

The primary data collection aimed to establish a robust foundation for an in-depth analysis structured into three main thematic areas. Firstly, after describing the sample, the survey explored five fundamental dimensions of Purpose: awareness, clarity, formalization, dissemination, and measurement, along with the associated benefits and risks. Secondly, the investigation delved into organizational dynamics related to Purpose, addressing aspects such as strategic renewal, innovation, strategy, and people. Lastly, the questionnaire focused on the role of Purpose in generating social, economic, and environmental value, with particular attention to impact. The ultimate goal was to create a solid empirical foundation

to support relevant practical and academic conclusions for the Italian context, while also identifying emerging trends and practices concerning organizational Purpose.

The final sample comprised 785 responses, representative of employees and managers from companies with more than 20 employees. The sample distribution followed the Istat distribution for company size and sectors of activity.

Executive Summary



The multiple facets of Purpose: moving towards a shared definition?

- Contrary to what some might think, Purpose is not a radically new concept, but it has recently attracted renewed attention. Its growing relevance for businesses is undeniable, but a significant lack of clarity persists, which can lead to phenomena such as Purpose-washing and misuse of the term.
- Corporate Purpose is defined as “the *raison d’être* of a company and its aspiration to strive for a goal that goes beyond the simple pursuit of financial performance. Purpose involves the creation of value not only for the company’s direct stakeholders, but also for society as a whole and the environment.”
- There are two major macro-perspectives on corporate Purpose. The first macro-perspective focuses on the nature of factors (internal or external) that influence the articulation of corporate Purpose, dividing into the inside-out and outside-in perspectives. The second macro-perspective centers on how Purpose is realized in practice, dividing into the “statement-centric” perspective (related to communication), the “experience-based” perspective (related to people’s experience), and the “decision-making” perspective (related to the integration of Purpose in business decisions).
- These perspectives should be integrated with an understanding of three dimensions of Purpose-driven action: the cultural dimension, the socio-environmental dimension, and the strategic dimension. A lack of alignment among these three dimensions can lead to three tensions that may jeopardize the company’s competitive advantage: rivalry, inclusiveness, and intentionality.



The state of Purpose in Italian companies: the management perspective

- In recent years, an increasing number of Italian companies have recognized the importance of defining and formalizing their Purpose. Today, 62% of managers are able to express their company's Purpose. However, only 32% of them say they work in companies that have formalized this concept, highlighting a growing need to better structure the company's Purpose and integrate it into organizational strategies.
- 59% of managers' report that their company lacks recurring moments or practices dedicated to Purpose. The absence of structured initiatives indicates the need to integrate Purpose not only at the formal level, but also into the daily operational culture, making it a fundamental element of corporate life.
- The formalization of Purpose is a crucial element in the strategic and operational effectiveness of business managers. Understood as the process that incorporates Purpose into the day-to-day practices of the company, this formalization provides a significant competitive advantage. Organizations that adopt this approach show improvement in management capabilities in key areas, including innovation, strategic renewal, strategy setting, and resource optimization.
- Corporate Purpose is closely linked to the Sustainable Development Goals (SDGs) to which companies aim to contribute. In particular, Italian companies prioritize goals such as decent work (SDG 8, 32 percent), gender equality (SDG 5, 31 percent), health and well-being (SDG 3, 30 percent), responsible production (SDG 12, 26 percent) and innovation in infrastructure (SDG 9, 26 percent). These goals form the foundations of many organizations' sustainability strategies, reflecting a concrete commitment to improving working conditions and quality of life for employees.



Purpose in action: practices and impacts in companies

- Setting up a process to work on corporate Purpose involves thinking about a three-step approach: (1) Articulating & Formalizing, (2) Embedding, and (3) Measuring.
- Corporate Purpose can have different levels of integration (how "strong" it is felt by internal stakeholders) and transversality (how well it manages to overcome barriers related to generations, geographies, functions, hierarchical levels). The Purpose Stress Test is a tool to assess and reinforce the clarity, alignment, resonance, persistence, and sharing of the corporate Purpose. This test allows you to identify signs of insecurity and take corrective action, ensuring that the Purpose is widespread and understood across the board.
- An effective Purpose statement must have four characteristics: be challenging, be compatible, refer to a unique and distinctive identity and market position, and be inspirational to internal and external stakeholders.
- Measuring Purpose requires a two-tier approach: internally, to assess how well it is really understood and integrated into the organization, and externally, to analyze the concrete social, economic, and environmental impacts generated. This dual focus allows us to capture both the internal alignment and effectiveness of Purpose in creating real value.
- Measuring impact generates strategic benefits for the enterprise: it guides decisions to maximize effectiveness and consistency with the corporate Purpose and, on the transactional level, facilitates dialogue and conflict management among different stakeholders.



1

The multiple facets of Purpose: moving toward a shared definition?

Key Messages

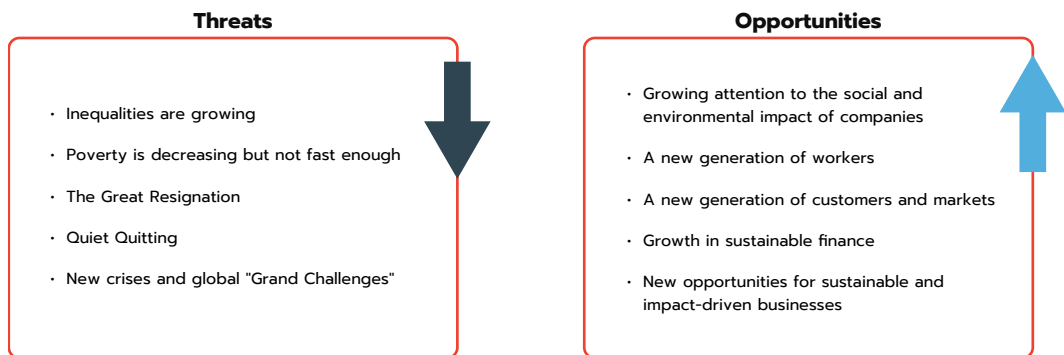
- Contrary to what some might think, Purpose is not a radically new concept but has recently gained renewed attention. Its growing importance for businesses is undeniable, yet a significant lack of clarity persists, which can lead to phenomena such as Purpose-washing and misuse of the term.
- The Purpose of a business is defined as “the reason for a company’s existence and its aspiration to pursue a goal that goes beyond merely achieving economic-financial results. Purpose entails creating value not only for the company’s direct stakeholders but also for society at large and the environment.”
- Two major macro-perspectives on corporate Purpose exist. The first focuses on the nature of the factors (internal or external) influencing the articulation of corporate Purpose, divided into the inside-out and outside-in perspectives. The second centers on how Purpose is put into practice, broken into the statement-centric perspective (focused on communication), the experience-based perspective (focused on people's experiences), and the decision-making perspective (focused on integrating Purpose into business decisions).
- These perspectives must be integrated with an understanding of the three action dimensions of Purpose: cultural, socio-environmental, and strategic dimensions. A lack of alignment among these three dimensions can result in tensions that jeopardize a company’s competitive advantage: rivalry, inclusivity, and intentionality.

Introduction

In the contemporary business context, which is constantly evolving, the concept of corporate Purpose has assumed a central role for organizations aiming to navigate complexities and achieve lasting success. No longer merely a theoretical idea, Purpose is increasingly recognized as a practical tool shaped by the ways in which managers and professionals think and act. At the same time, the resurgence of this concept in organizational, leadership, and management practices has led to a degree of confusion and ambiguity. Precisely because ideas are fundamental in defining and shaping business decisions, it is essential to understand what Purpose is, why it is valuable for today's companies, and how it can be conceptualized in a way that is transformative and aligned with the company's value creation objectives.

Business leaders play a crucial role in bringing an organization's Purpose to life. Their actions, choices, and leadership styles directly influence how Purpose is perceived and implemented within the company. As businesses face growing pressures from stakeholders such as customers, employees, and society at large, the need to align corporate activities with a meaningful Purpose has never been more urgent.

Figure 11: The determining factors in the re-emergence of Purpose



This alignment not only enhances business performance but also strengthens reputation and builds trust among stakeholders. However, scientific literature and recent cases of Purpose-driven companies show that the effects of Purpose on performance are not always positive and do not affect all companies equally. Two reasons underlie this complexity: first, understanding exactly what Purpose is; and second, once a perspective is identified, examining the cause-effect relationships between Purpose and the desired outcomes (e.g., financial performance, reputation, stakeholder alignment, or employee motivation).

A significant challenge lies in the varying interpretations of Purpose among managers. Without a clear and shared understanding, Purpose risks remaining an abstract concept that fails to impact daily operations. By delving into the mindset of managers, we can uncover how Purpose is applied in practice, bridging the gap between theory and reality. This approach enables organizations to fully harness the potential of Purpose, transforming it into a driver of innovation, growth, and positive social impact.

Recognizing that there are multiple interpretations of corporate Purpose is essential in today's modern and complex organizations. While defining Purpose is certainly possible, it is even more important to understand the different perspectives through which Purpose is implemented in practice. Only then can we comprehend the cause-effect relationships mentioned earlier and provide tools to improve managerial and leadership thinking and practice—steering away from simplistic notions tied to "magical thinking" that overlooks the functioning of complex organizations.

To achieve this, we begin with a review of the scientific literature on the concept of corporate Purpose, focusing particularly on three contributions: Almandoz (2023)¹, George et al. (2023)² and Durand e Huynh (2024)³.

1 Almandoz, Juan ("John"). (2023). Inside-out and Outside-in Perspectives on Corporate Purpose. *Strategy Science* 8(2),139-148.

2 George, G., Haas, M. R., McGahan, A. M., Schillebeeckx, S. J. D., & Tracey, P. (2023). Purpose in the For-Profit Firm: A Review and Framework for Management Research. *Journal of Management*, 49(6), 1841-1869.

3 Durand, R., & Huynh, C.-W. (2024). Corporate purpose research: Streams and promises. *Journal of Management Scientific Reports*, 2(3-4), 218-234.

What is Corporate Purpose?

We define the **Purpose of a for-profit enterprise** as *“the reason for a company’s existence and its aspiration to pursue a goal that goes beyond merely achieving economic and financial results. Purpose involves creating value not only for the company’s direct stakeholders but also for society as a whole and the environment.”*

Various academic perspectives provide valuable insights into corporate Purpose. Recognizing that Purpose is multifaceted and resisting a single, definitive understanding enables managers to explore diverse frameworks that reflect their organizational contexts. Key academic contributions offer perspectives through which managers can analyze and enhance their understanding of Purpose. These perspectives align with the different ways managers approach Purpose, providing theoretical foundations that support practical applications. For instance, Almandoz (2023) introduces inside-out and outside-in perspectives, highlighting how Purpose can stem from internal values or the needs of external stakeholders. George et al. (2023) discuss duty-based and goal-based Purpose, focusing on ethical obligations versus strategic objectives. Durand and Huynh (2024) offer approaches considering Purpose statements, experiences, and decision-making processes.

From this body of literature, two main perspectives on corporate Purpose emerge: **the inside-out and outside-in approaches**.

The inside-out perspective views Purpose as stemming from the company’s core values and mission, emphasizing internal forces, beliefs, and aspirations for meaning among employees and managers. When an inside-out Purpose is deeply rooted, the company’s activities are not merely seen as a combination of resources and machinery transforming inputs into outputs. Instead, the company becomes an expression of higher values, reflected in its corporate identity and reputation. These values are not chosen arbitrarily, as they often reflect the founder’s ideas and are not easily replaced without radical changes, as they form the company’s character and identity.

An inside-out Purpose is unique and distinctive to each company, transcending formalization in a Purpose statement and developing over the company’s history. For example, decisions made by Patagonia’s managers are evaluated by both internal and external stakeholders in relation to the environmental sustainability value that Patagonia has authentically championed over time. If Patagonia were to make decisions misaligned with its sustainability value—built through its history of stakeholder and market interactions—its reputation and internal Purpose would suffer, leading to accusations of inauthenticity. Managers adopting this approach focus on leveraging their unique capabilities to drive Purpose, promoting a strong corporate identity and culture. Maximizing investor value

can be an inside-out Purpose, though this rarely leads to greater employee motivation, a strong and distinctive corporate culture, or a positive relationship between Purpose and profits. In fact, as calculated by (Gartenberg, 2023)⁴ the financial services industry, where this inside-out Purpose is more likely, shows the most negative correlation between Purpose and profits (the best-performing companies tend to have less of a shared sense of Purpose).

Instead, the outside-in approach considers Purpose as shaped by the external needs of society and the expectations of stakeholders. This approach connects the enterprise's Purpose to the "duties" it has towards society, aligning corporate decisions with stakeholder pressures (consumers, local communities, professional associations, public institutions, etc.). These pressures may include aligning with ESG criteria, introducing impact measurement systems to enhance transparency and accountability, or adopting certifications such as B Corp.

It is important to highlight that this Purpose also has a "historical" dimension. Indeed, stakeholder demands and pressures have evolved over time and across geographies. For example, during the 1970–2000 period, it was legitimate to act based on the belief that "the only social responsibility of a business is to increase profits." However, today, given the strong demands for businesses to play a more active role in mitigating social and environmental risks for the planet's sustainability, this belief is sharply criticized.

Moreover, we know well that there is no single form of capitalism, but rather a "variety of capitalisms." Depending on the geographical context, there are different beliefs about what the Purpose of a business should be and how it should interact with society and stakeholders. The most pressing managerial challenge is not choosing one perspective at the expense of the other—a choice we believe is bordering on illogicality. Instead, the challenge is to identify ways and processes to align the two perspectives, making one's inside-out Purpose more responsive to stakeholder pressures.

For instance, a company could leverage its expertise (inside-out) to address environmental concerns raised by stakeholders (outside-in), thereby creating an authentic and relevant Purpose.

⁴ Gartenberg, C., (2023). The Contingent Relationship Between Purpose and Profits. *Strategy Science*, 8(2), 256-269.

Durand and Huynh (2024) propose three facets of corporate Purpose work that offer practical insights: the “**statement-centric**” approach, the “**experience-based**” approach, and the “**decision-making**” approach. The “statement-centric” approach focuses on verbal or written declarations about the company’s Purpose made by its leaders. Purpose statements serve as credible signals to specific audiences. Managers play a key role in crafting and communicating these messages to ensure authenticity and resonance with stakeholders. Effective Purpose statements can enhance brand image and stakeholder trust when they accurately reflect the company’s actions. Conversely, Purpose statements that do not align with the company’s activities and decisions can result in detrimental consequences for stakeholder trust and erode brand equity. This approach is evident, for example, when leaders discuss the Purpose of their company in letters to investors (Rajan et al., 2022)⁵, or when potential candidates approach a company to explore job opportunities and assess whether it aligns with their goals and values (Van Balen & Tarakci, 2023)⁶. The “experience-based” approach highlights the diversity of how organizational members perceive the company’s Purpose. This is significant because Purpose can lead to greater identification and motivation among employees. While the statement-centric approach focuses on the content of Purpose, the experience-based approach emphasizes the strength of the corporate Purpose, specifically how widely and deeply it is perceived as strong and shared across business units, geographies, and functions.

The third approach is the “decision-making” approach. A well-defined Purpose modifies decision-making processes in predictable ways, becoming a long-term objective in addition to other goals the company may have. This has clear implications for budgeting and resource allocation decisions and can impact the sharing of a corporate Purpose across hierarchical levels and divisions. This approach explains why some managers interpret Purpose as a competing objective to profit maximization, while others see it as synergistic with value creation and business efficiency.

5 Rajan, R. G. and Ramella, P. and Zingales, L., (2022) What Purpose Do Corporations Purport? Evidence from Letters to Shareholders. European Corporate Governance Institute – Finance Working Paper No. 904/2023, George J. Stigler Center for the Study of the Economy & the State Working Paper No. 314

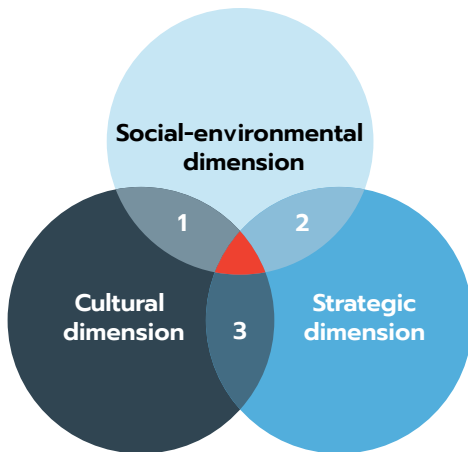
6 Van Balen T., Tarakci M. (2023). Recruiting talent through entrepreneurs’ social vision communication. *Organization Science*, 35(1), 326–345

The Three Dimensions of Corporate Purpose

Corporate Purpose encompasses three key dimensions: strategic, cultural, and socio-environmental. These dimensions provide a comprehensive framework for managers to interpret and balance Purpose within their organizations:

1. **Strategic Dimension:** From a managerial perspective, this dimension drives corporate strategy and decision-making processes. It involves aligning the company's mission with its long-term goals and competitive positioning. Managers leverage Purpose to inform strategic choices, prioritize initiatives, and allocate resources effectively, ensuring that Purpose is directly tied to the company's success and sustainability.
2. **Cultural Dimension:** This reflects how Purpose shapes organizational culture and influences employee engagement. Managers recognize that Purpose must resonate with staff to foster motivation, commitment, and a shared sense of direction. By embedding Purpose into the company's values, practices, and norms, they cultivate a culture where employees feel connected to the organization's objectives.
3. **Socio-Environmental Dimension:** This represents the company's commitment to social and environmental responsibility, as perceived by stakeholders. Managers understand that Purpose extends beyond financial performance to include ethical considerations, community impact, and environmental stewardship. By integrating social and environmental objectives into operations, they demonstrate accountability and responsiveness to stakeholder expectations.

Balancing these dimensions requires careful interpretation and deliberate action from managers. They must ensure that strategic goals do not overshadow cultural values or social responsibilities, and vice versa. An integrated approach to Purpose allows organizations to achieve harmonious alignment, supporting long-term success and stakeholder satisfaction.

Figure 12: The dimensions of Purpose

The importance of aligning the three dimensions

Aligning the strategic, cultural, and socio-environmental dimensions of corporate Purpose is essential for organizational coherence and effectiveness. From a managerial perspective, such alignment ensures consistency between the company's Purpose, its actions, and stakeholder expectations.

Leaders play a key role in maintaining this alignment through strategic leadership. By clearly articulating how Purpose informs strategy, they help employees understand the rationale behind business decisions. This transparency fosters trust and reduces resistance to change. Moreover, when cultural values align with strategic goals, employees are more likely to internalize the Purpose and act in ways that support organizational objectives.

