

Consumer Market Study

People on a mission

SUMMARY REPORT

December 2016



The purpose of our study

- To highlight what highly reputable, top performing brands in the consumer sector are doing to drive an authentic commitment to purpose.
- To encourage organizations at large to advance their commitment to leading with purpose.

The process

- During summer/fall 2016, we conducted in-person and telephone interviews with 30 participants from the 20 organizations included in our study.
- These interviews were complemented with market research and financial analysis on a broader composite of purpose driven companies.
- In addition to this report, our findings are reflected in the Korn Ferry Institute whitepaper, *People on a Mission*, released in December 2016.

Purpose drives performance.

It's true for us as individuals, when we have clear personal purpose it unleashes our discretionary energy.

It's true for organizations, those with a clear purpose are able to unleash the power and drive of the collective, harnessing and focusing that combined effort in one, aligned direction.



Why this matters

Organizations should have a positive impact - for their shareholders, their people and for the communities in which they live. That is why they exist. And the evidence is clear: those with a strong purpose at their core drive better outcomes and achieve exceptional results.

While many speak of purpose in their brand and external image, our objective of this study is to highlight those who have achieved exceptional results based on a deeply rooted commitment to living and operating with purpose internally.

For those seeking to have a positive impact in the world through their business and even for those who are simply desiring the positive customer engagement and exceptional performance that many of these companies have achieved, we hope this report shines light on the hard work and humble practices that are sustaining the success of purpose driven companies.

As more and more companies speak of their 'purpose', we feel it is more important now than ever to protect and encourage the integrity of what really does drive sustainable performance; an investment in your people. From our time together, it is evident, that this topic is of utmost importance to those who participated in this study. People at the core is how these organizations operate and serve the world.

We hope this report supports you on your journey and your commitment to living with purpose. We hope you will continue to collaborate with us as we encourage the positive impact of business through purpose and people.

With gratitude,



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**“Authenticity is everything –
you can’t fake purpose.”**

John Replogle, Chief Executive Officer of
Seventh Generation

1

The Participants and Purpose Statements



The Participants

While these brands are known for their external commitment to purpose and positive impact, they are sustaining success through a commitment to the people inside their companies

Etsy



Unilever



ALTERNATIVE

five
BELOW

seventh
generation



WARBY PARKER

CONSCIOUS
COMPANY MAGAZINE

The Container Store



west elm

CHOBANI

Interface

Plum
organics



HARMLESS
HARVEST

Purpose statements

Etsy "To reimagine commerce in ways that build a more fulfilling and lasting world."

Life is Good "Spreading the power of optimism."

Unilever "The highest standards of corporate behavior towards everyone we work with, the communities we touch, and the environment on which we have an impact."

Seventh Generation "To inspire a consumer revolution that nurtures the health of the next seven generations."

Chobani "To provide better food for more people."

KIND "To do the kind thing for your body, taste buds, and the world.
We're on a mission to make the world kinder, one snack and act at a time."

Interface "Leading industry to love the world."

REI "A life outdoors is a life well lived."

Plum Organics "We deliver nourishing, organic food to our nation's little ones and to raise awareness and advance solutions for childhood hunger and malnutrition in the United States."





“This organization is alive because it has a purpose. As a lifestyle brand with steep competition, just staying in business is proof of having a purpose. Consumers have driven that.”

Bert Jacobs, Chief Executive Optimist and co-Founder of Life is Good

2

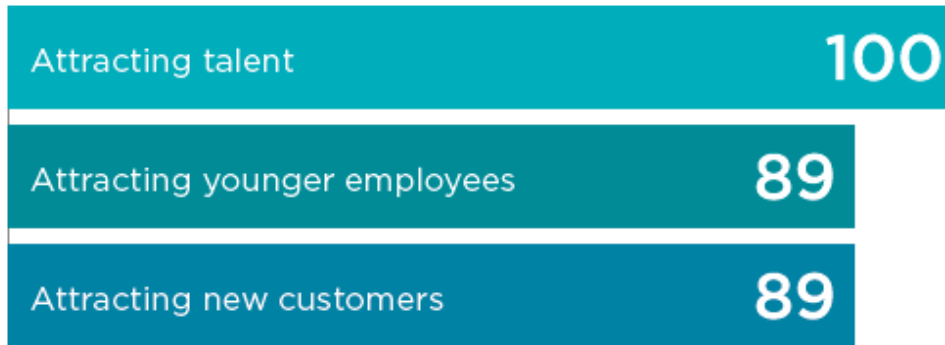
Outperforming the Competition



The power of purpose: what it can and can't do for organizations

Korn Ferry interviewed 20 organizations showing high performance driven by purpose, mission. They provide a snapshot (bars show percentage of affirmative respondents) of what these factors strongly support for them, and where they have less effect.

