



Executive Summary

# Principles for Purposeful Business

How to deliver the framework for  
the Future of the Corporation

An agenda for business in the 2020s and beyond



# Introduction

The Future of the Corporation is one of the most important and pressing topics of our time. This report is not just for business leaders, shareholders and policymakers. It is also for people who work for businesses, buy their products, benefit from a pension or feel an impact from business activities. And facing a climate crisis, this report is crucial for the world at large.

This programme is one of the largest and most ambitious ever conducted by the British Academy, the UK's national academy for the humanities and social sciences. It lies at the heart of the future of capitalism, the future of humanity and the future of our planet.

This second report builds on the November 2018 report, "Reforming business for the 21st century". It revisits the case for change and highlights that climate change, the urgency of delivering on the UN Sustainable Development Goals (SDGs), technological developments, the increasing dominance of companies without significant tangible assets, and negative perceptions of business make this agenda particularly urgent. It identifies how change can and should be achieved. It sets out a series of principles to guide lawmakers and business leaders in any jurisdiction towards the policies and practices that can release the potential of business to profitably solve the problems of people and planet, and to prevent business from profiting from harm. The findings are summarised in this executive summary.



# Purpose before profit

- In 2018, **our research made a strong case for change**, starting with a historical view and emphasising the impact of technology; alongside the loss of trust and shortcomings of the current approach to regulating business; and the damaging impact of some practices on people and planet.
- We concluded that **the purpose of business is to solve the problems of people and planet profitably, and not profit from causing problems**. We proposed a framework for 21st century business based on corporate purposes; commitments to trustworthiness; and ethical corporate cultures.
- We set out here that a **corporate purpose** identifies how the company assists people, organisations, societies and nations to address the challenges they face, while at the same time avoiding or minimising problems companies might cause and making them more resilient in the process.
- In 2019, **purposeful business has become more mainstream** with commitments by leading investors and companies, and a campaign by the Financial Times.
- Purposeful businesses will be essential **contributors to solving the global challenges** of the 21st century, best expressed in an integrated way by the UN Sustainable Development Goals.

# Principles for purposeful business

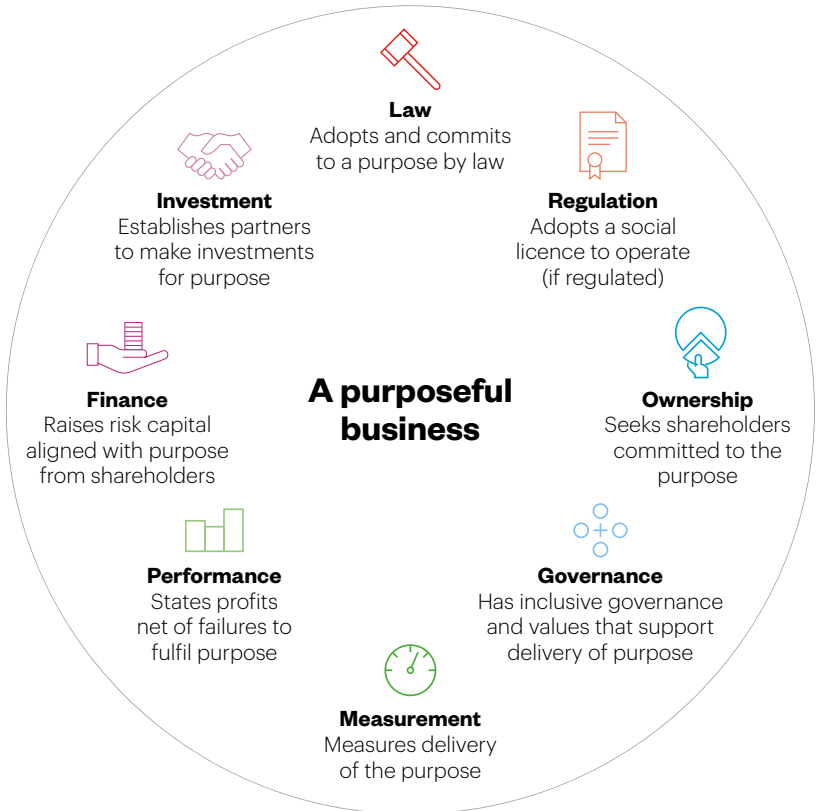
A purposeful business will organise itself on all levels according to its purpose. We propose eight principles for business leaders and policymakers. They do not prescribe specific actions, but set out the features of an operating environment that will enable the delivery of those purposes, while remaining flexible to a diversity of business models, cultures and jurisdictions.