However, achieving this alignment is not automatic. Even companies initially driven by a strong Purpose may, over time, experience what is known as "**Purpose drift**"—the gradual dilution of the perceived value of their Purpose. Business leadership, therefore, must actively work to keep the three dimensions aligned. If alignment is lacking, three tensions may arise within the organization, posing significant risks to its market survival. The first tension is the rivalry between Purpose and value creation, the second is the inclusivity of Purpose across the organization, and the third pertains to the intentionality of Purpose.

Tension 1 – Purpose perceived as alternative to economic value

A significant tension arises when Purpose is perceived as separate from the company's core activities, seen as an obstacle rather than an enabler of profitability. Managers often face challenges when Purpose is viewed as a hindrance to revenue generation, creating a psychological barrier that stifles innovation and discourages radical changes necessary for growth.

When Purpose is not integrated with economic goals, managers may struggle to justify investments in Purpose-driven initiatives. Employees might perceive these efforts as distractions from revenue-generating activities, leading to reduced engagement and skepticism. This tension can suppress creativity and hinder the company's ability to adapt to market changes.

To address this challenge, managers can adopt strategies that demonstrate the synergy between Purpose and profitability. This involves identifying and communicating how Purpose-driven actions contribute to competitive advantage, customer loyalty, and operational efficiency. By aligning Purpose with strategic goals, they can highlight tangible benefits, reinforcing the notion that Purpose and economic value are complementary.

For instance, investing in sustainable technologies might lower long-term operational costs and attract environmentally conscious consumers. Managers can emphasize these advantages to gain stakeholder support and seamlessly integrate Purpose with business objectives.

Tension 2 – Purpose as the exclusive domain of senior leadership

Another tension emerges when Purpose is perceived as the exclusive domain of top executives, leading to leadership and accountability challenges. This exclusivity can create a disconnect between leadership and employees, resulting in differing perceptions of Purpose and causing disillusionment among staff.

When employees feel excluded from the Purpose definition process, they may struggle to see how their work contributes to the company's Purpose. This gap can diminish motivation, reduce engagement, and foster a sense of detachment. Additionally, external stakeholders may perceive inconsistencies between the company's declared Purpose and the employee experience, undermining credibility.

Managers can mitigate this tension by involving employees at all levels in defining and implementing Purpose. This inclusivity ensures that Purpose resonates with the workforce and reflects a

collective vision. Methods to engage employees include open forums, workshops, and collaborative planning sessions.

By fostering open communication and encouraging feedback, managers can bridge the gap between leadership and employees. This collaborative approach enhances accountability, as employees are more likely to take ownership of Purpose-driven initiatives when they have contributed to their formulation. It also strengthens internal alignment around Purpose, improving cohesion and organizational performance.

Tension 3 – Loss of Purpose intentionality

The third tension involves the loss of Purpose intentionality, where Purpose fails to motivate actions that align with stakeholder interests. Managers may observe that Purpose has become a latent concept, conflicting with external trends and strategic priorities. This disconnect can lead to decreased stakeholder trust and diminished organizational effectiveness.

When Purpose lacks intentionality, it no longer serves as a guiding principle for decision-making. Managers may find it difficult to align initiatives with the company's Purpose, resulting in fragmented efforts and missed opportunities. Stakeholders, including customers and investors, might perceive the company as insincere or misaligned with their expectations, damaging reputation and relationships.

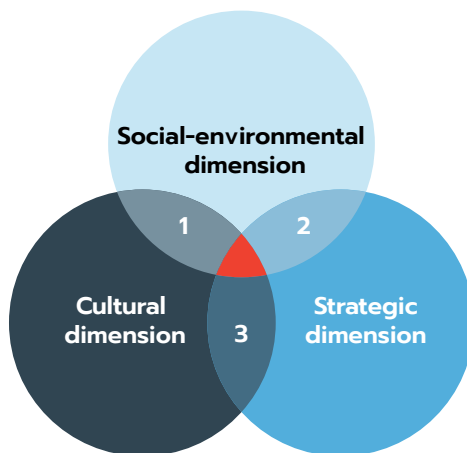
To revitalize Purpose intentionality, managers can implement strategies that reaffirm the relevance of Purpose in daily operations. This includes setting clear, Purpose-driven objectives, integrating Purpose into performance metrics, and ensuring that all strategic decisions are evaluated against the company's Purpose.

Managers can also directly engage stakeholders to understand their expectations and incorporate their feedback into strategic planning. By demonstrating a commitment to stakeholder interests, they reinforce Purpose intentionality and rebuild trust. Continuous communication and transparency are essential to maintaining this alignment, ensuring that Purpose remains a dynamic and influential aspect of business practices.

Figure 13: The Dimensions of Purpose and Related Tensions: Rivalry, Inclusiveness, Intentionality

Tension 1: Rivalry

- Purpose perceived as an obstacle to profitability
- Psychological barrier for managers and employees
- Difficulty in justifying Purpose-related initiatives
- Negative impact on innovation, creativity, and adaptability



Tension 2: Inclusivity

- Disconnect between leadership and employees
- Misalignment among staff, lowering motivation and engagement
- Negative impact on perceived equity among stakeholders

Tension 3: Intentionality

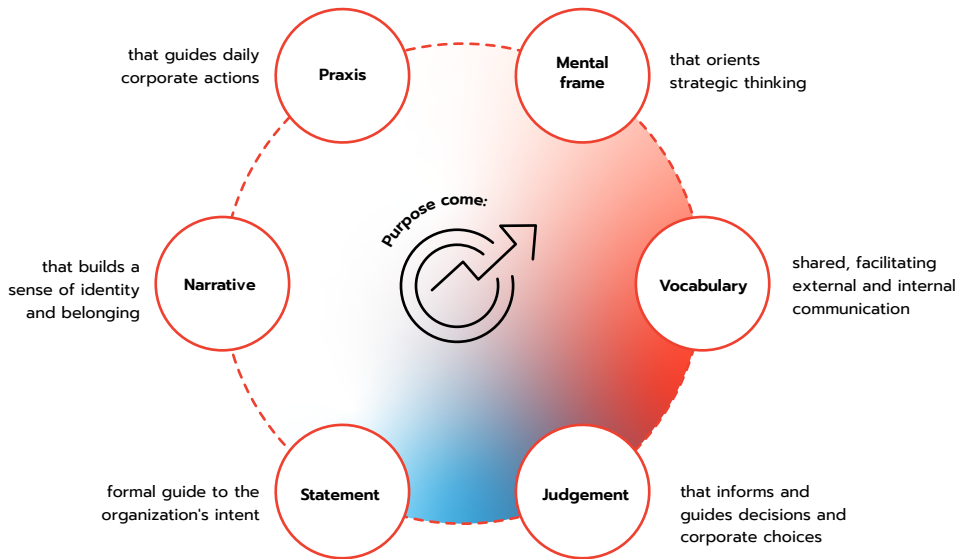
- Decline in stakeholder trust
- Lower organizational effectiveness
- Negative impact on reputation and stakeholder relations

Purpose as a strategic tool: toward a dynamic understanding

As highlighted in this chapter, the concept of Purpose in the corporate context should not be viewed merely as a theoretical idea but rather as a powerful strategic tool. Its true effectiveness emerges through how managers and professionals interpret and apply it in their daily activities. Purpose is intrinsically tied to how leaders communicate and represent the essence of the enterprise. Therefore, it becomes embedded in corporate language and practices, shaped and sustained by the narratives and dialogues developed within the organization.

It is thus crucial not only to adopt a definition of Purpose but also to move beyond a rigid and singular view of this concept. Exploring the multiple perspectives through which Purpose materializes in practice is essential, capturing the diverse interpretations and applications that emerge in contemporary organizations.

The research path of the Observatory, particularly the ongoing interaction with managers and professionals from leading Italian companies, has highlighted the importance of focusing on the perspectives and concrete experiences of organizational actors. This approach enables a shift from a purely denotative dimension to a

Figure 14: Interpretations of Purpose in the corporate world

connotative one, dispelling uncertainties and facilitating the integration of Purpose into business practices.

In this way, Purpose becomes a genuinely operational and meaningful element for the entire organization. The direct consequence of this perspective is reflected in the multiple ways leaders and organizational actors can interpret Purpose, as represented in Figure 1.4. These interpretations are not mutually exclusive; an individual may consider Purpose in various ways simultaneously or adapt their view according to different circumstances or stages in the life cycle of an enterprise.

Conclusion

Corporate Purpose is a complex concept that plays a crucial role in the success of modern organizations. Understanding Purpose through the perspectives of managers bridges the gap between theory and practice, enabling effective integration into daily operations. By embracing multiple interpretations and focusing on the viewpoints of organizational actors, managers can clarify uncertainties and fully leverage the potential of Purpose.

Aligning the strategic, cultural, and socio-environmental dimensions of Purpose is fundamental for organizational coherence

and stakeholder satisfaction. Managers are essential in maintaining this alignment and addressing tensions that may arise from misalignment. Embracing diverse academic perspectives offers valuable insights and practical tools to enhance Purpose-driven initiatives.

Executives and professionals are pivotal in defining and embodying Purpose within their organizations. Their leadership shapes the narrative of Purpose and influences how it is perceived by employees, customers, and other stakeholders. By actively engaging in the definition and demonstration of Purpose, managers can bridge the gap between abstract concepts and concrete actions.

Uncertainties about the meaning of Purpose often stem from a disconnect between broad declarations and daily practices. Managers have the opportunity to resolve these uncertainties by interpreting Purpose within the context of their specific operational realities. Through clear communication and consistent behaviors, they can demonstrate how Purpose aligns with strategic objectives and daily activities.



The Value of Purpose



Rosario Sica
CEO
OpenKnowledge – Gruppo BIP

In the context of global crises and rapid changes, the concept of Purpose has become central to the corporate strategies of modern organizations. Defined as the profound reason for an organization's existence, Purpose must be distinguished from the concepts of Mission (what an organization does) and Vision (what an organization aims to become). It serves a key role as an ethical compass, capable of balancing corporate profit with social and environmental benefits. It is particularly important for attracting talent, as new generations desire to find a 'meaning' in their work, a value that goes beyond mere monetary remuneration. Purpose is crucial for creating alignment between a company's declared principles and its actions, as well as for strengthening trust within the organization among employees and all other stakeholders.

When authentically applied, Purpose has a highly positive impact on business performance. Numerous studies demonstrate how a clear and inspiring Purpose increases employee engagement and customer loyalty while improving the organization's resilience and adaptability in critical contexts. Its relevance was

strongly highlighted during the COVID-19 pandemic, which underscored companies' roles in contributing to collective well-being.

From a historical perspective, Purpose was first conceptualized in the 1930s by Chester Barnard and later revisited by figures such as Forrest Mars Sr., who promoted "mutual benefit" for stakeholders. In the 1990s, growing attention to corporate social responsibility gave Purpose increasing importance, culminating during the 2008 financial crisis, which reinforced the need to balance profit and social impact. Authors such as Michael Porter and Mark Kramer introduced the concept of "Shared Value," asserting that a company can gain competitive advantages by effectively addressing social issues.

Today, it is of great importance to correctly focus on the link between Purpose and sustainable business models. Both investors and consumers increasingly demand that corporate practices reliably and seriously adhere to ESG (Environmental, Social, Governance) criteria.

How can an organization define an authentic Purpose? Among the possible methodologies, I find the Brand Archetypes approach by Margaret Mark and Carol Pearson particularly useful. This approach, which identifies twelve archetypes, can greatly help in delineating an organization's symbolic identity. Archetypes such as the Caregiver or the Explorer provide companies with a common language to express their values. For example, Nike embodies the Hero archetype, represented by its goal to improve the world through sports. This alignment between Purpose and Archetype ensures coherence and authenticity in brand identity, strengthening connections with customers.

To concretely identify Purpose, I suggest a four-phase model: Setup, As-Is Analysis, To-Be Definition, and Implementation. This process enables leadership

to actively involve stakeholders, gather internal feedback, and outline a Purpose that resonates deeply with corporate culture. Active employee participation is essential for a Purpose to be perceived as authentic and capable of driving organizational growth.

Another essential point is the correlation between Purpose and innovation. A well-defined Purpose inspires creativity, supporting sustainable innovation initiatives and enhancing employee and customer experiences. Technology adoption, when aligned with corporate values, fosters solutions that embrace sustainability and accessibility. Tesla, for instance, demonstrates how a clear Purpose focused on energy sustainability can transform an entire industry.

To monitor the effectiveness of Purpose, appropriate KPIs must be used, such as employee alignment and the social impact of initiatives. This focus can extend to integrating "impact-weighted accounting" methods proposed by George Serafeim, a renowned Harvard Business School professor. Organizational Network Analysis (ONA) can also be a valuable tool for identifying Purpose "champions" within the company. These employees embody corporate values and act as connectors among various teams, fostering collaboration and innovation.

Purpose is now a fundamental asset for corporate competitiveness and for attracting new talent and customers in an increasingly connected and conscious market. Allocating the right resources to define and implement Purpose is a well-justified investment.

Nota:

Sica, R. (2024) Il valore del Purpose Trovare il senso in un'organizzazione: un dovere verso le persone e il futuro, Ed. Guerini next



2

The state of Purpose in Italian Companies: the management perspective

Key Messages

- In recent years, an increasing number of Italian companies have recognized the importance of defining and formalizing their Purpose. Today, 62% of managers can articulate their company's Purpose. However, only 32% report working in companies that have formalized this concept, highlighting a growing need to better structure corporate Purpose and integrate it into organizational strategies.
- 59% of managers indicate that their companies lack recurring moments or practices dedicated to Purpose. The absence of structured initiatives underscores the need to integrate Purpose not only formally but also into everyday operational culture, making it a fundamental element of corporate life.
- The formalization of Purpose is crucial for the strategic and operational effectiveness of corporate managers. Understood as the process of embedding Purpose into a company's daily practices, formalization provides a significant competitive advantage. Organizations adopting this approach demonstrate improvements in management capabilities in key areas, including innovation, strategic renewal, strategy definition, and resource optimization.
- Corporate Purpose is closely linked to the Sustainable Development Goals (SDGs) that companies aim to contribute to. Specifically, Italian companies prioritize goals such as decent work (SDG 8, 32%), gender equality (SDG 5, 31%), health and well-being (SDG 3, 30%), responsible production (SDG 12, 26%), and innovation in infrastructure (SDG 9, 26%). These goals form the foundation of many organizations' sustainability strategies, reflecting a tangible commitment to improving working conditions and employees' quality of life.

Introduction

Despite many organizations recognizing the importance of a corporate Purpose that goes beyond mere profit, the main challenge remains making Purpose a tangible, measurable concept deeply integrated into daily activities. This step is crucial to ensuring not only theoretical understanding but also practical application, transforming Purpose into a genuine strategic lever for generating both internal and social value.

In response to this need, the idea of a structured and in-depth analysis of Purpose in Italy was born, aimed at assessing the diffusion, impact, and maturity of this concept within the national context. The investigation is distinguished by its holistic approach: it not only aims to measure the level of Purpose adoption in Italian companies but also delves deeply into how this concept is perceived by various corporate actors in different areas of application.

The value of the analysis lies in its ability to provide detailed and segmented data, analysing results based on industry sector, management level, or company type. This enables the extraction of specific insights and facilitates meaningful comparisons between different corporate contexts, thereby supporting a more precise and tailored understanding of the evolution of Purpose in Italy.

Thanks to this approach, the Observatory's survey offers a clear perspective on how much and in what ways Purpose is genuinely integrated into the strategies of Italian companies.

Demographic information on the sample

The sample considered, collected through the questionnaire, represents medium-sized companies (20-249 employees) and large companies (+250 employees) evenly distributed across the industry, commerce, and services sectors.