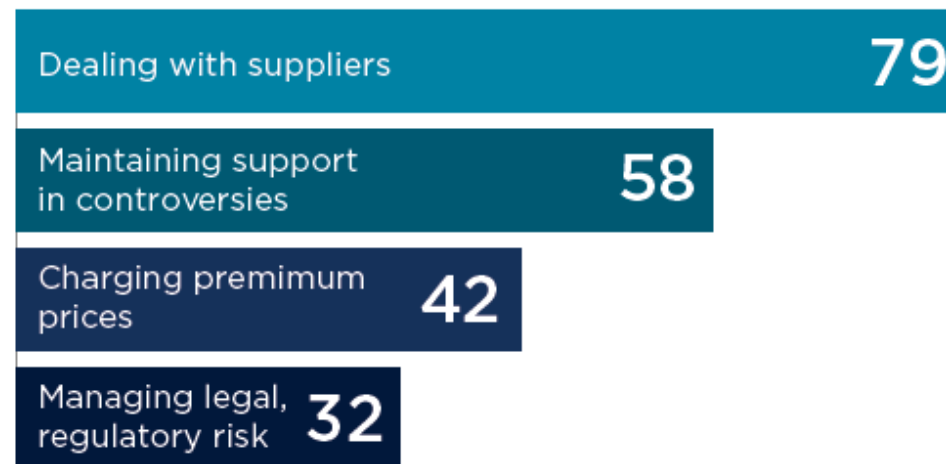
It has people-pulling power



It engages, retains

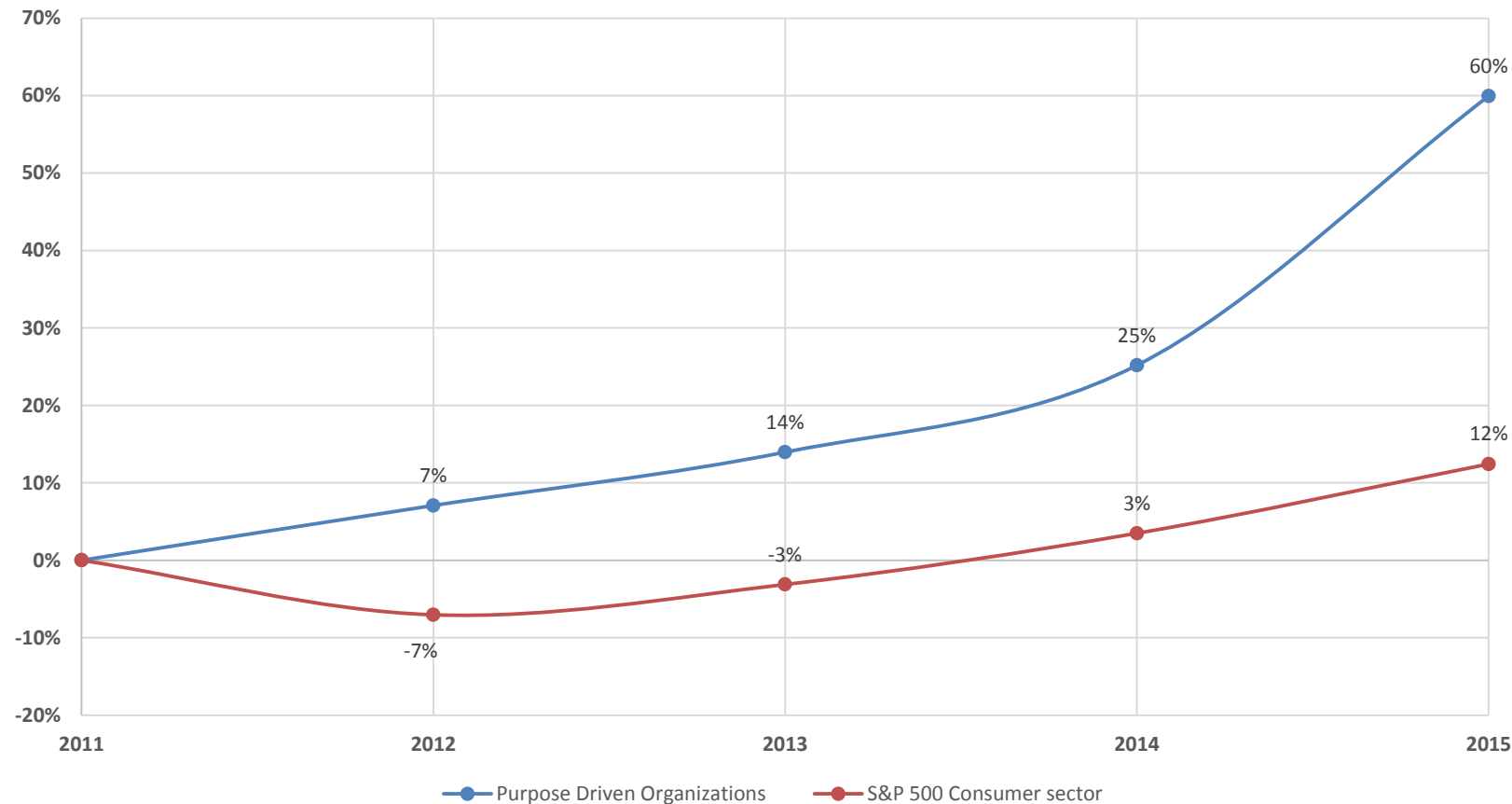


But has less effect on



Companies that make a strong commitment to purpose achieve better long-term financial performance

5 year Revenue Growth*
(2011 Base year = 100%)



Compound annual growth rate
(CAGR) 2015-2011

Purpose Driven Organizations	9.85%
S&P500 Consumer sector	2.4%

Average Median Revenue
(US\$MM)

Purpose Driven Organizations	\$465.01
S&P500 Consumer sector	\$414.64

Number of companies in
composite (N)

Purpose Driven Organizations	39
S&P500 Consumer sector	71



Source- Korn Ferry analysis

*(2011 Base year = 100%)



“We think of KIND as a person – we can’t be everything to everyone. As humans evolve, so does our brand.”

Elle Lanning, Chief of Staff of KIND Healthy Snacks

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Study Results: Key Themes

- Leadership
- People
- Culture
- Enabling Practices



The following themes emerged as critical differentiators among organizations sustaining performance from purpose:



Leadership

LEADERSHIP and CEO lead from values and purpose to make decisions.

- Courageous CEOs are humble, confident and resilient
- Board commitment is critical to sustaining success
- Long-term strategy honors the organization's values and heritage



People

PEOPLE are the top priority. Invest in people to drive growth.

- It starts with hiring the right people
- Reinforce the mission through development, communication and accountability
- Align individual purpose with organizational purpose to drive engagement