1. **Corporate law** should place purpose at the heart of the corporation and require directors to state their purposes and demonstrate commitment to them.
2. **Regulation** should expect particularly high duties of engagement, loyalty and care on the part of directors of companies to public interests where they perform important public functions.
3. **Ownership** should recognise obligations of shareholders and engage them in supporting corporate purposes as well as in their rights to derive financial benefit.
4. **Corporate governance** should align managerial interests with companies' purposes and establish accountability to a range of stakeholders through appropriate board structures. They should determine a set of values necessary to deliver purpose, embedded in their company culture.
5. **Measurement** should recognise impacts and investment by companies in their workers, societies and natural assets both within and outside the firm.
6. **Performance** should be measured against fulfilment of corporate purposes and profits measured net of the costs of achieving them.

- 7. **Corporate financing** should be of a form and duration that allows companies to fund more engaged and long-term investment in their purposes;
- 8. **Corporate investment** should be made in partnership with private, public and not-for-profit organisations that contribute towards the fulfilment of corporate purposes.

### What does a purposeful business look like?

This diagram illustrates the features of purposeful business anticipated by the Principles which we set out in this report





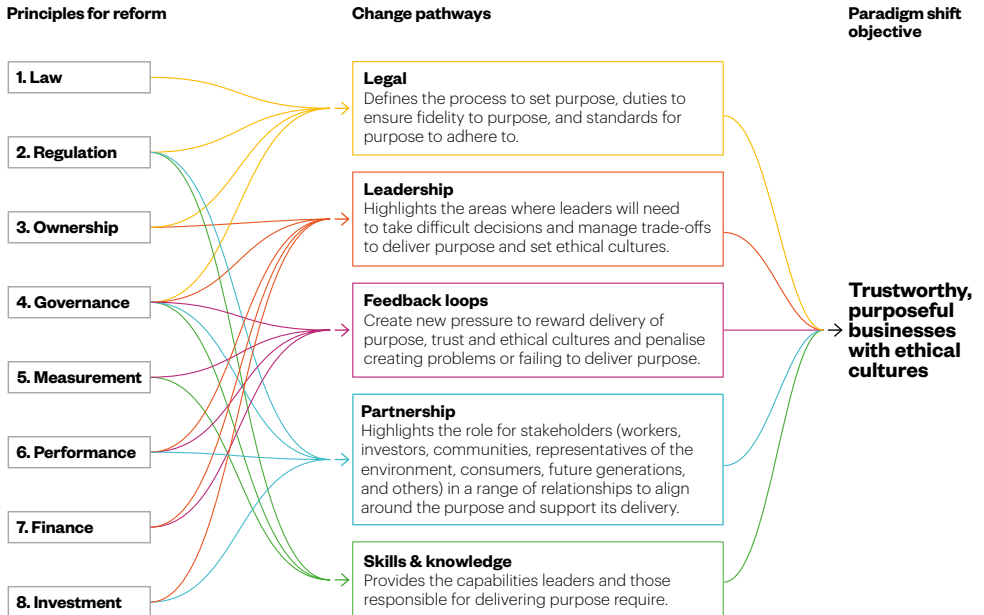




# An eco-system of pathways to change

The principles for purposeful business we have proposed are interconnected. Bringing about the change to which they aspire will require engagement from stakeholders and public pressure on governments for legal reform, leadership from businesses, investors and governments, feedback loops, new partnerships between business and stakeholders, and refreshed skills and knowledge provision.

Connecting the principles through five pathways to change to the paradigm-shift objective. This illustration aims to highlight the relationships between the principles.



# Next steps

The British Academy is committed to supporting these steps through further evidence gathering and providing a common space for debate and dialogue on the best solutions. In 2020, the Future of the Corporation programme will convene a series of ‘purpose summits’ to examine the role that purposeful business can play in solving the problems of people and planet. We hope you will join us in this endeavour.

There are four ways to become involved:

- Add your details to our mailing list for updates and invitations to events: [www.thebritishacademy.ac.uk/fotc](http://www.thebritishacademy.ac.uk/fotc)
- Read our research and reports: [www.thebritishacademy.ac.uk/programmes/future-of-the-corporation](http://www.thebritishacademy.ac.uk/programmes/future-of-the-corporation)
- Follow us on social media (see back cover) and continue the debate (#futureofthecorporation)
- Write to the team on [fotc@thebritishacademy.ac.uk](mailto:fotc@thebritishacademy.ac.uk)

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