Figure 2.1 and 2.2: Size of respondents' companies in the sample

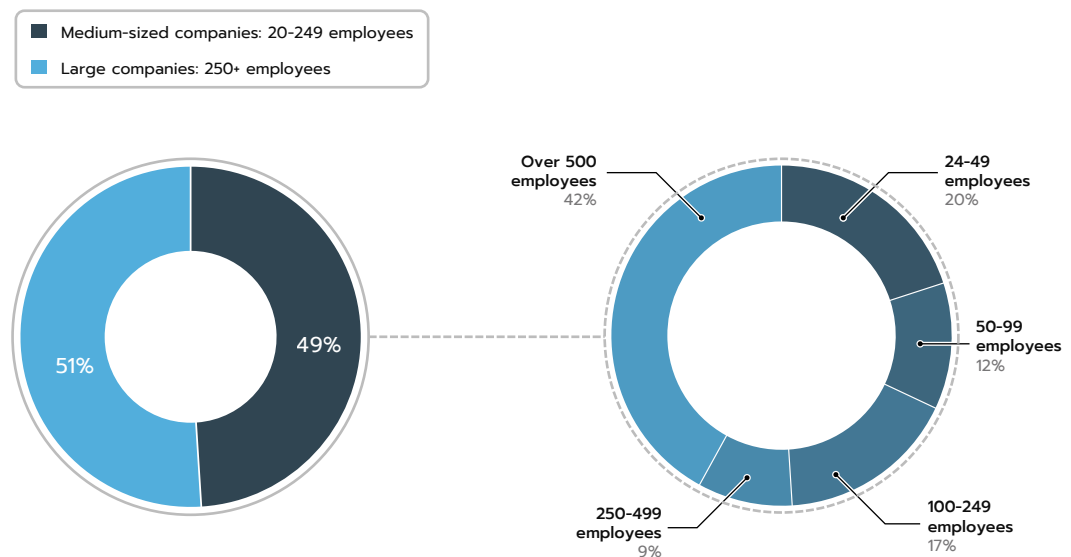


Figure 2.3 and 2.4: Industry distribution of respondent companies in the sample

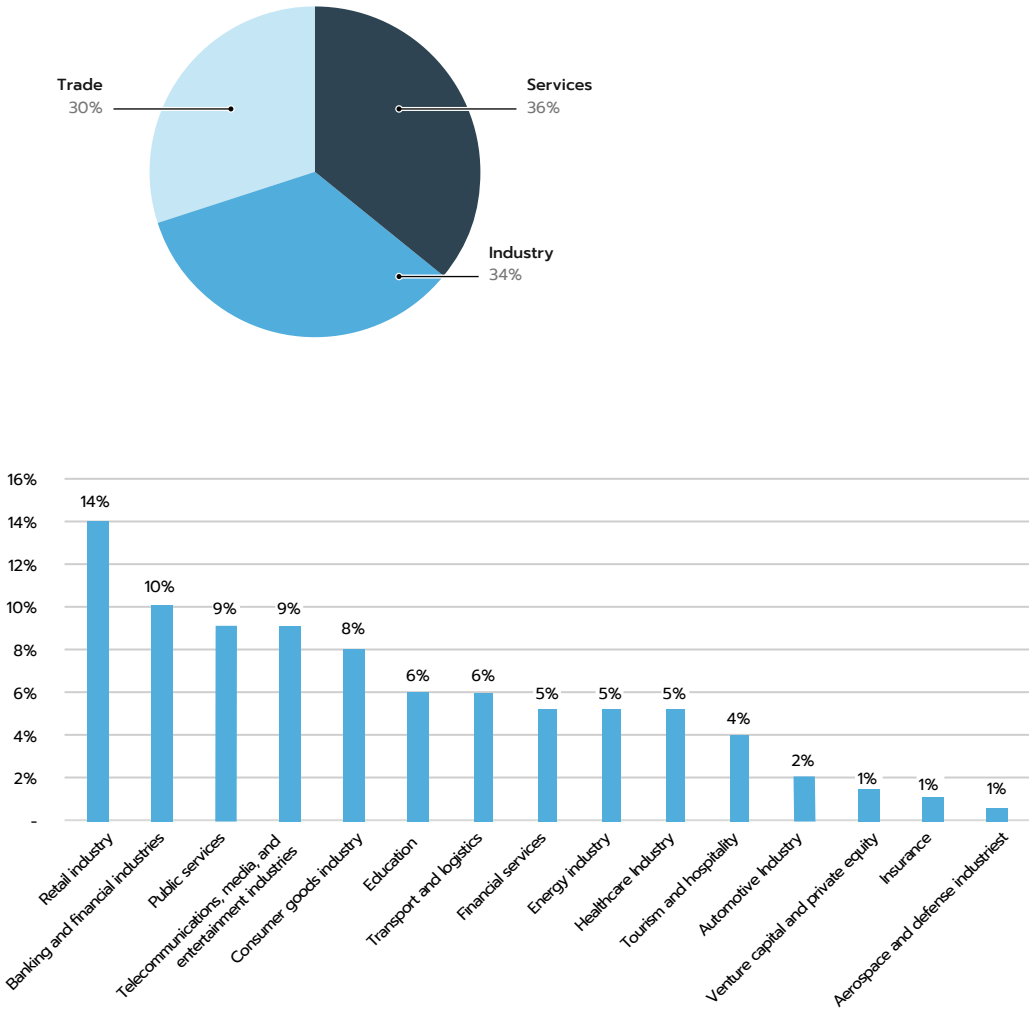
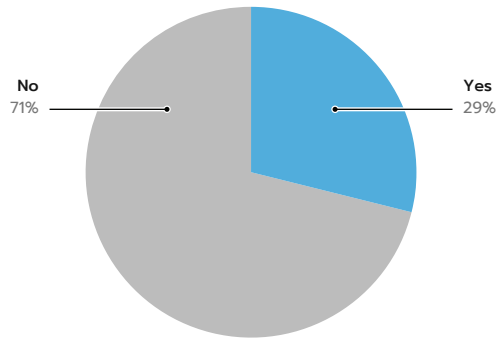
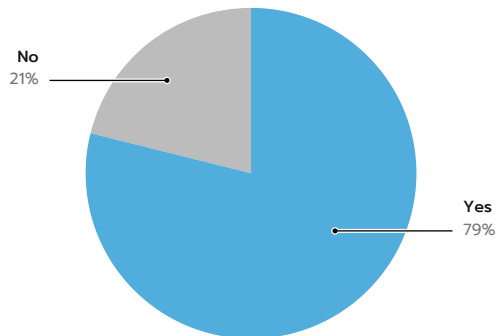


Figure 2.5, 2.6, and 2.7: Stock exchange listing, Headquarters in Italy, and geographical area of respondent companies in the sample

Stock market listing of the respondents' company in the sample?



Headquarters of the respondents' company in the sample in Italy?



Geographical area of the company of respondents in the sample

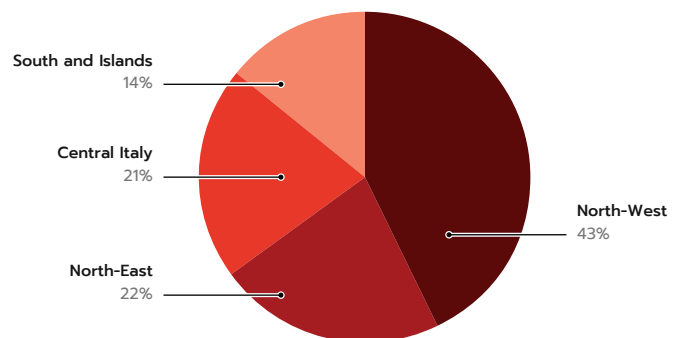
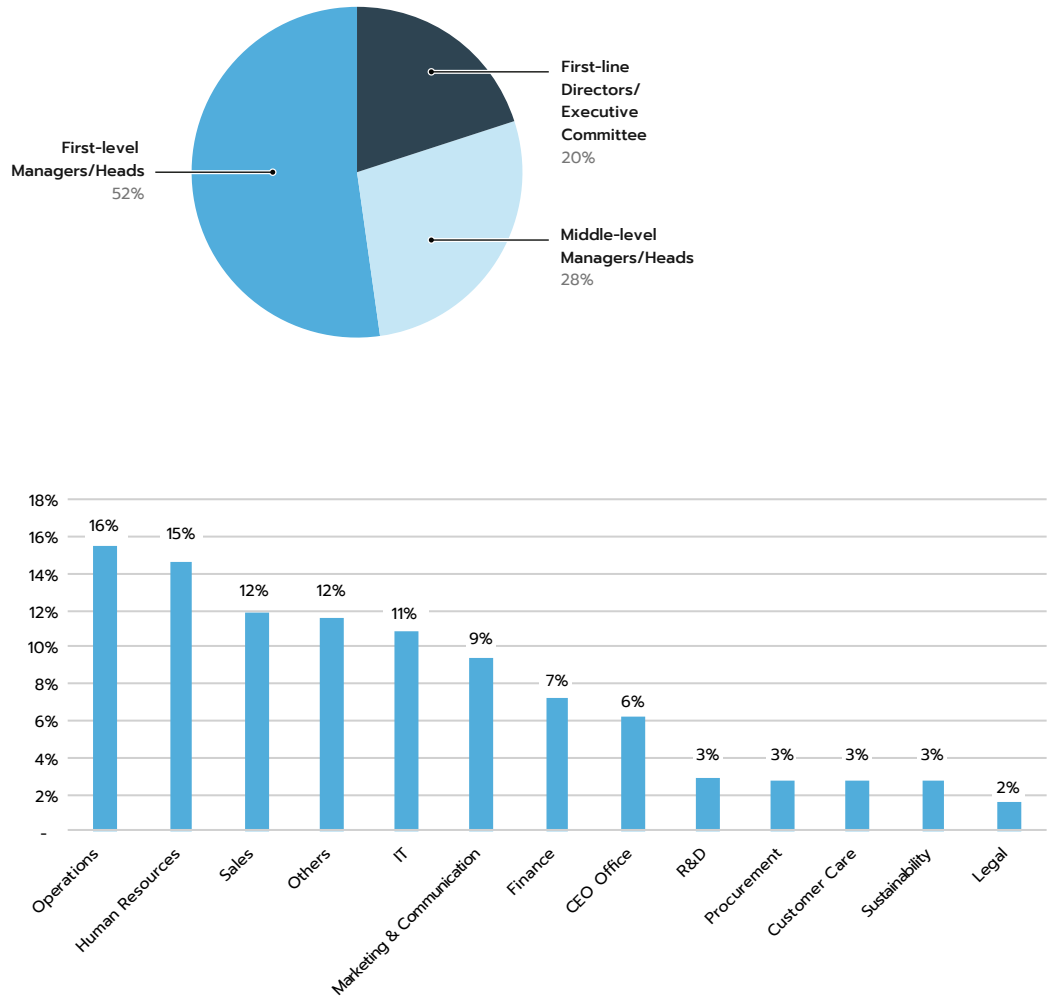


Figure 2.8 and 2.9: Distribution of corporate roles of respondents in the sample

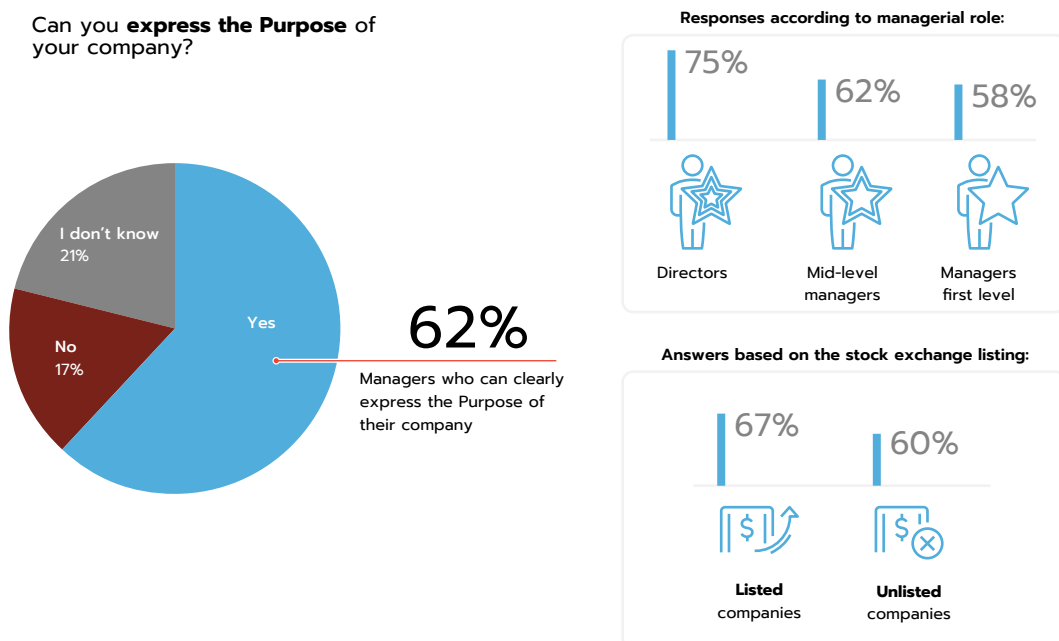


Corporate Purpose: key dimensions, benefits, and challenges

The first part of the survey analyzed key aspects related to the theme of Purpose, classified into five dimensions: knowledge, clarity, formalization, dissemination, and measurement. Additionally, it explored the most commonly perceived benefits and obstacles in the adoption and implementation of Purpose within companies.

62% of managers state that they can articulate—and therefore know—the Purpose of their company. However, Purpose knowledge varies significantly by role and type of company: 67% in publicly listed companies compared to 60% in privately held companies. Similarly, directors have a higher understanding of Purpose (75%) compared to mid-level managers (62%) and first-line managers (58%).

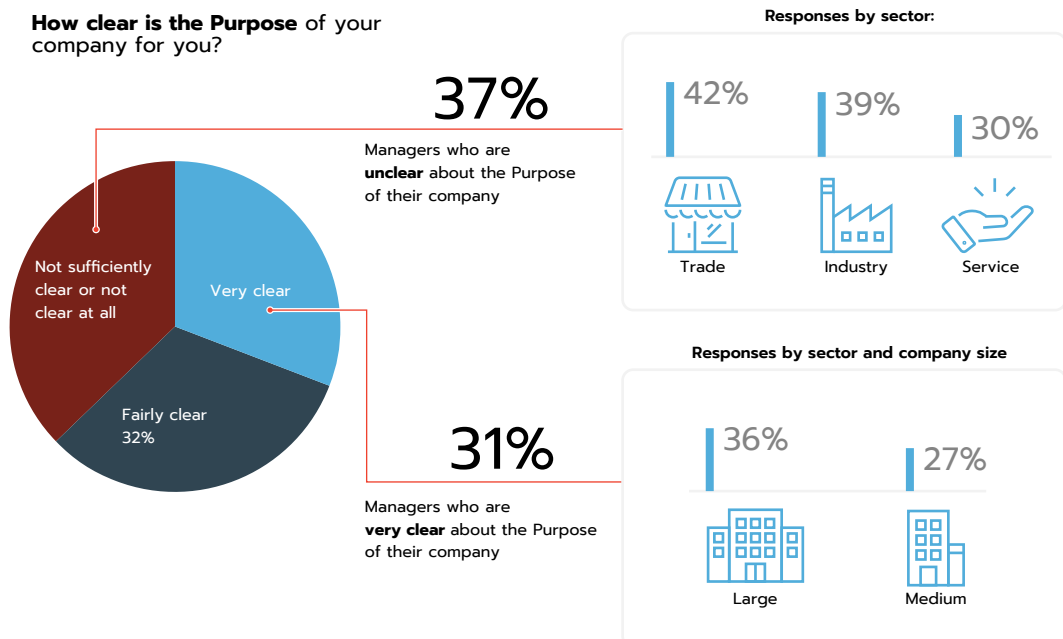
Figure 2.10: Ability to articulate and knowledge of corporate Purpose among Italian management



The results suggest that greater Purpose knowledge is present in companies with more structure and visibility, such as publicly traded firms. Hierarchical position significantly influences Purpose knowledge, highlighting the need for more effective communication along the decision-making chain. Purpose knowledge needs to be improved, particularly among first-line managers and supervisors, to ensure full alignment.

Despite overall positive results regarding Purpose knowledge and expression, 37% of managers believe that, from their perspective, corporate Purpose is not sufficiently clear. This perception of uncertainty is particularly high in the commerce sector, reaching 42%, while it drops to 30% in services. Only 31% of managers report having a clear vision of their organization's Purpose, with significant variations based on company size: among medium-sized enterprises, only 27% of managers claim to fully understand the Purpose, a percentage that rises to 36% in large companies.

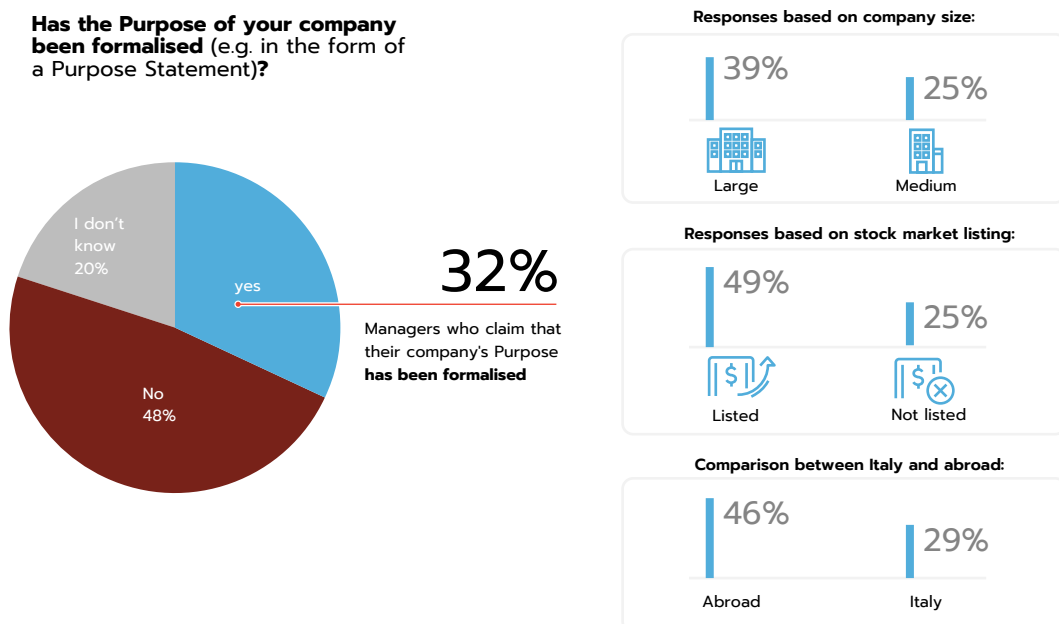
Figure 2.11: Clarity of corporate Purpose among Italian management



It is plausible to hypothesize that this gap is partly attributable to a greater commitment from larger companies toward Purpose-oriented initiatives, which may facilitate a clearer understanding among their managers. Conversely, medium-sized enterprises may face more ambiguity in defining their Purpose, hindering a clear vision.

Similarly, it is striking to note that only 32% of respondents claim that their company's Purpose has been formalized, for instance, through a Purpose statement, highlighting that many companies are still lagging in their Purpose work. Formalization is more common in publicly listed companies (49%) than in privately held ones (25%) and in large enterprises (39%) compared to medium-sized ones (25%).

Figure 2.12: Formalization of corporate Purpose among Italian management



The main drivers of this process are corporate leadership, employees, dedicated Purpose teams, and marketing and communication departments. Interestingly, company founders appear to be less involved in this phase, which contrasts with the common perception that founders are often idealized as figures capable of instilling Purpose from the earliest stages of the company, shaping the organization, and conveying a lasting vision over time.