Culture

CULTURE is reflective of human communities. People bring their whole selves to work.

- Values are conversational and alive within the company
- Work/life balance is redefined
- Values reinforce collaboration, innovation and inclusive groups



Enabling practices

ENABLING PRACTICES exist in all parts of the organization, revealing a pervasive commitment to purpose.

- Clear roles, decision making and accountabilities aligned with values and core purpose
- Internal communication and transparency are the foundation of external brand building efforts
- Measure what matters most



Leadership

“Being a leader is not about you, it’s about everyone else. It takes humility and vulnerability. Being a CEO is the most humbling job, as there are so many other people to help make successful.”

Chad Dickerson, Chief Executive Officer of Etsy

"Operating with purpose makes you resilient, it gives you the strength to keep going in the face of any adversity."

Giannella Alvarez, Chief Executive Officer of Harmless Harvest

“What was once a grassroots movement has grown into something much more substantial. Now you hear it [purpose] in all the key speeches of the enlightened leaders, like Jeff Immelt at General Electric and Paul Polman at Unilever.” John Replogle, Chief Executive Officer of Seventh Generation

“We assembled our board so that they would help us make decisions that don’t hurt the company’s mid/long-term value.”

Audrey Robertson, EVP of Culture & Strategic Assistant to the Chief Executive Officer of The Container Store

“If you don’t stand for something, you stand for nothing.”

Evan Toporek, Chief Executive Officer of Alternative Apparel

“If we stay exceptionally true to the foundation of this company, we will continue to do really well. We do well when people want to read past the superficial layer. The minute we become a sell-out brand is the minute we die.”

Jim Alling, Chief Executive Officer of TOMS



Leadership



The CEO's courageous commitment

- Participants still face the same questions as any other business but with an overlay of understanding how the decision in front of them achieves the ultimate purpose of the organization, not just the short term financial goals.
- CEO takes culture seriously which encourages the rest of the organization.
- Spend significant time working on people and culture. Communicate the emphasis on mission, values, vision, and strategy that are inextricably linked.
- Stay focused on the mission, be consistent in good times and bad. If under profit pressure, the organization doesn't change course.

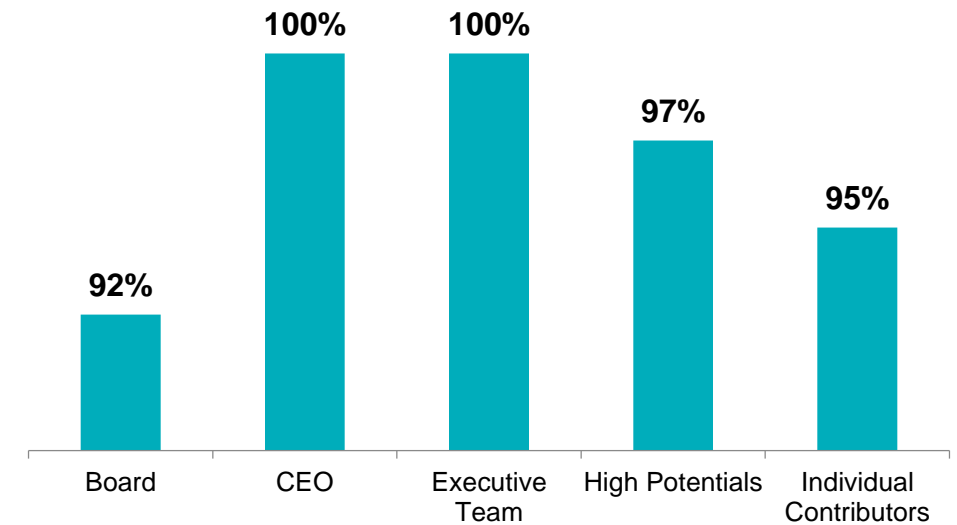
Board commitment is critical to sustaining success

- It's critical that the board is focused on the integrity and authenticity of the purpose and mission in order for the CEO to lead from values and engage the people.
- Actively engage the Board around purpose and mission.

Long-term strategy honors the organization's heritage

- The founders had a core set of values extremely focused on doing well by customers and doing the right thing. This purpose has grown deeper by taking their values and building on them to integrate them into all of what they do.
- The participants continue to evolve the mission as they grow, purpose is bigger than just their own success.
- A focus on constructive capitalism, where the wealth is shared through the supply chain, it's not just the end of the supply chain that benefits.

Commitment to leading with purpose and values across the organization



80% believe taking care of one's self is a key priority and it affects the ability to operate from a strong sense of purpose

100% of participating leaders agree that having a strong purpose make people within the company more resilient



People

“You can’t have a growth company if your people aren’t growing.”

John Replogle, Chief Executive Officer of Seventh Generation

“People yearn for genuine human connection in their lives.”

Jim Brett, President of West Elm

“We employ the whole person. It’s a deliberate approach to people management.”

Ralph Carlton, co- Chief Executive Officer of King Arthur Flour

“Absolutely, we must take care of ourselves first. You need to be grounded standing on two strong feet, before having an impact. It always starts with the individual.”

Neil Grimmer, Co-founder of Plum Organics

“You don’t have a job here, you have a mission. Your duty is to figure out how your role advances our mission. That’s the charge I give every employee.”

John Replogle, Chief Executive Officer of Seventh Generation

“TOMS started with a purpose and grew into a company. If you ask why TOMS exists, our employees won’t hesitate. They might say improving lives through business, or using business to improve lives.”

Jim Alling, Chief Executive Officer of TOMS

“Our workforce is much more engaged because we have a higher purpose. We have a common language and everyone is pulling in the same direction.”