Figure 2.13: Actors involved in the formalization of corporate Purpose in respondents' companies in the sample

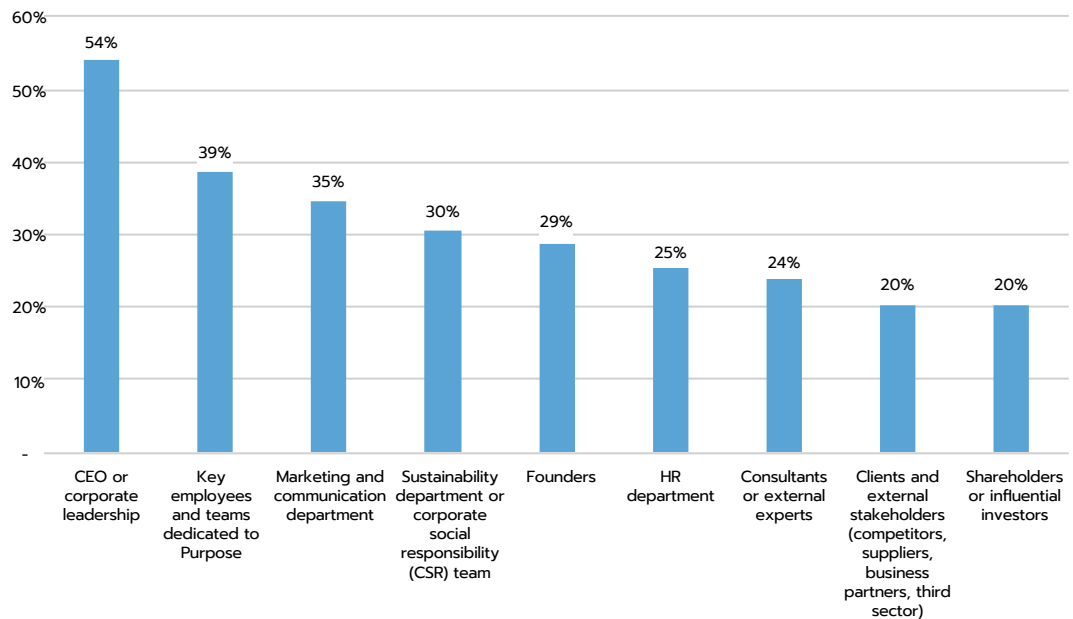
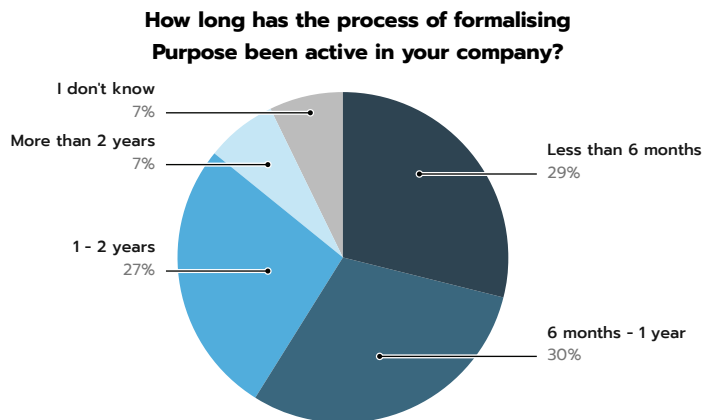
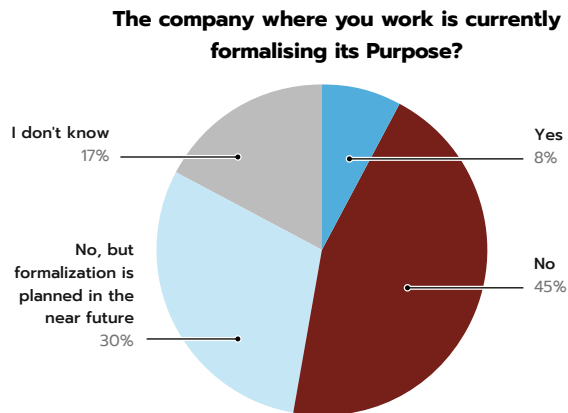


Figure 2.14 and 2.15: Processes of corporate Purpose formalization underway in respondents' companies in the sample



Among those working in companies that have not yet formalized their Purpose, only 30% indicate that this step is planned for the near future. In contrast, 45% report working for companies that are neither currently formalizing their Purpose nor have plans to do so. These figures reveal that the process of formalizing Purpose is still evolving for many organizations, with significant differences across various types of companies. Only 8% of respondents state they work in an organization currently engaged in formalizing its Purpose. The duration of this process can vary significantly: 29% report having initiated it within the past six months, while an additional 27% indicate that the process has been ongoing for 1–2 years. This highlights that Purpose formalization is not a spontaneous activity but requires strategic rethinking of the company and a commitment of tangible and intangible resources that demand time and continuity.

Figure 2.16: Actors involved in ongoing processes of corporate Purpose formalization in respondents' companies in the sample

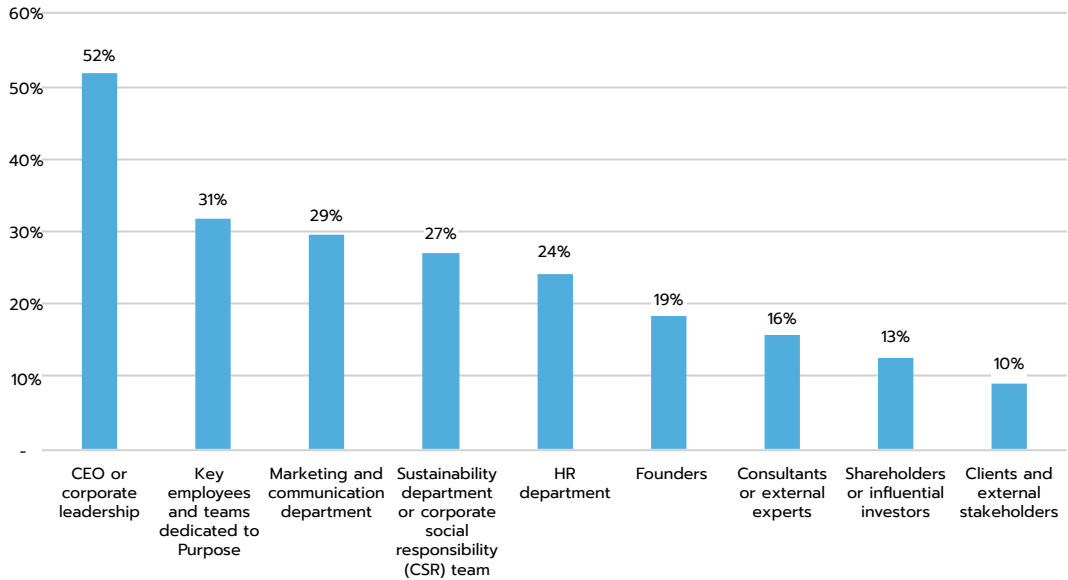
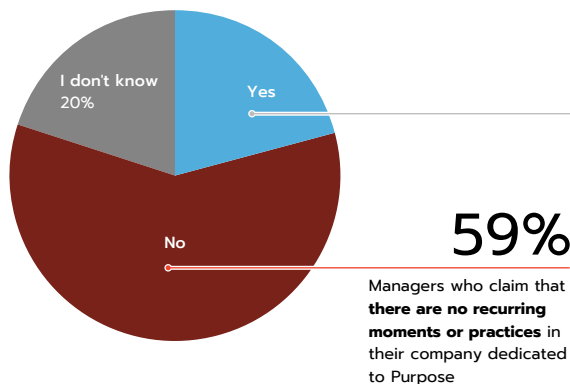


Figure 2.17: Dissemination of Corporate Purpose among Italian management

Are there any recurring **moments or practices** in your company dedicated to Purpose?



Those who have introduced recurring moments or practices have worked through:

- Training
- Volunteering
- Workshops
- Community Days
- Webinars
- Culture Day, Leadership Day
- Internal Social Projects

59% of managers state that their companies lack regular moments or practices dedicated to Purpose. This finding highlights a critical area where businesses need to invest more by creating systematic spaces and activities to strengthen and disseminate the concept of Purpose within the organization. The absence of structured initiatives underscores the need to introduce practices that integrate Purpose as a core element of corporate culture, both formally and operationally.

Companies that have implemented Purpose-focused activities (21%) have adopted various initiatives, such as:

- **Corporate Volunteering:** Engaging employees in activities supporting the community.
- **Training Programs:** Specific educational paths to help employees understand and integrate Purpose into their daily work.
- **Workshops:** Interactive sessions fostering discussion and collective reflection on the meaning of Purpose.
- **Community Days:** Days dedicated to the corporate community to strengthen a sense of belonging and share common values.
- **Webinars:** Informative or training online sessions useful for spreading knowledge and insights on Purpose.
- **Culture Day and Leadership Day:** Annual events celebrating corporate culture and the role of leadership in promoting Purpose.
- **Internal Social Projects:** Initiatives involving employees in projects that have a positive social or environmental impact.

These practices serve as effective tools for embedding Purpose into business dynamics, enhancing awareness and engagement among all employees.

An additional interesting aspect in assessing the state of Purpose in Italian companies concerns measurement processes. Only 17% of managers state that Purpose is monitored using specific indicators in their companies, while 36% indicate that it is measured in a less structured and non-systematic way. This contrast becomes even more significant when considering company size: large companies are more likely to use specific indicators (22%) compared to medium-sized companies (12%), while the latter are more inclined to measure Purpose in a non-systematic manner (43%).

Measuring Purpose remains a challenge for many organizations, with few adopting solid practices. It is therefore urgent to implement consistent measurement systems that enable companies to monitor the effectiveness of Purpose over the long term.

The benefits linked to Purpose in companies are more evident in internal areas, such as employee motivation (cited by 51% of managers as the area of greatest benefit), and in external relations and reputation (46%). However, Purpose is less frequently associated with directly achieving business objectives, with only 36% of managers recognizing a positive impact in this area.

This data suggests that Purpose is primarily perceived as a factor that promotes internal cohesion and builds a strong external reputation, but it is not yet fully recognized as a tool directly connected to economic success.

Figure 2.18: Measurement of corporate Purpose among Italian management

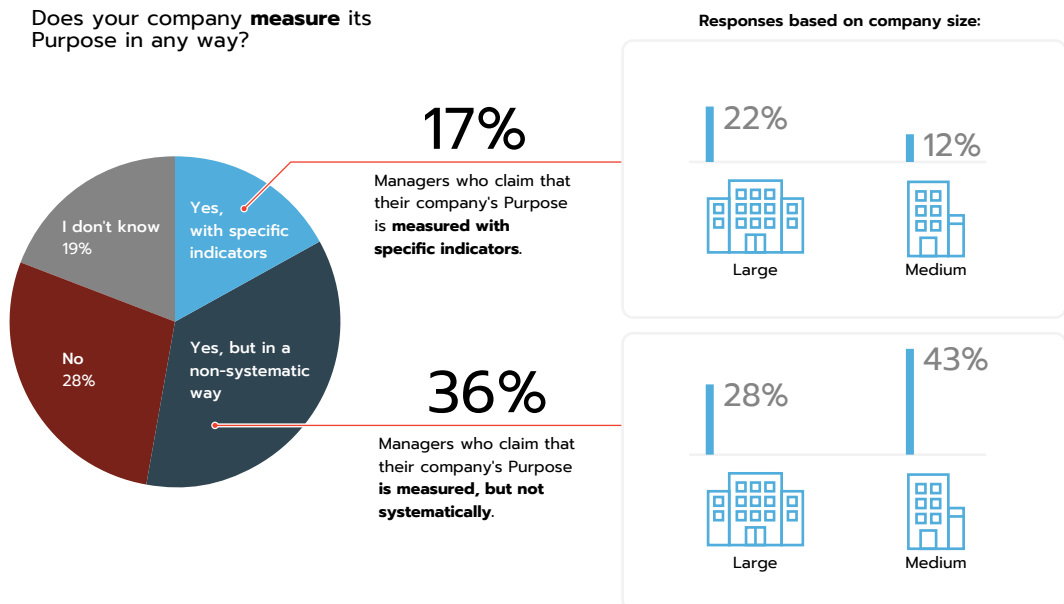


Figure 2.19: Perceived benefits of corporate Purpose by italian management

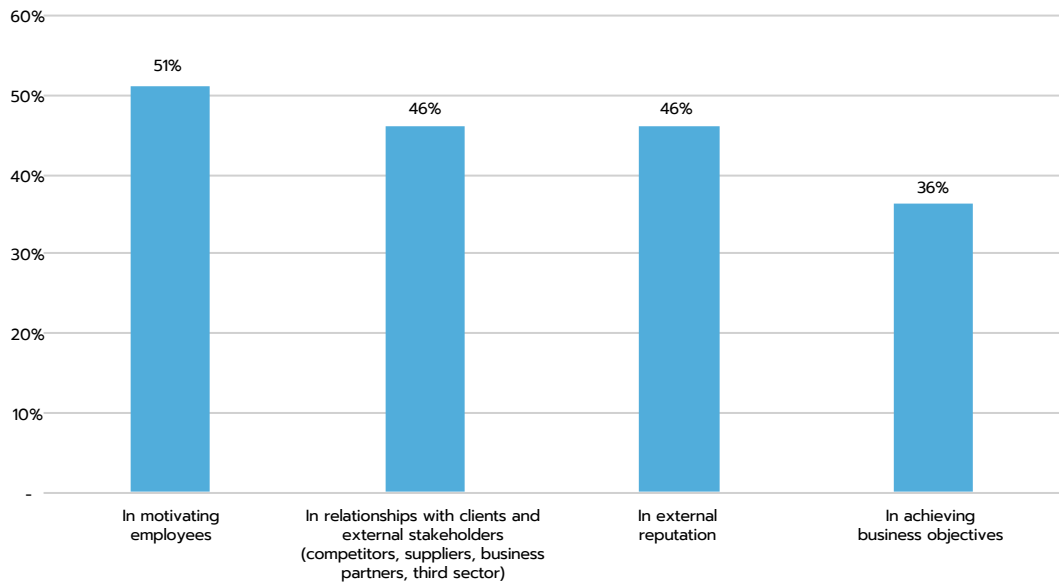
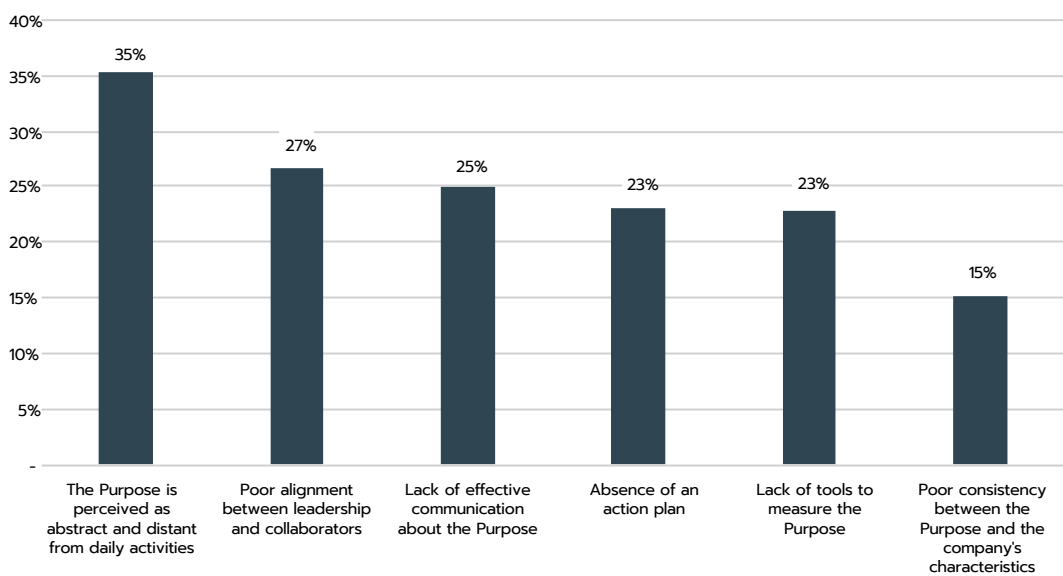


Figure 2.20: Perceived challenges of corporate Purpose by italian management



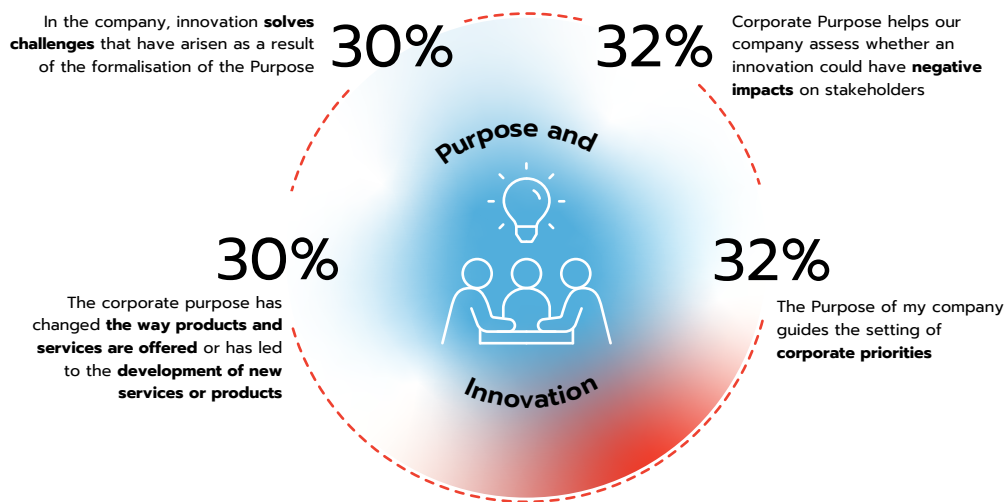
Regarding the main obstacles identified by companies in integrating Purpose into their operations, the perception of Purpose as abstract and distant from daily activities emerges as the primary challenge. 35% of companies report that Purpose is perceived as not relevant to day-to-day management, indicating difficulty in making Purpose practically applicable.

Additionally, 27% of managers highlight a lack of coherence or shared understanding between senior leadership and employees about the Purpose, which could undermine its effective implementation. The issue of measurement also arises in this context, with 23% of respondents citing the lack of adequate tools to monitor and evaluate progress or the impact of Purpose as a significant barrier. In summary, the main challenges revolve around the perception of Purpose as abstract and the lack of alignment and communication. These findings underscore the need for concrete tools and greater integration of Purpose into daily operations.

Purpose and organizational dynamics: innovation, strategies, and people

The second part of the survey focused on the practical application of Purpose within organizations, analysing managers' perceptions regarding specific areas of application and their connection to Purpose. The survey concentrated on three main areas: Innovation, Strategy, and People. The relationship between Purpose and innovation has long been recognized as crucial. Academic research demonstrates that Purpose can drive positive change and foster a culture of innovation, engaging both employees and managers. Embedding Purpose within an organization can stimulate architectural, incremental, and strategic innovations, redefine organizational structures, and encourage systemic change across ecosystems. This enables companies to tackle significant social challenges and implement large-scale transformations. Figure 2.21 illustrates the respondents' agreement levels on areas of action related to the link between innovation and Purpose.

Figure 2.21: Purpose & Innovation (Percentage Strongly Agreeing)



It is equally essential for Purpose to play a strategic role within the company, influencing everyday decisions, internal processes, and long-term strategies. Adopting a strategic perspective on Purpose is particularly advantageous as it bridges the pragmatic aspects of operational functions with moral dimensions, including deep and meaningful values and intentions. This alignment equips organizations to address immediate challenges, consider a broad range of actors and stakeholders in competitive contexts, and embrace long-term visions. Figure 2.22 displays the respondents' agreement levels on areas of action linking strategy and Purpose.