Dan Hendricks, Chief Executive Officer of Interface

“Millennials want a meaningful job and they want to be treated well.”

Meghan French Dunbar, Co-founder of Conscious Company Magazine

“Everyone in the company at every level feels personally connected to that purpose and how their job impacts the world.”

Jay Coen Gilbert, Co-founder of B Lab

People

It starts with hiring the right people

- Measure conviction and passion for the mission and the values/cultural fit first.
- Use recruitment and onboarding to establish a culture of continuous learning at the outset.

Reinforce the mission through development, communication and accountability

- Establish more sophisticated, talent management practices as the business grows/scales.
- Participants report that they invest heavily in high potentials.
- Customized individual employee journey development plans.
- Participants empower people as opposed to developing a victim mentality. When employees feel accountability, they can make positive changes. It's the business' responsibility to find better ways of doing things.

Align individual purpose with organizational purpose to drive engagement

- The participants tell their employees to find their own your own story – how do they connect to the brand purpose.
- People need to be inquisitive and look internally to determine what the company's purpose means to each of them.
- The participants are focused on the people side as much as the performance numbers. They have people and culture goals and hold their executives accountable.

According to a Gallup poll conducted in 2015, the percentage of U.S. workers engaged in their jobs averaged 32%. The majority (50.8%) of employees were "not engaged," while another 17.2% were "actively disengaged."

Of the companies in our study that volunteered their employee engagement scores, the average is 90%.



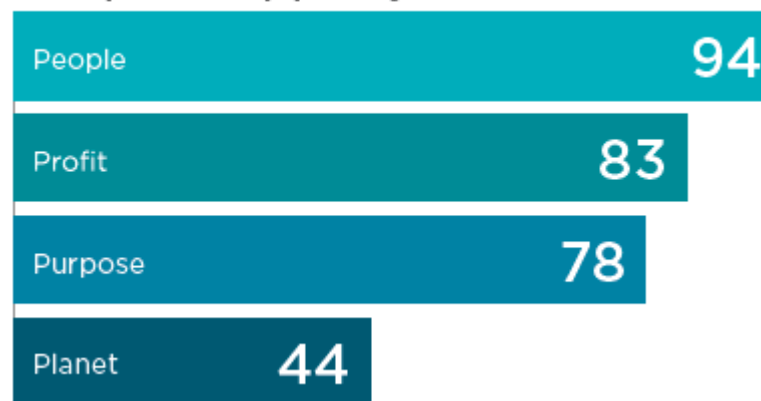
People



Korn Ferry interviewed 20 organizations showing high performance driven by purpose, mission. The key take-away (as shown in percentage of respondents to survey): people are the top priority—and the organization's mission, purpose and priorities for the planet are achieved through their people, in many ways

Purpose-driven organizations prioritize people first

People as a top priority

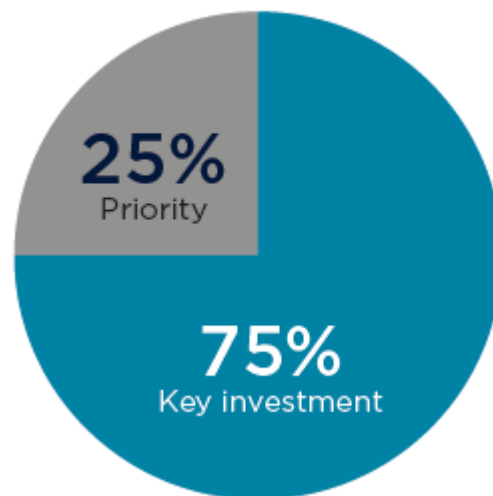


Purpose helps people in



Purpose-driven organizations invest in leadership development, while some recognize room for improvement

Leadership development is key



Purpose-driven organizations experience increased employee productivity as a result of commitment to purpose



Culture



“Work should serve your life and feed your roots.”

Bert Jacobs, Chief Executive Officer of Life is Good

“We encourage our employees to lean into our purpose outside of the workplace.”

Eric Artz, Chief Operating Officer of REI

“‘Strong back, open heart’ describes our culture and encouraged approach to leadership.”

Heather Jassy, Senior Vice President, Values Aligned Business of Etsy

“There are two legs to the stool, one is using business as a force for good, and the other is reframing employees relationship with employers. At the heart is creating a vibrant culture where people redefine their relationship with the company. We need to amplify our voices. We will do that when we’re all singing together.”

John Replogle, Chief Executive Officer of Seventh Generation

“Everyone is responsible for the culture.”

Audrey Robertson, Executive Vice President, Culture & Strategic Assistant to the CEO of The Container Store

“The conversation is the culture.”

Colleen Clark, Director of Optimistic People of Life is Good



Culture



Values are conversational and alive within the company

- It's a community of believers, doers and leaders.
- The principles of Conscious Capitalism reinforce the organizational values and principles of doing business: having a higher purpose, stakeholder orientation, conscious leadership and conscious culture.
- Each company's values are conversational and are used when executives speak with each other. They are not just a poster on the wall. They represent who each brand is and act as a guide as business decisions are made.

Work/life balance is redefined

- Sound mind, body, and sense of spirit is critical.
- Humans need rest, many feel they shouldn't stop, but the participants say go relax and be human. If the social mission is integrated, then the employees are doing good while at work.

Values reinforce collaboration, innovation and inclusive groups

- People show up and don't leave their personal lives behind.
- We're all human, flawed and just like everyone else. Being ourselves, we seek ideas from colleagues and get inspired by each other internally. That's how the participants encourage others to contribute.
- Trust is a big thing for the participants. They can't expect perfection, but they try to remind themselves who they are.

Participants describe their culture:



Culture



Culture is driven by values. Participants describe their values:



Enabling practices



“Running a humane and transparent business is good for business. It’s sustainability in every sense of the word.”

Heather Jassy, Senior Vice President, Values Aligned Business of Etsy

“We are strong advocates of transparency. We have internal standards focused on ‘Could you stand in front of your employees and explain it and everyone would be proud of it?’ We tend to over-disclose information.”

Ralph Carlton, co- Chief Executive Officer of King Arthur Flour

“Measure what matters.”

Jay Coen Gilbert, co-founder of B Lab

“We are deliberate in everything we do. This means using the same rigor when it comes to setting goals, measuring performance and distributing glasses to people in need.”

Neil Blumenthal, co- Chief Executive Officer of Warby Parker

“We have to be relevant, compete and win in a dynamic marketplace. We work hard to connect our core purpose to how we run the business and that means our employees and culture sit at the center.”

Eric Artz, Chief Operating Officer of REI



Enabling practices

Proof points exist in all parts of the organization, revealing a pervasive commitment to purpose

Clear roles, decision making and accountabilities aligned with values and core purpose

- Be deliberate about how to operationalize purpose, "unconditional positive regard".
- You cannot be purpose driven in a vacuum.
- Purpose is interwoven in everything the participants do. Every customer, every supplier, every purchase

Internal communication and transparency are the foundation of external brand building efforts

- Transparency enables internal and external stakeholders to 'see' that the values are interwoven in the businesses.
- It must start with an internal commitment to purpose and people. Then move to the external brand and find the authentic reflection of the culture - that's what engages customers.
- Inside the company, the participants talk about their values, their purpose, their strategy. They have regular town hall meetings, a forum for employees to hear from the leadership, share ideas, ask questions off script.

Measuring what matters most

- The participants rate people on how they live the values, not just what they do.
- The brands actively measure against their goals around relationships, impact and growth.
- Linking results to the social impact is vital to increased employee engagement in the mission.
- The relentless energy of the mission guides each company through challenging business and people decisions.



Key recommendations



Leadership:

- Ensure board is aligned and committed to prioritizing purpose, values and people.
- Invest in purpose-centric Leadership Development programs for CEO and top team.
- Connect and communicate – stay close to your people inside the company.
- Prioritize restorative care for oneself to sustain performance and lead from purpose.



People:

- Measure employee engagement and actively address at risk parts of your organization.
- As you grow, scale more sophisticated yet fluid leadership development programs.
- Don't short-cut recruiting/onboarding: ensure the right people are deeply connected from the start.
- Build pipeline of ready-now leaders to grow talent from within.
- Develop managers skills and connection to organizational purpose through individual purpose and work streams.
- Consider a more flexible performance management system, with reviews at least twice a year.