Figure 2.22: Purpose & Strategy (Percentage Strongly Agreeing)

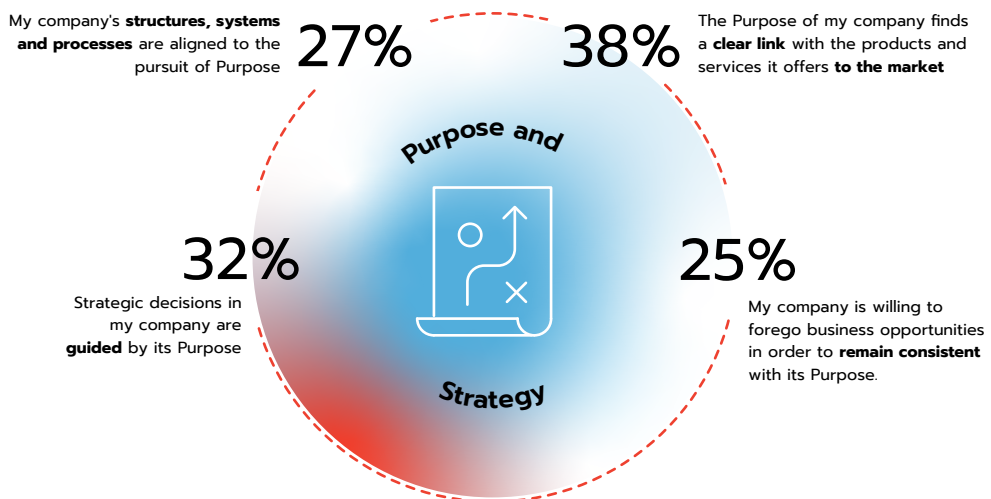


Figure 2.23: Purpose & People (Percentage Strongly Agreeing)

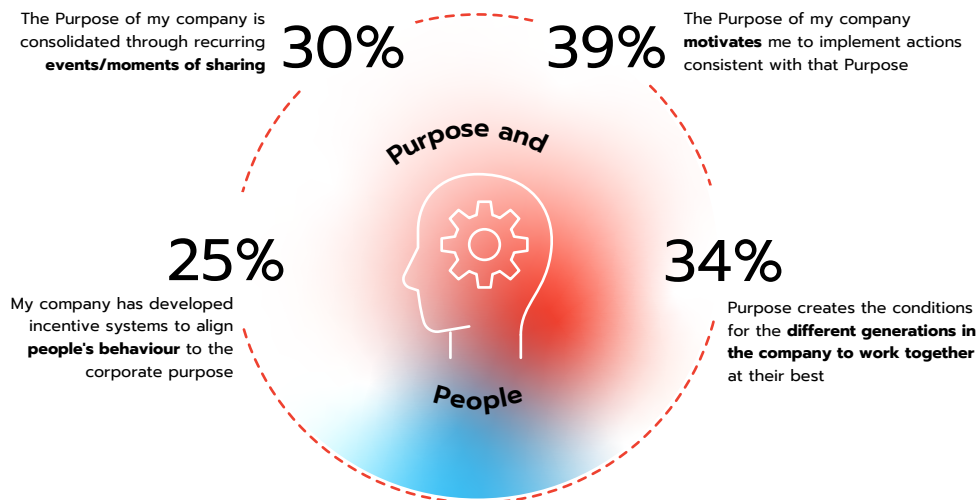


Figure 2.23 highlights the respondents' agreement levels on areas of action linking Purpose and people. Individuals are the foundational strategic elements of any organization. While organizational Purpose stems from the company's overarching vision, it is personally interpreted by each team member. This personal interpretation is critical in translating Purpose into tangible actions within the organization. When Purpose is well understood and shared, it becomes a unifying force, capable of inspiring individuals and fostering a stronger and more cohesive corporate culture that transcends generations, functions, and team divisions.

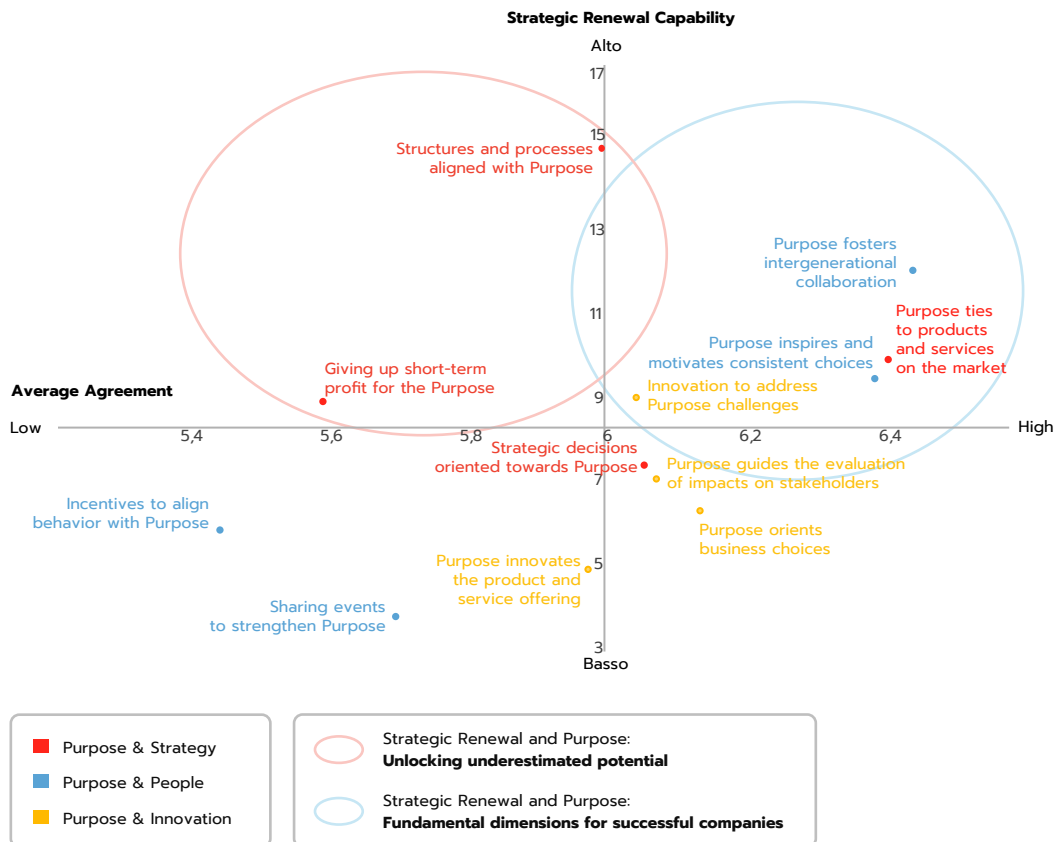
Purpose and strategic renewal

A further analysis delved into the relationship between Purpose and strategic renewal, a topic of growing interest in both managerial and academic circles. In recent years, there has been increasing recognition of the strategic role that Purpose can play in renewal processes. Practical examples show that Purpose-driven organizations are often better equipped to recognize the need for strategic change, manage transitions effectively, and demonstrate

a greater ability to reinvent themselves over time and adapt to market challenges.

The concept of strategic renewal impacts various areas previously analyzed—innovation, strategy, and people—each interconnected with the organization’s Purpose. Companies that embed a strong sense of Purpose within their culture and operations tend to develop a clearer vision of their strategic priorities and tackle challenges more effectively. This synergy between Purpose and strategic renewal not only enhances resilience but also fosters a positive and motivating work environment, which helps attract and retain talent.

Figure 2.24: Purpose & Strategic Renewal capability



With this premise, the Observatory's survey posed a crucial question: what are the specific dimensions most correlated with the strategic renewal capacity of Italian companies? Through the analysis of the results, the aim is to identify key factors that foster a productive relationship between Purpose and strategic renewal, thereby providing a clearer picture of the operational dynamics of Italian companies in the current context. The regression was calculated using the strategic renewal capacity as the dependent variable and questions related to Purpose & Innovation (in yellow), Purpose & Strategy (in red), and Purpose & People (in blue) as independent variables.

Analysing the data, two distinct macro-areas emerge. On the one hand, represented in blue, are certain dimensions more frequently adopted by companies, which prove to be correlated with a greater capacity for strategic renewal. These dimensions span three fundamental application domains: innovation, strategy, and resource management. Specifically, companies with greater strategic renewal capacity are those that use Purpose to foster intergenerational collaboration and guide decisions to ensure that corporate resources are aligned with the Purpose itself. These initiatives not only strengthen employee engagement but also consolidate a cohesive and aligned corporate culture. Additionally, these companies leverage innovation as a key tool to tackle emerging challenges, including those arising from the formalization of Purpose, which can generate tensions and require strategic trade-off management. Finally, they excel in creating a strong link between Purpose and the products or services offered in the market, ensuring strategic coherence that reinforces their identity and distinctiveness.

On the other hand, there are additional dimensions, represented in red, which, although also associated with high strategic renewal potential, are less frequently pursued by the analyzed companies. These dimensions primarily focus on the strategic domain. The analysis reveals that only a limited number of companies are willing to forego immediate profits in favor of higher objectives linked to Purpose. While this choice is rare, it represents an important strategic lever for long-term vision and ensures the ability to renew over time. Similarly, the introduction of structures and processes aligned with Purpose is another underutilized area. Companies that commit to transforming their operations around Purpose show significant potential for strategic renewal, although too few are currently doing so. These findings suggest that there are untapped growth opportunities for Italian companies. By unlocking the hidden potential within the less adopted dimensions, businesses could strengthen their strategic renewal capacity, aiming for more sustainable and meaningful growth.

The effect of Purpose formalization on organizations

An interesting issue emerged from a significant finding regarding the state of Purpose formalization in Italian companies. While the importance of formalizing Purpose as a tool for internal communication and as a lever to strengthen external image is widely recognized, only 32% of the surveyed managers reported working for a company that has effectively formalized this strategic element. This raises important questions: are companies that have formalized their Purpose truly reaping advantages compared to those that have not yet done so or lack concrete plans to do so? The analysis focuses on the potential correlation between Purpose formalization and the tangible benefits it can bring to the organization.

The data analysis clearly shows that Purpose formalization is a determining factor for the strategic and operational effectiveness of corporate managers. Formalization, understood as a process that codifies and integrates Purpose into business practices, appears to provide a significant competitive advantage to organizations, reflected in improved management capabilities across key dimensions.

The analysis initially focused on the impact of Purpose formalization in the three main areas discussed in this chapter: innovation, strategy, and people management. The results of this initial phase are presented in Table 1.1. The data reveals that managers in companies with a formalized Purpose are, on average, 15% more effective in integrating Purpose and innovation. They demonstrate a greater ability to address Purpose-related challenges through innovation, carefully evaluate the impact of innovations on stakeholders to reduce potential negative effects, transform both new and existing product and service offerings, and use Purpose as a guide in setting business priorities. Regarding strategy, managers in companies with a formalized Purpose are 16% more capable of aligning corporate structures, systems, and processes with Purpose objectives. These managers more clearly establish a link between Purpose and the product or service offerings, adopt Purpose-driven strategic decisions, and are willing to forgo business opportunities to maintain consistency with the corporate Purpose. Finally, in the area of people management, managers in companies with a formalized Purpose are 17% more effective in integrating Purpose with resource management. They demonstrate a greater ability to consolidate Purpose through recurring events and sharing moments, implement actions consistent with Purpose, and develop incentive systems that align employee behavior with corporate goals. Additionally, they create favourable conditions for optimal intergenerational collaboration within the company.

The second part of the analysis focused on the impact of Purpose formalization on strategic renewal capacity. The results, presented in

Table 1.1 Effect of Purpose Formalization on innovation, strategy and people

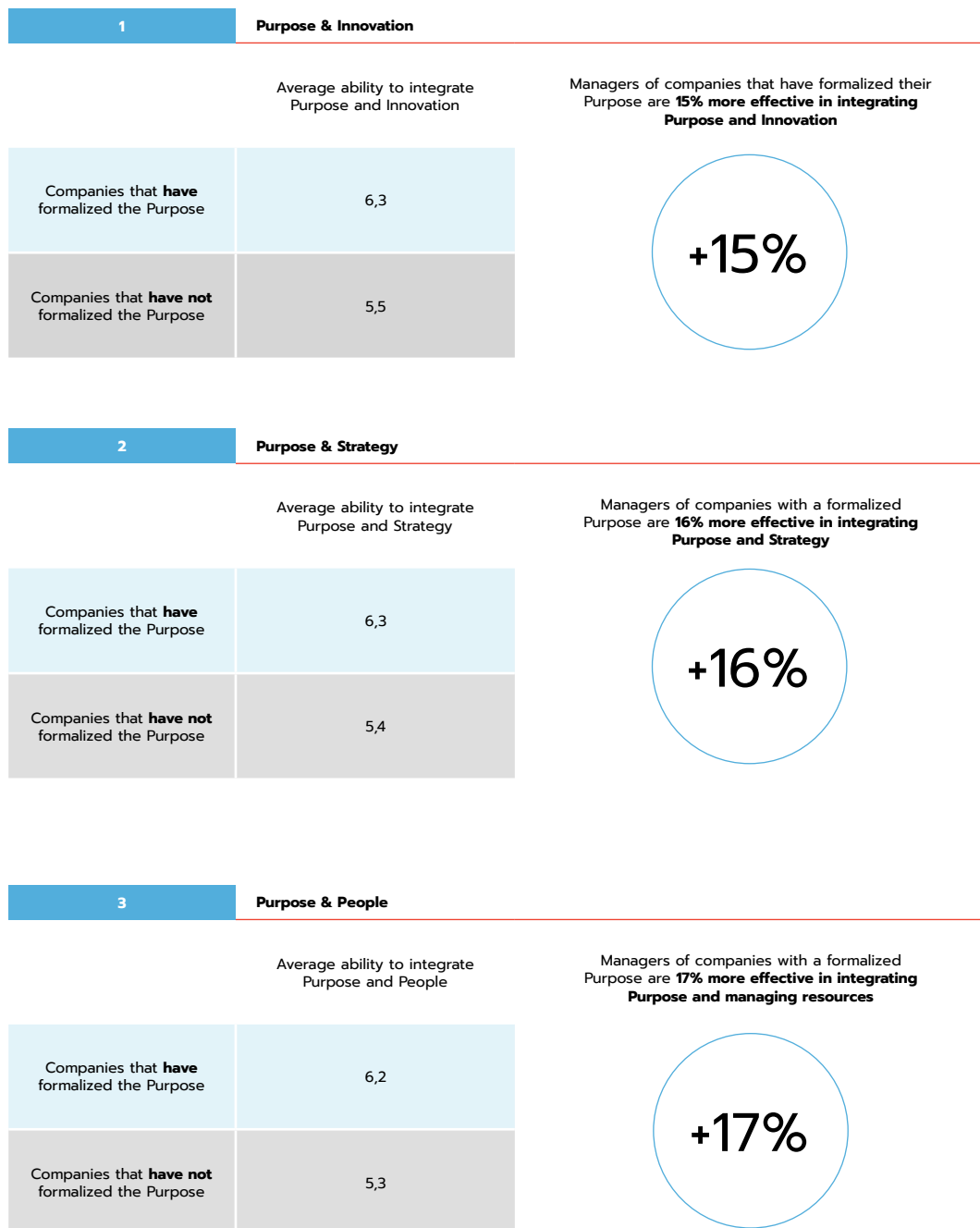


Table 1.2 Effect of Purpose Formalization on strategic renewal capacity

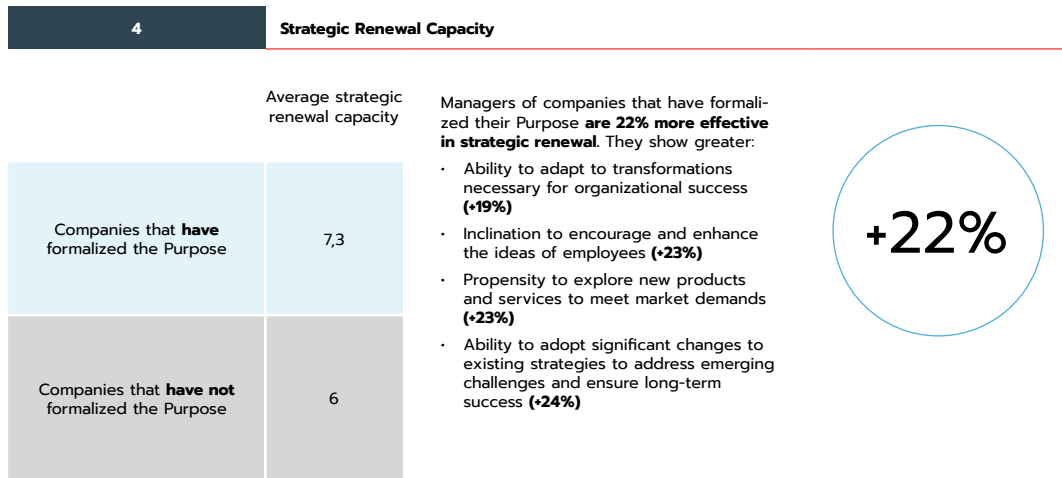


Table 1.2, clearly show that managers in companies with a formalized Purpose are 22% more effective in strategic renewal capacity. This significantly highlights the competitive advantage achievable through Purpose formalization. In other words, Purpose formalization not only enables companies to better tackle present challenges but also provides a solid foundation for building a sustainable future. It aligns business objectives with the value created for stakeholders and society, ensuring resilience and long-term success.

Purpose & Impact: the role of corporate Purpose in creating social, economic, and environmental value

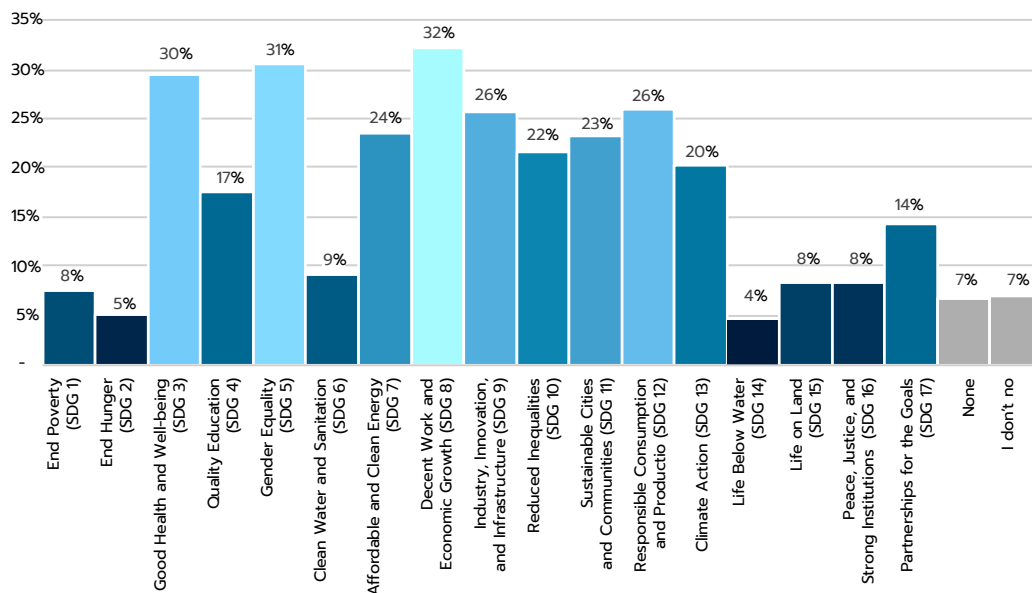
The final section of the survey explores how companies implement their Purpose, focusing on their ability to generate a positive impact on social, economic, and environmental levels. By impact, we mean the generation of positive social, economic, and/or environmental change through which companies intentionally fulfill their Purpose.