Culture:

- Continually assess and ensure culture and values continue to reflect authentic commitment to an inclusive, human community.
- Be deliberate about decision making while balancing commitment to collaboration.
- Balance service-orientation with commitment to accountability so the workforce is empowered, not entitled.



Enabling practices:

- Maintain transparency and internal communication to protect culture as you grow and standardize practices.
- Ensure alignment of pay and values while still being competitive in the market.
- Human resources and marketing/communications must be interconnected to reflect authenticity of organization to the external market.
- Be prepared for market headwinds - have a crisis communications plan in place to react quickly, stay true to mission and ensure vulnerability is used as a strength.
- Ensure the workspace allows for collaboration and connection.



Thank you for participating in our study

There is a shared purpose among this group, leveraging the power of the collective consciousness in business to have a positive impact in the world. Your commitment to empowering your people at the core is what makes the rest possible. Thank you!

Alternative Apparel	Evan Toporek	Chief Executive Officer
B Lab (B Corp)	Jay Coen Gilbert	Co-founder
Chobani	Grace Zuncic	Senior Vice President, Corporate Development & Strategy
Conscious Company Magazine	Meghan French Dunbar	Co-founder
Container Store	Audrey Robertson	Executive Vice President, Culture & Strategic Assistant to the CEO
Etsy	Chad Dickerson Heather Jassy Nikki Summer	Chief Executive Officer Senior Vice President, Values Aligned Business Senior Manager, Values Engagement
Five Below	Joel Anderson	Chief Executive Officer
Harmless Harvest	Giannella Alvarez	Chief Executive Officer
Interface	Dan Hendricks Jay Gould	Chief Executive Officer President and Chief Operating Officer
KIND Healthy Snacks	Daniel Lubetzky Elle Lanning Jim Scarfone	Chief Executive Officer Chief of Staff Executive Vice President, Human Resources

(cont'd)



Thank you for participating in our study

King Arthur Flour	Ralph Carlton Karen Colberg	Co-CEO and Chief Financial Officer Co-CEO and Chief Marketing Officer
Life Is Good	Bert Jacobs Colleen Clark	Chief Executive Optimist and Co-founder Director of Optimistic People
Plum Organics	Neil Grimmer Ben Mand	Founder/Chairman Senior Vice President, Brand Marketing & Innovation
REI	Eric Artz	Chief Operating Officer
Seventh Generation	John Replogle Joey Bergstein	Chief Executive Officer Chief Marketing Officer
TOMS	Jim Alling	Chief Executive Officer
Unilever	John LeBoutillier	President, Unilever Canada
Warby Parker	Neil Blumenthal	Co-founder and Co-Chief Executive Officer
West Elm	Jim Brett Allison Hyers Jennifer Gootman	President Vice President, People and Culture Director of Social Consciousness & Innovation



The Korn Ferry Team

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- Melanie Kusin
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- James Patteson
- Tierney Remick
- Christina Stern
- Jane Stevenson
- Ellen Williams





“The best way to create long term shareholder value is to create consistent value for all your stakeholders. Better relationships turn into better customers, suppliers and employees.”

Jay Coen Gilbert, Co-founder of B Lab

Appendix



Purpose-driven businesses outperform their industry peers

Financial analysis methodology

- As part of this study we compared the revenue growth of purpose-driven organizations with their S&P500 CPG sector peers over a 5 year period – 2011 to 2015.
- A purpose-driven organization composite was created using financial data from 39 organizations who we identified as having a deeply rooted purpose fueling the business growth. Some of the companies interviewed for this study are included in the composite.
 - The organizations in our composite include B Corporations, Firms of Endearment, Gamechanger Top 50, Fortune Change the World List, companies that embody the tenants of Conscious Capitalism, etc. The composite includes those with a strong internal commitment to purpose and people.
 - 71 publicly listed companies in S&P500 CPG sector list in the United States of America.

Our findings:

- During each of the 5 years considered, purpose-driven organizations outperformed their S&P500 CPG peers showing significantly higher growth.
- CAGR for purpose-driven organizations was 9.8% compared to 2.4% for S&P500 CPG sector.
- Even during years such as 2012 and 2013 when the US CPG sector observed lower levels of growth compared to 2011 (base year), purpose-driven organizations managed to maintain positive levels of growth.



**Thank you for joining us on
this journey...
releasing the full power and
potential of people in order to
have a positive impact in the
world.**