The chart represents the main Sustainable Development Goals (SDGs) that companies aim to contribute to through the definition of their Purpose.

The analysis highlights that companies place particular importance on sustainable development goals related to decent work – SDG 8 (32%), gender equality – SDG 5 (31%), health and well-being – SDG 3 (30%), responsible production – SDG 12 (26%), and innovative infrastructure development – SDG 9 (26%). These represent the pillars of sustainability strategies for various companies, reflecting a strong focus on improving working conditions and the quality of life for employees.

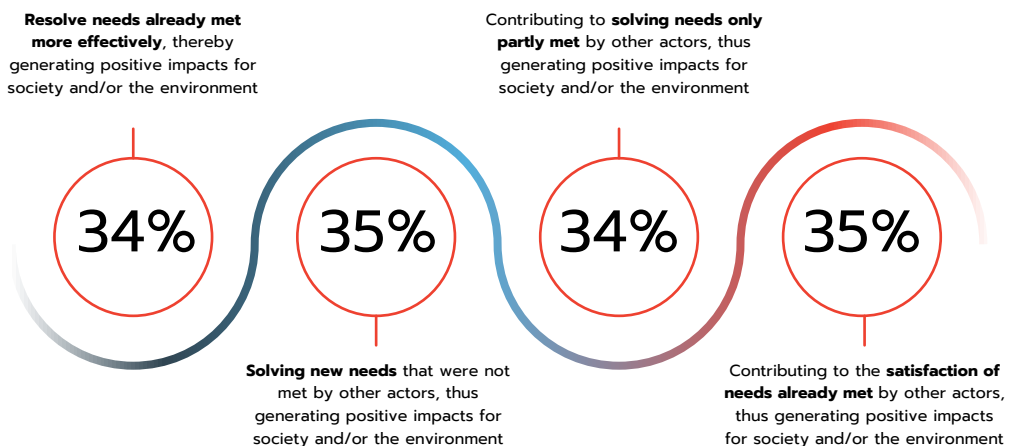
Other goals, such as quality education – SDG 4 (17%), access to clean energy – SDG 7 (24%), participation in creating sustainable and inclusive cities – SDG 11 (23%), and reducing inequalities – SDG 10 (22%), play important roles but are less integrated into the Purposes of the companies included in the analysis. On the other hand, issues such as eradicating poverty – SDG 1 (8%) and hunger – SDG 2 (5%) are less considered.

Figure 2.25 Contribution of Purpose to the SDGs macro themes in the sample respondents' companies



This distribution might suggest that the current interpretation of corporate Purpose still predominantly follows an inside-out logic (Almandoz, 2023)¹, primarily focused on internal organizational change and immediate stakeholders, such as employees and customers. The most addressed SDGs appear to reflect the internal dimension of Purpose, revolving around employee well-being and customer satisfaction. However, to build a truly pro-social Purpose, it might be useful to explore more advanced approaches that strategically and integratively connect with a broader range of SDGs. Specific goals such as "life below water" or "zero hunger" require greater engagement with external stakeholders. Although these are less frequently considered at present, they could represent significant areas for the future evolution of corporate Purpose. Figure 2.26 illustrates the respondents' agreement percentages regarding various action areas related to the relationship between impact and Purpose.

Figure 2.26 Purpose & Impact (Percentage Strongly Agreeing)



¹ Almandoz, J. (2023). Inside-out and Outside-in Perspectives on Corporate Purpose. *Strategy Science*, 8(2), 139-148

Figure 2.27 highlights the main complexities companies face during the process of measuring social impact. The analysis reveals that data collection and analysis represent the most significant challenge for companies, indicating a substantial hurdle even at the initial steps of the impact measurement process. Other notable challenges include integrating results into business strategy (27%) and communicating these results (26%), underscoring a misalignment between the impact measurement process and its effective use as a managerial tool for decision-making and activity reporting.

Building a robust measurement framework and selecting the appropriate approach also emerge as critical points, indicative of the methodological complexity businesses encounter. Additionally, about 15% of companies report not measuring social impact at all, pointing to a potential resource deficit dedicated to this activity and highlighting its perceived secondary importance compared to other tasks. This situation may stem from a limited culture of impact, the lack of established guidelines and methodologies, and a need for greater awareness of available tools to enable social impact measurement as a practice that informs strategic planning.

Figure 2.27 Complexity of the social impact measurement process according to Italian management

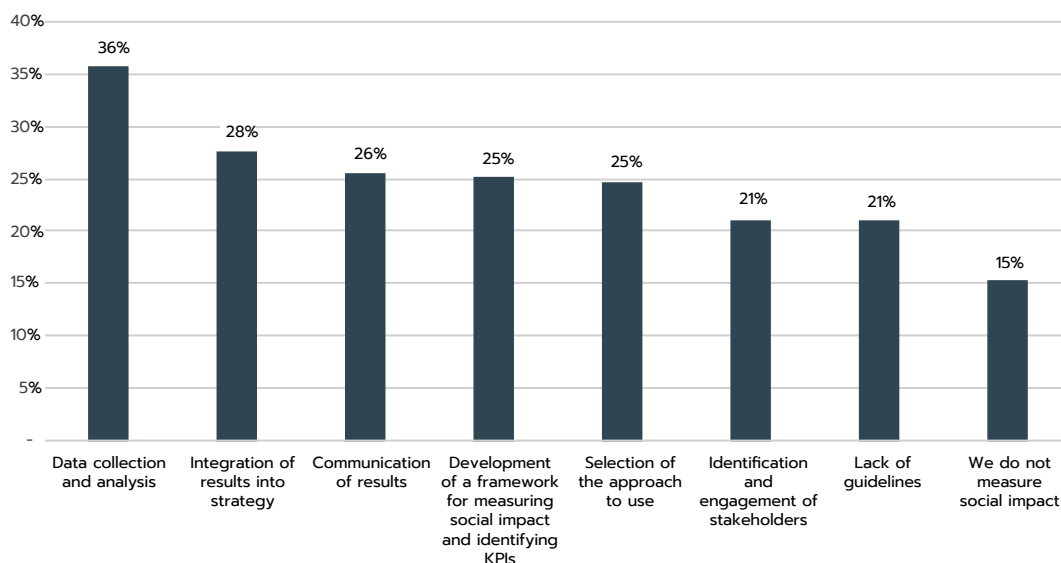
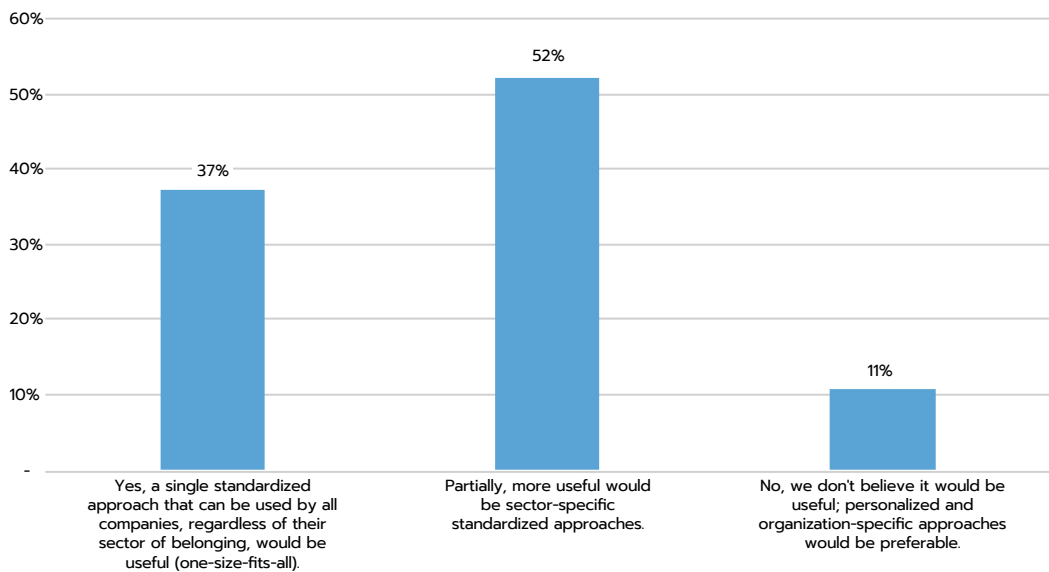


Figure 2.28 explores companies' opinions regarding the utility of a single standard for social impact measurement as a solution to the previously identified challenges. The analysis shows that most companies (52%) would prefer a sector-standardized approach, believing such flexibility could better adapt to the specificities of each sector while maintaining a common foundation for measurement. A considerable portion of the sample (37%) agrees with the idea of a uniform approach applicable to all companies, regardless of the sector, reflecting the perception that a "one-size-fits-all" model could simplify the process and make measurement and result comparison more straightforward.

A minority (11%) believes that standardization is not helpful and would prefer tailored and organization-specific approaches, suggesting that a customized approach to measurement might better align with impact objectives and the unique needs of each company. In summary, the chart indicates a general preference for solutions that balance uniformity with sectoral adaptation in measurement approaches, reflecting companies' recognition of the value of shared standards while emphasizing the importance of flexibility to address diverse business realities.

Figure 2.28 Standardisation of social impact measurement according to Italian management





3

Purpose in Action: practices and impacts in companies

Key Messages

- Setting up a corporate Purpose process involves a three-phase approach: (1) Articulating & Formalizing, (2) Embedding, and (3) Measuring.
- An effective Purpose statement must possess four characteristics: it should be challenging, compatible, tied to a unique and distinctive identity and market position, and inspirational for both internal and external stakeholders.
- Corporate Purpose can vary in its levels of integration (how “strongly” it is felt by internal stakeholders) and transversal reach (its ability to transcend barriers of generations, geographies, functions, and hierarchical levels). The Purpose Stress Test is a tool designed to evaluate and strengthen the clarity, alignment, resonance, persistence, and shared understanding of corporate Purpose. This test helps identify signs of fragility and take corrective actions to ensure the Purpose is widely shared and understood.
- Measuring Purpose requires a dual approach: internally, to assess how well it is understood and embedded within the organization; and externally, to analyze the tangible social, economic, and environmental impacts it generates. This dual focus captures both internal alignment and the effectiveness of the Purpose in creating real value.
- Measuring impact provides strategic benefits for the company: it guides decisions to maximize effectiveness and coherence with the corporate Purpose and, on a transactional level, facilitates dialogue and conflict management among diverse stakeholders.

Introduction

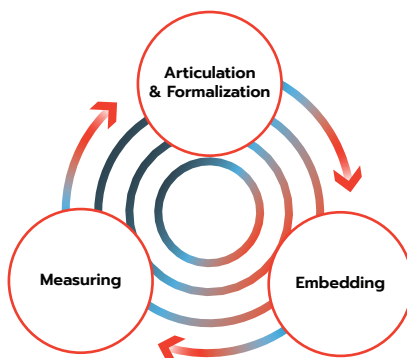
Corporate Purpose has become a central theme in contemporary business strategy, transcending the traditional boundaries of mission and vision statements. Purpose stands apart from mission and vision because it is not merely a statement but a foundational element that permeates all operational and strategic dimensions of a company. While the mission describes what the company does and the vision outlines the future goal to be achieved, Purpose defines the deep reason for the company's existence and how it contributes to create a positive impact in the world. Unlike mission and vision, Purpose influences corporate culture, strategic decisions, innovation, and stakeholder engagement, becoming a true driver of cohesion and long-term growth.

For managers and entrepreneurs, having tools and frameworks to support the journey toward a Purpose-driven organization is a strategic imperative. However, transforming Purpose from a simple declaration into an operational element requires structured processes and concrete tools that translate it into daily actions and behaviors. Without clear frameworks, there is a risk that Purpose remains an abstract concept with no real impact on business performance, or worse, leads to unintended negative consequences. To fully harness the benefits of an authentic and integrated Purpose, managers must employ methodologies that effectively articulate, formalize, and monitor Purpose.

The research conducted by the Purpose in Action Observatory identifies three main phases through which companies can engage with their Purpose over time:

- **Articulation & Formalization**
- **Embedding**
- **Measuring**

Figure 3.1: The Purpose cycle in organizations



This model is, of course, a stylized framework. Different companies may find themselves at different stages of this process. Moreover, it is not a linear process where the Measuring phase represents the final outcome. Instead, as the following pages will show, it is crucial for leaders, board members, and collaborators to consciously work to keep the Purpose authentic and relevant to the minds and hearts of internal and external stakeholders, even when the meaning of the corporate Purpose requires adjustments to the surrounding context.

There are two implicit assumptions about the lifecycle of Purpose in organizations. The first is that organizational Purpose is essentially a static feature that companies either possess or lack, remaining unchanged in the minds of organizational members. The second assumption is that the founder is the principal actor influencing the formulation and dissemination of organizational Purpose, thereby inhibiting subsequent changes.

However, established organizations can rediscover, renew, or redefine their Purpose over their lifecycle. These transformation processes, while crucial, can encounter obstacles, sparking accusations of hypocrisy and causing disillusionment among employees. Therefore, it is essential to manage these processes carefully, for example, by introducing structured processes for decision-making and daily activities aimed at preventing employees from feeling overwhelmed, which could jeopardize the success of the change.



BETA 80 GROUP

Building the future: Beta 80's journey towards an explicit and long-term purpose

Company overview and key issues

Beta 80 is an Italian company operating in the Information Technology sector, with nearly forty years of experience and a strong entrepreneurial identity, focused on sustainability and long-term value creation. Founded by a group of students from the Politecnico di Milano, Beta 80 has always stood out for its ambition to build a lasting enterprise based on a 360° vision of sustainability. Today, it employs more than 500 people and ranks approximately mid-tier among the top 100 ICT companies in Italy.

Although Beta 80 has never formalized a Purpose statement, it was established with a very clear purpose that has synergized with its vision and mission, guiding key strategic decisions.

“Currently, the company feels the need to formalize its Purpose to make its actions even more serious and impactful at a time when companies are being called to a responsibility we might call universal, but where, conversely, the response is often merely formal” observed Alfredo Lovati, CEO.

The Perspective of the Purpose Pioneers

CASE STUDY
Partner

Purpose challenges and opportunities

Beta 80 was founded to address certain fundamental questions: is there a concrete way to conduct business that not only safeguards human dignity but also fosters personal growth? More specifically, is there a way to run a company that satisfies everyone—entrepreneurs, employees, clients, partners—while addressing business and profits? Does personal development and satisfaction lead to better business outcomes?

"Over time, we realized that this question is not peripheral but actually shapes how we operate in the market, build internal company culture, and ultimately influences our choices and results," states Alfredo Lovati. He cites examples such as slower yet solid growth, with acquisitions always targeted toward strategic development rather than revenue or multiplier explosions; a way of managing relationships with all stakeholders based on reliability and trust; a constant pursuit of excellence; and above all, a culture centered on Human Sustainability. This culture is supported by a program of initiatives that has become increasingly significant over time, aimed at making the Purpose more conscious and pervasive within the company.

Engaging with younger employees to understand their desires and needs, working with managers to identify and develop the characteristics of a modern and widespread leadership, and transforming middle management's approach to employee development into one that emphasizes co-designing pathways rather than formally applying a model—these are just a few examples of this program, which places the future and the individual at its center.

Beta 80's management now recognizes that the current context demands greater transparency and sharing of this fundamental aspect of the company's identity. The environment now appreciates it as a core asset to be understood and leveraged—not only as a driver of internal business decisions but also as a factor in attracting talent and an asset in relationships with the broader ecosystem.

"For us, Purpose has always been an undeclared yet lived guiding star, one that every Beta 80 employee, partner, or client has experienced daily over time, but it has never been formalized in a statement," adds Alfredo Lovati. This recognition has led to the decision to initiate a working group aimed at formalizing the company's Purpose while also testing its generative potential in this new global scenario. The goal is to ensure it continues to serve as a driver of long-term sustainability.

"The authenticity of a company's Purpose is not judged by the idea itself but by how it manifests in daily actions" concludes the CEO.

Outlook and lessons learned

Looking to the future, Beta 80 aims to continue to bring its Purpose to life, translating it into concrete actions that ensure sustainable and lasting growth. 'Our aim is to build something that makes an impact in society and that has longevity. Profit is an indicator, admittedly an important one; it is a development tool, for example, to support investment, but it is not the purpose of Beta 80,' says Lovati, highlighting the company's commitment to generating a positive impact in the long term. The case of Beta 80 offers interesting food for thought for managers, both on the deeper meaning of a 'Purpose Driven' company and on the importance today of communicating it in order to generate new, conscious leadership based on relationships and the ability to build within complexity.

Section 3.1: **The formalization of Purpose: how to create an effective Purpose statement**

The first step in building a Purpose-driven organization is to articulate a clear and compelling statement that visibly embodies the company's Purpose. This statement, often referred to as a Purpose statement, should not only reflect the company's core values but also link these values to concrete strategic objectives. To be effective, the Purpose statement must resonate with various stakeholders, including employees, customers, partners, and communities, addressing their needs and aspirations.

There are several approaches—ranging from less to more radical—that companies can adopt depending on their context and the level of transformation required:

- **Rediscovery:** For organizations seeking to reconnect with their founding values, rediscovery involves exploring the company's origins, beliefs, and historical milestones. This approach is often chosen by family-owned or historical companies aiming to reaffirm their identity while adapting to new market conditions. This occurs in organizations where Purpose has become latent over time, leading to a demotivated workforce or confusion about strategic goals.
- **Adaptation:** As markets evolve and stakeholder expectations shift, companies may need to adapt their Purpose to remain relevant. Adaptation involves refining the Purpose to align with new trends or emerging business opportunities while retaining the essence of the organization. This often arises in industries where stakeholder pressures are particularly intense.
- **Transformation:** In some cases, a radical change in Purpose may be necessary, especially when an organization undertakes a significant strategic shift or enters a new market. This approach involves rethinking and redefining the Purpose to align with a new vision, often necessitating profound changes in culture, structure, and market focus.

Haier Europe

CANDY  Haier

Haier Europe: Promoting entrepreneurial spirit to create consumer value

Company overview and key challenge

Haier Europe is part of the Chinese Haier Smart Home group, a global leader in the major home appliances sector. With the acquisition of the historic Candy Hoover brand, Haier Europe embarked on a journey to integrate two entities with different cultures but significant potential synergies. *"The acquisition of Candy Hoover marked the meeting of two very different realities, yet united by some common elements, such as an entrepreneurial spirit,"* states Karim Bruneo, Communication, Public Affairs, ESG, and Sustainability Director at Haier Europe.

The main challenge for Haier Europe was adapting its operational model to the European context while preserving the principles that have always been the foundation of its corporate culture. This process required balancing two organizational identities to foster an environment where employees could fully express their potential through a shared and integrated entrepreneurial vision.

The Perspective of the Purpose Pioneers**CASE STUDY**
Partner**Challenges and opportunities of Purpose**

Haier's Purpose, *"Designing a New Era of Living,"* reflects the company's ambition to go beyond producing simple home appliances by creating holistic experiences for consumers, offering personalized solutions through advanced technologies such as artificial intelligence and the Internet of Things (IoT). *"Our new Purpose reflects the creation of a different lifestyle for our consumers,"* says Karim Bruneo. The Purpose stems from the *"Rendanheyi"* model adopted by Haier, inspired by Taoist philosophy, which centers the organization around the value created for people. This model aims to dismantle the traditional vertical corporate structure by dividing the company into autonomous microenterprises, each driven by entrepreneurial spirit and responsible for creating value for consumers.

The model has been adapted to meet the cultural and regulatory specificities of the European context, with the ambition of eliminating the gap between producer and consumer, making the company more agile and market-oriented.

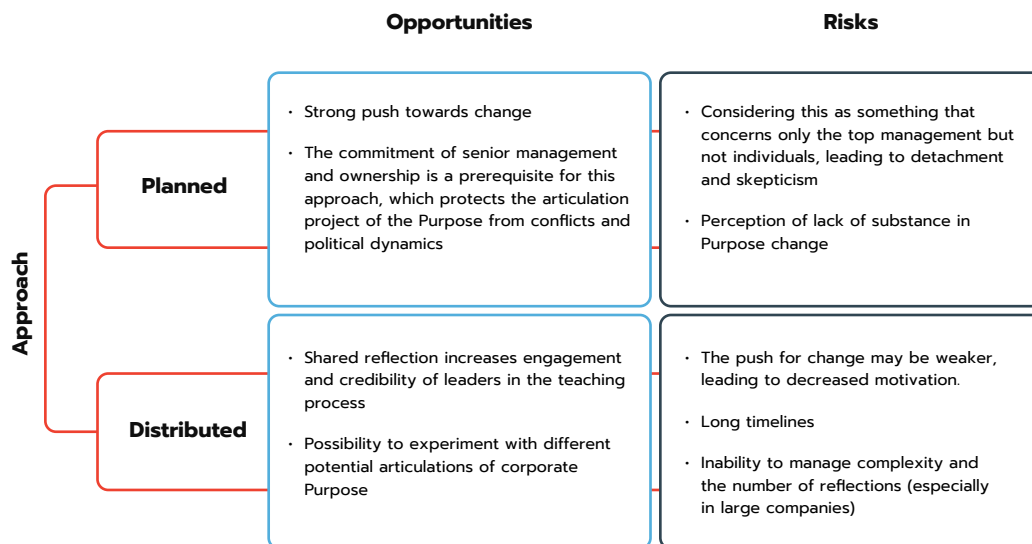
Outlook and lessons learned

Looking ahead, Haier Europe plans to continue investing in innovation and in creating experiences and scenarios for users, leveraging IoT to provide increasingly advanced and customized usage experiences. *"We are just at the beginning of a series of developments that will make the user experience increasingly personalized and innovative,"* says Bruneo. The company's Purpose, *"Designing the New Era of Living,"* aligns with an organizational model that empowers employees and brings the company closer to consumers. It serves as a powerful tool to drive growth and innovation. This approach enables Haier to strengthen its competitive positioning, offering solutions that cater to global market demands and local specificities.

Regardless of the chosen approach, two directions can guide such transformation: a “**planned**” approach, initiated by leadership and disseminated top-down throughout the organization, or a “**distributed**” approach, where employees are not merely passive recipients of a defined and articulated Purpose but active participants in its definition. Figure 3.2 summarizes the risks and opportunities associated with these two approaches.

Regardless of the approach or direction of Purpose articulation, certain characteristics indicate the effectiveness of a Purpose statement, which should neither be too abstract nor overly specific. A Purpose that is too abstract may facilitate the inclusion of various markets, segments, and opportunities, but it is unlikely to resonate emotionally with organizational members. Conversely, a Purpose that is too specific risks being restrictive and becoming quickly obsolete. Companies must instead strike a balance between a broad, flexible framework and a goal that is ambitious and engaging for their members.

Figura 3.2: Risks and Opportunities of “Planned” and “Distributed” Approaches in Purpose Articulation



An **effective Purpose statement** should possess the following **characteristics**:

- Propose a meaningful challenge that drives the organization and its stakeholders to act, inspiring commitment and innovation while focusing on the “problem” the company aims to address and create value around.
- Align with the company's strategic objectives, supporting its ambitions and ensuring consistency between the stated Purpose and business actions.
- Emphasize the organization's distinctive identity, leveraging its capabilities and heritage to solve specific challenges and differentiate it from competitors.
- Motivate and inspire all stakeholders, both internal and external, fostering a sense of engagement and belonging.

To assess whether a Purpose statement is truly effective, it is useful to verify if it meets the following **criteria**:

- Is it reliable for various stakeholders?
- Is it credible and realistic?
- Does it motivate stakeholders to align their actions with the organization?
- Does it truly reflect what the organization stands for?
- Does it clearly articulate a problem or challenge to be addressed?
- Does it leverage the company's uniqueness and distinctive capabilities to solve this challenge?
- Does it differentiate the company from competitors in the market?

These criteria help transform the Purpose statement into a strategic tool that not only inspires but also concretely guides business actions and decisions, supporting the organization's sustainable growth and resilience.



Purpose and growth: Edenred UTA Mobility's approach to aligning values and actions

Company overview and key issue

Edenred, an international group with over fifty years of history, is renowned for introducing meal vouchers as a corporate welfare tool for employees. Today, the group is divided into two main areas: corporate benefits and mobility solutions. In Italy, Edenred operates successfully in both sectors, showcasing strong local roots while maintaining a multinational structure. The key challenge faced by the company is the clear definition and application of its Purpose, often confused with its mission or corporate values. *"Purpose is often misunderstood, reduced to an abstract concept devoid of strategic impact,"* notes Aldo Paolo Iacono, CEO of Edenred UTA Mobility Italia, emphasizing the need for clarity to fully leverage Purpose as a guiding and inspiring tool.

The Perspective of the Purpose Pioneers

CASE STUDY
Partner

Purpose challenges and opportunities

Edenred has adopted a structured and systematic approach to integrating its Purpose, focusing on aligning what the company communicates with what it actually delivers. *"Purpose must serve as a constant stimulus for employees and the organizational structures in which we operate,"* states the CEO, underscoring the importance of a Purpose that is lived daily within the organization. To this end, the company has established an internal observatory to monitor employee engagement, valuing individuality and fostering personal and professional growth. This observatory ensures alignment between actions and values, stimulating creativity and innovation through the active participation of human resources. Additionally, Edenred's governance model grants significant autonomy to local subsidiaries, enabling the Purpose to be effectively adapted to the specificities of the various markets in which the company operates.

Outlook and lessons learned

Looking ahead, Edenred aims to consolidate its corporate culture around a well-defined and solid Purpose, capable of steering the company even through uncertain times. *"I believe the best way to express these concepts is through people,"* remarks Iacono, highlighting how Purpose must be embodied in daily actions and not remain a mere slogan.

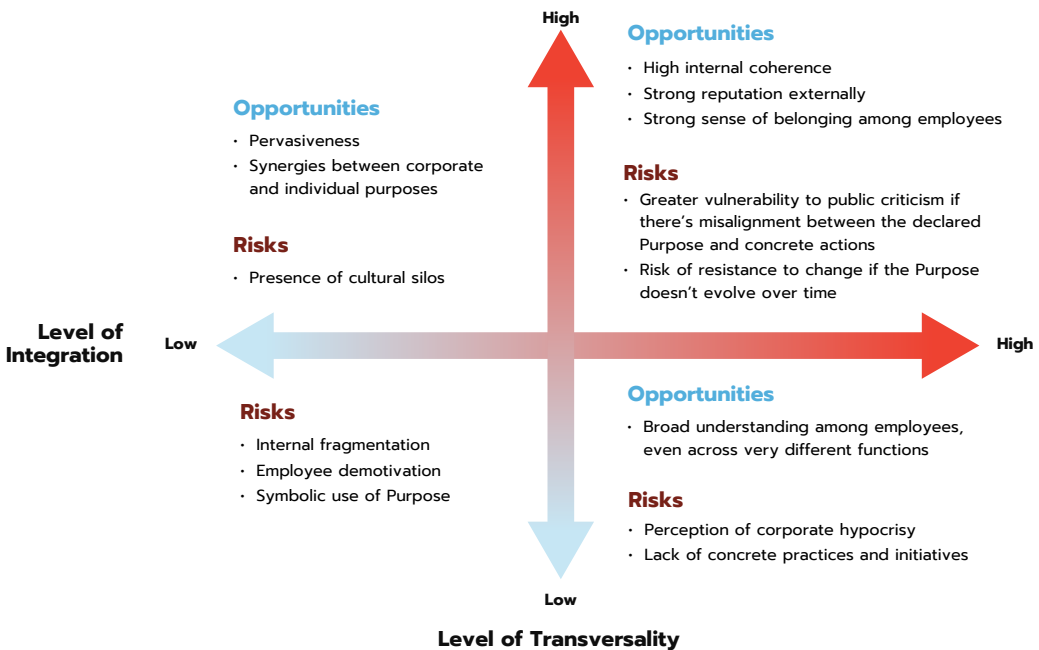
Edenred's case offers valuable insights for managers seeking to integrate Purpose into their strategy: a clear and consistent Purpose strengthens corporate culture, increases employee engagement, and drives professional growth, creating a lasting positive impact. Edenred's experience demonstrates that a deeply rooted Purpose not only enhances internal cohesion and organizational alignment but also serves as a reference model for those aiming to harmonize corporate values with operational practices, forging a strong connection between what the company communicates and what it actually delivers.

Section 3.2:
From Purpose statement to action: how Purpose helps organizations innovate and evolve

The integration of Purpose within an organization requires a structured and balanced approach to ensure its effectiveness. A Purpose must be deeply embedded in decision-making processes (**level of integration**) and spread across all functions and divisions (**level of transversality**). Only then can it become a key element of the corporate DNA rather than remain confined to superficial statements.

A high level of integration implies that Purpose is incorporated into daily activities, strategic decisions, and operational processes, allowing the organization to maintain consistency and continuity. Simultaneously, transversality ensures that Purpose is perceived as a shared principle present at all organizational levels, not limited to senior management. This approach prevents Purpose from being confined to specific areas and transforms it into an operational principle. Figure 3.3 illustrates the risks and opportunities associated with varying levels of Purpose integration and transversality.

Figure 3.3: Risks and opportunities for different levels of Purpose transversality and integration



Among the primary risks are the formation of cultural silos, which can hinder consistent dissemination, and vulnerability to public criticism if discrepancies arise between the stated Purpose and the company's concrete actions. Additionally, a static Purpose risks failing to adapt to market changes, leading to resistance to change and a loss of employee motivation. On the other hand, an integrated Purpose offers numerous opportunities: high internal consistency, a strong external reputation, and a robust sense of belonging among employees. To maximize these benefits, managers must actively work to overcome cultural silos and maintain a coherent and shared narrative.

In situations with low levels of integration and transversality, Purpose fails to meaningfully influence the organization, leading to low dissemination and application in business practices, and resulting in a lack of internal consistency. When Purpose is transversal but poorly integrated, the main risk is the perception of corporate hypocrisy and the absence of concrete practices and initiatives reflecting the Purpose. While Purpose might be known by various employees and functions, it remains poorly applied, creating a disconnect between employee expectations and corporate actions.

In cases of high integration but low transversality, Purpose is well integrated, but its dissemination is limited. In this scenario, Purpose is effective for certain groups but lacks a homogeneous impact across the organization. Lastly, the ideal scenario—high levels of both integration and transversality, while rich with opportunities—must be properly managed to avoid risks such as vulnerability to public criticism if there are discrepancies between the stated Purpose and actual actions, and resistance to change if Purpose fails to adapt to market evolution.

To ensure that corporate Purpose can meet these challenges and seize opportunities, it is essential to adopt tools that allow for its coherence and resilience to be tested over time. Managers must not only promote clear and integrated communication but also adopt structured methods to identify and correct any misalignments or weaknesses. In this context, the Purpose Stress Test proves to be a highly strategic tool, offering an in-depth evaluation of the robustness of corporate Purpose and its ability to adapt to market changes.



Energy transition and innovation: E.ON's Purpose to drive change

Company overview and key challenge

E.ON is one of Europe's leading energy operators, employing approximately 75,000 people and serving 47 million customers while managing 1.6 million kilometers of energy networks and infrastructure. In Italy, E.ON offers a comprehensive range of solutions and services to enhance energy efficiency and independence for homes, condominiums, and businesses. Positioned as a key player in driving the shift towards a new energy paradigm—one that is more decentralized and independent—the company promotes sustainable development across economic, social, and environmental dimensions, benefiting current and future generations.

E.ON's strategic pivot began in 2015 with the sale of its conventional fossil fuel generation assets, aligning with its long-term commitment to sustainability. However, the climate crisis continues to escalate globally. The European Union (EU) has emerged as a leading institution in addressing these challenges, spearheading the Green Deal. This comprehensive action plan aims to achieve climate neutrality by 2050,

with a 55% reduction in emissions by 2030 as an intermediate goal. It emphasizes resource efficiency, a clean circular economy, biodiversity restoration, and pollution reduction, all within the broader framework of a "just transition" that integrates social and economic equity. Additionally, climate protection inherently safeguards health by addressing air pollution and promoting public well-being.

The EU and national governments must develop coherent strategies to support energy transition, fostering collective action for decarbonization and electrification. E.ON's primary challenge lies in leading this energy transition sustainably within a dynamic and ever-evolving sector. The company must craft a Purpose that remains relevant and adaptable to the sector's transformation while maintaining a clear and consistent strategic direction.

The Perspective of the Purpose Pioneers

CASE STUDY

Partner

Challenges and opportunities of Purpose

E.ON has defined its Purpose through the statement, “It’s on us to make new energy work,” emphasizing its commitment to acting as a driver and playmaker in Europe’s energy transition. This Purpose highlights E.ON’s role in setting the pace for change and ensuring equitable access to green energy for society. Through this statement, the company expresses its value and *raison d’être* by focusing on three key pillars: taking responsibility for leading Europe toward the future of energy; driving innovation and digitalization to reshape the energy landscape; and enabling and realizing change for all stakeholders.

Beyond defining the organization’s mission and actions, E.ON’s Purpose is reflected in its responsible engagement with the contexts and communities where it operates, assessing its environmental and social impacts. In parallel, it is incorporated into business models that empower energy sharing and promote an active role for “prosumers.” Additionally, E.ON engages in projects and initiatives that foster collaboration among internal and external stakeholders, building a shared awareness of the importance of collective action for achieving tangible and impactful results.

For example, E.ON contributes to biodiversity conservation and decarbonization through initiatives like Energy4Blue and Boschi E.ON. It also fosters a culture of sustainability and conscious consumption through the E.ON Schools Project, aimed at educating and engaging younger generations on sustainability issues.

Outlook and lessons learned

A distinctive feature of E.ON is the authentic internalization of its Purpose by employees. The company prioritizes internal engagement, which it aims to further strengthen in the future. Translating Purpose into individual roles not only enhances employee engagement and belonging but also fosters accountability and entrepreneurial spirit. This alignment bridges individual aspirations with corporate goals, whether they are economic or socially driven.

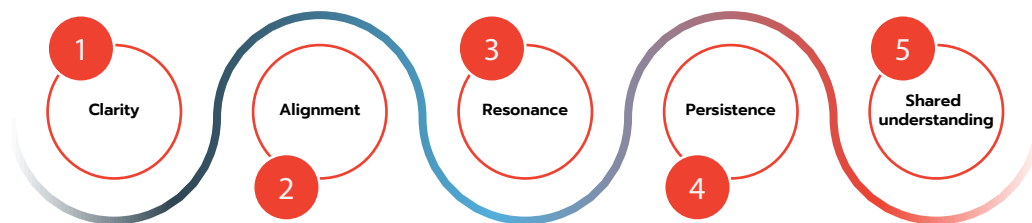
A well-defined and widely communicated Purpose allows employees to understand their role within the corporate strategy, motivating them to contribute actively to achieving goals. This cultivates a participatory and forward-thinking corporate culture. In 2023, E.ON involved 260 people—including employees, families, partners, and customers—in volunteer initiatives, dedicating over 1,100 hours to environmental and social projects. Additionally, through the E.ON Schools Project, 21,000 students were educated on sustainability issues.

A robust, integrated Purpose ensures competitiveness and resilience, adapting proactively to market changes. Responsibility for change must also encompass the social dimension alongside the environmental, ensuring a “just transition” where no one is left behind.

E.ON exemplifies how businesses can align sustainability and innovation, assuming a leadership role in the global energy transition. The company not only facilitates change but actively promotes and accelerates it, emerging as a key player in shaping a sustainable future.

E.ON represents a virtuous example of how businesses can combine sustainability and innovation, taking on a leadership role in the global energy transition—not merely facilitating change but becoming key players in promoting and accelerating it.

Figure 3.4 Purpose Stress Test



The **Purpose Stress Test** is a strategic tool designed to assess the robustness and effectiveness of a company's Purpose over time. Unlike a simple qualitative evaluation, this test analyses five key aspects of Purpose: clarity, alignment, resonance, persistence, and shared understanding.

First, the test evaluates the clarity of the Purpose: it must be understandable and precise for all stakeholders, without ambiguity or contradictory messages. A clear Purpose enables employees and partners to know exactly what the company stands for and its objectives. Second, alignment examines how consistent the Purpose is with corporate practices and strategic decisions. It is essential that Purpose is not limited to theoretical statements but is reflected in concrete actions that guide the company in all its operations, from production to communication, ensuring consistency between statements and behaviors.

The Purpose Stress Test also measures resonance, or the Purpose's ability to inspire and motivate stakeholders. An effective Purpose must deeply resonate with both employees and customers, creating a sense of belonging and emotional connection. This aspect is critical because a Purpose that fails to engage and motivate risks remaining merely an abstract concept.

The test also evaluates persistence, a critical element for long-term effectiveness. Persistence refers to the Purpose's ability to remain relevant and authentic over time, especially in the context of market changes and organizational transformations. However, persistence cannot be taken for granted, as Purpose is "precarious" if not continuously nurtured and integrated into business decisions. Without proactive commitment, there is a risk that Purpose will lose its meaning or become obsolete, creating a disconnect between declared aspirations and real actions. This aspect of the test requires

managers to regularly monitor and adapt the Purpose to ensure it continues to reflect current challenges and opportunities without losing coherence.

To maintain Purpose persistence, corporate leaders must actively "protect" it from decisions or actions that could betray its meaning. Decisions inconsistent with the Purpose can erode stakeholder trust and compromise organizational authenticity. Therefore, Purpose must be present in key decision-making moments, such as resource allocation, new product development, and strategic partnerships. Only in this way can Purpose be defended and solidified as a guiding principle, demonstrating that the company not only proclaims it but also applies it concretely in daily operations.

Furthermore, the Purpose Stress Test highlights the importance of regular feedback mechanisms to identify signs of precariousness regarding the company's Purpose and adopt corrective measures. This may include periodic strategic reflection workshops and meetings with key stakeholders to discuss the Purpose's relevance and coherence based on their expectations and perceptions. Through continuous monitoring and proactive action, managers can prevent Purpose from being jeopardized, ensuring it remains a central and well-protected pillar of corporate strategy.

Finally, the Purpose Stress Test examines the shared understanding of Purpose within the organization, measuring how well it is distributed and internalized across various functions, generations, and geographies. A strong Purpose must be disseminated **horizontally** (across functions and departments) and **vertically** (across hierarchical and generational levels) to ensure that every member of the organization understands and adopts it. The test investigates whether discrepancies exist in the perception or application of Purpose in different areas of the company, signalling potential cultural silos or communication issues. This enables managers to intervene to strengthen alignment and adoption of the Purpose, implementing training initiatives, alignment workshops, and feedback systems to improve cohesion.

By evaluating and analysing these five dimensions, the Purpose Stress Test becomes an essential tool to ensure that Purpose remains a strategic pillar that informs corporate culture, guides decision-making, and fosters trust with both internal and external stakeholders.

SANDOZ

Navigating Change: The role of Purpose in Sandoz's evolution

Company overview and key theme

Sandoz is a leading global pharmaceutical company headquartered in Switzerland and the world leader in the off-patent medicines sector, i.e., medications whose patents have expired. Sandoz's mission is clear and ambitious: to pioneer expanded access to healthcare. The company is undergoing a significant transformation, having recently completed its spin-off from Novartis.

Challenges and opportunities of Purpose

Sandoz's Purpose, "Pioneering access to care for patients," translates into a daily commitment to ensuring that medications are accessible to an ever-growing number of people while contributing to the sustainability of the healthcare system. "Our goal is to ensure a better and longer life for more patients," says Matteo Rinaldi, Business Unit Head Biopharma & Hospital, emphasizing that the Purpose is not just a statement of intent but a concrete guide that profoundly influences corporate decisions. From strategic choices to operational management, Sandoz's Purpose drives all company activities, maintaining a steadfast focus on the effectiveness of treatments and accessibility for

patients. The recent organizational transformation has made it even more critical to communicate this Purpose clearly to employees and external stakeholders, embedding it into the company's DNA to solidify the identity of the new, independent Sandoz.

Outlook and lessons learned

Looking ahead, Sandoz aims to continue investing in expanding access to appropriate treatment pathways and maintaining its leadership in the off-patent medicines market. "We are in a transformation phase toward an autonomous company, and this makes the Purpose an even more motivating lever for everyone working at Sandoz," says Ester Lauciello, Sales Head Biopharma & Hospital, highlighting how the transition to independence represents an opportunity to further strengthen the company's identity and internal cohesion. The Sandoz case demonstrates that a clear and shared Purpose can act as a catalyst to unite employees around a common goal, even during complex organizational phases such as a corporate restructuring.

Section 3.3: Purpose and impact: planning, managing, and measuring corporate contributions to sustainable development

One of the main challenges, also highlighted by the survey conducted by the Observatory, concerns the measurement of Purpose, a concept requiring a twofold approach with distinct internal and external perspectives. On the one hand, it is essential to develop metrics, systems, and processes capable of evaluating the “strength” of Purpose—its ability to be perceived, understood, assimilated, and internalized within organizations. This assessment goes beyond merely measuring the existence of a declared Purpose and seeks to understand the extent to which it is truly experienced and integrated into daily business dynamics.

On the other hand, it is crucial to analyze the tangible effects generated by Purpose, expressed through the organizational impacts it produces. These impacts translate into positive changes of social, economic, and/or environmental nature, representing the tangible and intentional realization of the company’s Purpose. In this context, Purpose is not just an abstract goal but becomes a strategic lever to generate sustainable value and actively contribute to the progress of society and the environment in which the company operates.

To address the need to measure the strength of Purpose, as highlighted by the first perspective, it is essential for each organization to develop customized metrics, systems, and processes aligned with how it has formalized its Purpose and with the practices adopted to disseminate and integrate it into its culture. There is no universal approach that can be indiscriminately applied, as each organizational reality has unique characteristics and responds to specific dynamics. Consequently, even during the definition and formalization phase of Purpose, companies should consider ways to measure its strength and perception, adapting these tools to their objectives and values.

An effective measurement of Purpose requires a tailored approach not only by the type of company but also for each business function, recognizing that Purpose can manifest in different ways within various areas. Tailoring metrics to each function ensures that Purpose is integrated and relevant across all aspects of the organization, creating a concrete alignment between individual objectives and corporate goals. It is also important to recognize that the concept of Purpose does not lend itself easily to an exclusively quantitative evaluation.

While numerical data can provide insights into progress toward specific objectives, it is equally essential to include qualitative indicators that capture the internal perception of Purpose. This integrated approach enables a more comprehensive measurement of the value delivered by Purpose, encompassing not only tangible results but

also intangible elements such as employee engagement, corporate reputation, and alignment with organizational values. Only through a combination of quantitative and qualitative metrics can companies truly assess and leverage the strength of Purpose within their reality.

The second perspective highlights that defining a Purpose, while fundamental, is not sufficient on its own. True change occurs only when this concept transforms into concrete, measurable, and enduring impact. This transition requires companies to adopt tools, strategies, and processes that can effectively translate declarations of intent into meaningful actions. When we speak of impact, we refer to the tangible effects and changes generated by corporate activities in the social, environmental, and economic spheres that manifest within a community over the long term, driven by the actions of an organization (Costa & Pesci, 2016). This impact goes beyond being a mere positive byproduct: it is the intentional outcome of a clear and authentic Purpose, solidly integrated into strategies, and reflected in the enhancement of collective well-being and sustainability.

In the modern business context, a Purpose focused on creating positive social impact must meet two essential requirements (Costa & Pesci, 2016)¹. This impact goes beyond being a mere positive byproduct: it is the intentional outcome of a clear and authentic Purpose, solidly integrated into strategies, and reflected in the enhancement of collective well-being and sustainability.

In the modern business context, a Purpose focused on creating positive social impact must meet two essential requirements:

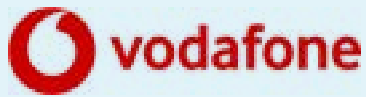
- While rooted in the company's identity and processes, it must be ambitious and set long-term objectives linked to radical transformations of the business model.
- It must reflect an authentic commitment to sustainability goals. Through this clarity, the organization builds a solid foundation to define its strategies, respond to market changes, and earn stakeholder trust.

A Purpose defined solely for branding purposes or as a "ceremonial" response to external pressures risks leading the company down a dangerous path, lacking authenticity and easily falling into the trap of Purpose-washing (Gulati & Wohlgezogen, 2023)² the communication of a commitment that does not align with practice.

It is therefore essential to better understand the specific components of impact to effectively align them with the Purpose outlined in the business strategy.

¹ Costa, E. and Pesci, C. (2016), "Social impact measurement: why do stakeholders matter?", *Sustainability Accounting, Management and Policy Journal*, Vol. 7 No. 1, pp. 99-124.

² Gulati, R., & Wohlgezogen, F. (2023). Can Purpose foster stakeholder trust in corporations? *Strategy Science*, 8(2), 270–287



Connecting for a better future: Vodafone's Purpose of digital inclusivity and sustainability

Company overview and key challenge

Vodafone is one of the leading global players in the telecommunications sector, with a strong presence in Italy. The company has long recognized the importance of adopting a clear and structured organizational Purpose to address the challenges of the digital world and sustainability. Vodafone's Purpose, "We connect for a Better Future," serves as a guiding principle for all internal and external activities. However, the main challenge lies in keeping this Purpose relevant and well-understood, especially in a context where connectivity is critical to bridging the digital divide and addressing social inequalities. "During times of significant change, the Purpose becomes a sort of guiding star for employees, a point of reference during moments of uncertainty and fear," says Silvia Cassano, Director of Human Resources, Organization, Internal Communication, and Real Estate. Vodafone is therefore committed to ensuring its Purpose is perceived not just as a statement of intent but as a tangible driver of transformation.

The Perspective of the Purpose Pioneers

CASE STUDY

Partner

Challenges and opportunities of Purpose

To integrate its Purpose into its corporate strategy, Vodafone has developed a model based on two main pillars: *People and Planet*. These pillars represent the company's strong commitment to reducing digital inequalities and promoting environmental sustainability. Vodafone has invested significantly in solutions that ensure equitable access to technology and digital networks, providing equal opportunities in a connected world. *"Knowing how to communicate the Purpose is essential... It takes consistency for it to become part of the company's DNA,"* says Loredana Vernillo, Internal Communication and Events Manager, highlighting the importance of effective communication to disseminate this concept both internally and externally.

Internally, Vodafone has launched targeted campaigns to strengthen employees' sense of belonging and align them with strategic objectives. Externally, it has promoted initiatives to enhance connectivity in rural and challenging areas, reaffirming its role as a facilitator of technology access and a promoter of a more inclusive future.

Outlook and lessons learned

Looking ahead, Vodafone aims to continue its journey toward connectivity that unites people and communities, making technology increasingly accessible and inclusive. A key lesson learned by the company is that a well-structured and communicated Purpose can act as a factor of organizational resilience, maintaining high employee morale even during periods of uncertainty and transformation. *"Every time we address topics related to the Purpose, I see that colleagues respond well: they are happy, enthusiastic, and renew their sense of belonging to the company,"* reflects Silvia Cassano.

This case provides significant insights for managers seeking to integrate Purpose as a strategic tool: a clear, credible, and well-communicated Purpose can strengthen internal engagement and cohesion, improving the organization's ability to respond to external challenges. Additionally, Vodafone demonstrates the importance of investing in projects that promote technological inclusivity as a means to reduce digital inequalities. This approach not only enhances the company's social impact but also bolsters its reputation and long-term success.

Impact in practice: measuring to understand, manage, and communicate

"Measurement and impact management" refers to the comprehensive process of evaluating (both qualitatively and quantitatively), monitoring, managing, and communicating the effects of activities on beneficiaries and communities in relation to the short, medium, and long-term goals identified (Vanclay, 2002)³.

Today, organizations design their initiatives with increasingly ambitious objectives aimed at finding additional solutions to social and environmental challenges in the communities where they operate. Understanding and forecasting the impact generated by their activities is crucial for companies to report on achieved results, strengthen stakeholder trust, and adapt strategies to emerging needs.

To better understand this topic, we define three key characteristics (Tiresia, 2019)⁴ inherent in the concept of creating positive impact:

1. **Intentionality:** This implies the explicit commitment of the company to address social or environmental issues related to its Purpose, even at the cost of sacrificing part of its profits. It translates into a clear "ex ante" declaration and the proactive pursuit of activities that aim to create social value.
2. **Measurability:** Every action of the company must be accompanied by transparent and verifiable metrics. During the activity monitoring phase, this characteristic ensures that the measurement system serves as an important management tool, capable of comparing achieved results with predefined expectations.
3. **Additionality:** This indicates that the company's intervention generates outcomes that would not have occurred otherwise, particularly in areas where market mechanisms are insufficient. This concept is crucial to ensure that the company's contribution goes beyond what a standard intervention might achieve, shifting from a "do no harm" paradigm to one of "actively do good."

The measurement process

Measuring impact can bring multiple benefits to a company: beyond guiding ex-ante decisions by ensuring that each activity is planned to maximize effectiveness and alignment with the Purpose, on a transactional level, measurement can serve as a tool for dialogue and conflict management among different stakeholders. By moni-

³ Vanclay, F. (2002) 'Conceptualising social impacts', *Environmental Impact Assessment Review*, 22(3), pp. 183–211

⁴ Tiresia Impact Outlook 2019. Politecnico di Milano. Pp 24 – 25. Disponibile a : https://www.tiresia.polimi.it/wp-content/uploads/2021/09/Tiresia_Impact_Outlook_2019.polimi-45.pdf/

toring the progress of activities, companies can intervene to adjust the course when necessary, using the data collected to dynamically respond to diverse stakeholder expectations and needs. Finally, measurement plays an essential communicative role, serving as a tool for reporting and transparency. This makes the impact generated one of the primary channels for dialogue with external stakeholders, strengthening trust and engagement in the company's commitment to sustainability. It is not enough to merely "be social"; communicating the impact is crucial to amplifying its transformative power, inspiring others, and serving as a reference model.

However, the process of impact measurement is complex and challenging, as it requires balancing qualitative and quantitative approaches and demands structured and rigorous management to be truly effective.

One obstacle is the need for a shared and standardized approach: without common measurement principles, it is difficult to compare the impacts of different companies or even those across internal units. However, an entirely uniform model risks failing to reflect the unique characteristics of each organization.

A challenge, therefore, lies in finding a compromise between meaningfulness and comparability: while standardized measurement facilitates comparison, it risks being less accurate and less relevant to the company itself. Conversely, a completely customized approach ensures greater precision but makes benchmarking more challenging.

Lastly, there is the challenge of ensuring the process and results: to guarantee data integrity, companies must adopt independent verification processes that make the measurement credible and transparent. Having external assurance of the measurement process is crucial for building stakeholder trust and demonstrating that the reported results genuinely reflect the impact generated.

Measurement in practice: tools

A critical tool in impact measurement is the Theory of Change, which provides a strategic and structured framework for linking business activities to desired outcomes (UNDAF, 2017). The Theory of Change involves a series of essential steps: identifying the problem to be addressed, defining clear and specific objectives, mapping the expected outcomes, and, finally, specifying the activities and outputs needed to achieve these objectives. This approach ensures that every action taken is connected to a measurable goal, providing a clear guide for long-term impact monitoring and evaluation.

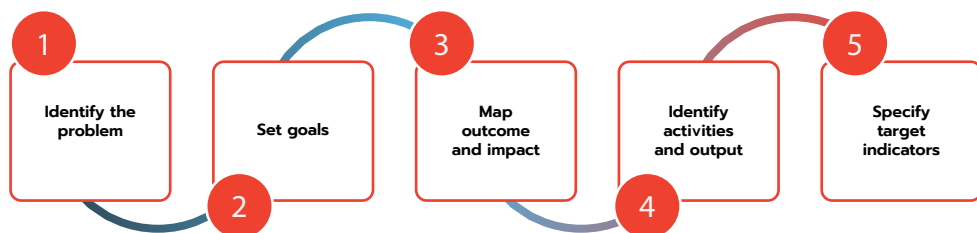
Through this framework, companies can link their daily actions to long-term changes, monitoring and measuring progress toward impact objectives. The Theory of Change is a valuable ally for companies aiming to plan their impact systematically and purposefully, demonstrating a strong connection between their declared Purpose and the benefits generated for society and the environment.

Using this tool, it is possible to develop a “Social Value Chain” (EVPA, 2013)⁵, which breaks down impact into three categories: outputs, outcomes, and impacts.

- Outputs are the products, services, and activities delivered by the organization and represent the first level of measurement: a tangible product or service.
- Outcomes are the short- to medium-term changes resulting from the direct interaction between beneficiaries and the provided outputs, such as increased skills among participants in a training program.
- Impacts, finally, represent the long-term effects on the community or system, such as social, environmental, or economic improvements stemming from specific initiatives.

Measuring impact, therefore, goes beyond merely quantifying outputs. It involves understanding how these outputs lead to meaningful and sustainable changes over time.

Figure 3.5: The Theory of Change process



⁵ European Venture Philanthropy Association (2013). A Practical Guide to Measuring and Managing Impact. Reperibile a: https://www.oltreventure.com/wp-content/uploads/2015/05/EVPA_A_Practical_Guide_to_Measuring_and_Managing_Impact_final.pdf



Inclusiveness and Purpose: ELIS's approach to sustainable and social growth

Company overview and key challenge

ELIS is an organization operating in a unique context where social sustainability is the primary objective, while economic sustainability serves as a constraint to be respected. As Pietro Papoff, Director of the ELIS Consortium, states: *"We are an organization that does not prioritize profit maximization; rather, we invert the relationship between profit and sustainability."* As a consortium of companies, ELIS fosters reflection on corporate Purpose, particularly in an Italian context marked by growing social inequalities and tensions related to immigration and diversity. The key challenge ELIS aims to address is building inclusive organizations capable of preventing potential social crises and promoting sustainable growth. Papoff emphasizes: *"If we fail to build inclusive organizations, we risk facing a situation of increasing social tension, with angry and struggling people taking to the streets to protest."* This makes ELIS's Purpose a critical element in addressing emerging social issues.

La prospettiva dei Purpose Pioneers

CASE STUDY

Partner

Challenges and opportunities of Purpose

To address these challenges, ELIS has developed various programs to promote inclusivity and integrate corporate Purpose. One of its most significant initiatives is *“Includere per crescere”* (*“Inclusion for Growth”*), which aims to foster the creation of inclusive and socially responsible organizations. *“We are sending a clear message to companies: Italy today needs to create inclusive organizations,”* says Luciano De Propriis, Head of Open Innovation & Sustainability, highlighting how inclusivity is not only a social necessity but also a strategic lever for Italian businesses.

Moreover, ELIS stands out for its measurable approach to social impact, employing impact reporting as a key tool. As explained during an interview: *“We use the financial statement to talk about efficiency, but how do we measure the effectiveness of our actions? [...] What matters is the impact we generate by integrating these people into the workforce.”* This approach allows ELIS to monitor not only the efficiency but also the effectiveness of its initiatives, thereby enhancing its credibility as an organization.

Outlook and lessons learned

Looking to the future, ELIS aims to continue guiding Italian companies toward inclusive and sustainable transformation, with the goal of creating tangible change in the country’s social context. *“Only by becoming inclusive organizations can we truly change the country,”* asserts Papoff.

This case study suggests that inclusivity is not just a social responsibility but also a winning strategy for long-term success. Organizations that invest in a clear Purpose rooted in concrete values like inclusion can prevent internal and external social tensions, improving overall societal well-being. Additionally, using impact reporting to measure the effectiveness, rather than just the efficiency, of corporate actions can revolutionize accountability and strengthen a company’s reputation.

The approach adopted by ELIS offers a practical example for businesses seeking to strengthen their social impact through an integrated corporate strategy, creating a model where Purpose and economic performance coexist harmoniously

Purpose in Action:

Levers and strategies for the transformation
of Italian companies



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