

Event summary

Round table on company purpose and employee participation

Company purpose statements have been receiving increasing attention over the past years from academics, business practitioners, and legislators. It is against the backdrop of these developments that on 17 May 2022 the Elverding Chair of Maastricht University invited representatives¹ from business leadership, works councils, labour unions, consultancies and employer groups to a round table to discuss several issues related to the corporate purpose such as: how can a good company purpose be formulated and implemented through sincere and effective employee participation.

The round table was organised by [Elverding Chairholders](#) Prof. Dr. Rob Bauer and Prof. Dr. Mieke Olaerts in collaboration with Prof. Dr. Harry Hummels and the Elverding Post-Doc Dr. Constantijn van Aartsen.²

This summary explains the background to the round table and provides an overview of its main results. The event was organised according to Chatham House Rules to promote an open discussion. In line with these Rules, the summary does not identify the opinions of individual speakers. It has been shared with participants to ensure that there are no objections.

Background to the round table

The round table was a follow-up to the Elverding team's [prior research](#) on the sustainability embedding practices of 35 Dutch listed companies, which found that almost all companies adopt a purpose statement to guide the decision making of their leaders and employees. It also showed that 83 percent of these purposes include sustainability, and that 71 percent of them are externally oriented, i.e. towards the improvement of society rather than the company. Related research shows that few of these companies include a sustainability-related purpose in their articles of association.³

The Elverding research also identified that purpose statements are often vaguely formulated and that there is a great deal of overlap in terms used by companies to describe their mission / vision / purpose. Adding to this lack of clarity is the fact that companies provide few, if any, details in their annual reports or on their websites about the process that they used to formulate their purpose. This lack of information also makes it difficult to assess whether and how a company purpose actually affects decision-making in the organisation. History shows, moreover, that some companies with a clear purpose have had their ambitions watered down over time, for example after becoming public companies. This suggests, first, that it is not enough to simply have a purpose statement. And second, that employee participation and organisational-level activities may be necessary for the effective implementation of a purpose throughout an organisation.

It was against this backdrop that the round table discussed how companies formulate and implement their company purposes, and the role of employee participation in this process. The overarching aim was to address the abovementioned information gaps, and to identify avenues for future research on company purposes.

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² The Elverding Chair is sponsored by DSM, Q-Park, De Nederlandsche Bank (DNB), ING, and Broadview Holdings.

³ B. Kemp and M. Olaerts, 'Het vennootschappelijk doel' in *Eindeloos getob* (IVOR nr. 125) 2022/25.1.

Main findings of the round table

An initial finding is that there is an endemic overlap between concepts such as purpose, mission and vision. Consultants and academics may long for, and provide, neat definitions of these concepts but it is evident that they are not clear-cut in practice. Instead, the participants generally viewed these terms as broadly synonymous *manifestations of company identity*. They participants also indicated that identity is broader than purpose.

Participants also distinguished between the purpose of individuals in the company (*individual purpose*) and that of the company itself (*organisational purpose*). Ideally there is an overlap between both purposes, but it is clear that often this is not the case. Where possible, company purposes should be formulated to create space for the realisation of both individual and organisational purposes. It was suggested that *employee engagement* is a term which captures the extent to which employees identify with the organisational purpose.

In terms of content, there was an immediate consensus among participants that *the purpose of companies must be broader than profit maximisation*. In their view, profit is only necessary to support the company identity and the continuity of the organisation. It was noted that this consensus is made more complicated in practice by the fact that most shareholders of Dutch listed companies are from the United States and United Kingdom which are more culturally oriented towards shareholder primacy.

Participants also suggested that company purpose and identity should, in the first instance, be formulated around the employees and their work. One reason is that other stakeholders, while important, have less direct proximity to the company and are therefore less vested in its purpose. A second reason, as commented by one participant, is that “Without purpose you cannot attract talent, and you won’t keep it in the long-term”.

In terms of form, a number of participants expressed that company purposes should be anchored in the articles of association or by attaining [B Corporation](#) certification. In their view this is necessary for company purposes to have sufficient strength and clarity to guide the decision-making of company leaders. It was noted, however, that company purposes which have been anchored in this form are often also broadly formulated. It is questionable, therefore, to what extent they can (currently) have this kind of intended impact.

All participants agreed that company leadership and management must be role models in acting out the purpose and ensuring that it is credible. This does not, however, necessarily entail that the purpose should be exclusively formulated by the upper echelons of the company. In fact, there was some discussion among participants on whether purposes should be formulated top-down or bottom-up. As one participant remarked, “Do you go from an abstract to a concrete foundation, or the other way round?” It emerged from further discussion that both options are feasible routes due to variations in company profiles and history. For example, *newly founded companies* which are growing quickly may develop their identity and purpose more organically. This creates space for top-down and bottom-up approaches to formulating purpose. *Companies with visionary founders* may adopt a more top-down approach and consciously recruit people to suit the long-term vision of the company. *Established companies* with a long history may adopt a new purpose in response to bottom-up or external pressure, e.g. following employee complaints or reputational issues, or may adopt a top-down purpose as part of a conscious, forward looking plan to change the company culture.

A necessary condition for the effectiveness of these different options is that they are *implemented in a manner which is sustained and credible*. This is not, for example, the case if a new purpose is adopted under employee pressure and is subsequently ignored by most managers. The participants provided several recommendations on this point, such as the importance of active and constructive dialogue, tone at the top, and creating a link between the purpose and employees’ daily activities.

Active and constructive dialogue is important because company leadership does not have a complete picture of employee opinion, public issues, or the situation on the ground. Nor is it self-evident that everyone cares about the purpose of the

company; some people may only be interested in decent pay and working conditions. Under these circumstances, a dialogue can help establish trust, promote engagement, identify common interests, reveal unanticipated barriers, and identify ways to move forward. It is not only useful towards employees, but also external stakeholders such as labour unions, NGOs and communities.

Dialogue should be ongoing and committed to uncovering relevant information rather than performed as a *pro forma* exercise, such as an employee survey with a minimal response rate. In this regard it can help to support existing forms of employee participation such as works councils. Companies can also create space for informal dialogue between different levels of the organisation, like a lunch between the CEO or sustainability teams and people in widely different functions and levels in the organisation. Furthermore, they can consider other approaches such as [holacracy](#) or the direct involvement of external parties such as NGOs and labour unions.

In general, participants emphasised that it is important to create a context of trust and openness where people dare to make things uncomfortable, and where they feel safe to explore the sources of this discomfort. This minimises the risk of endless or empty dialogue, and maximises the chance to find barriers and opportunities. This suggestion overlaps with the importance of tone at the top. If managers and leadership are not leading by example, or are not open to constructive discussion and feedback, then it is unlikely that employees will engage with their attempts at dialogue. This, in turn, makes it less likely that an organisation is able to sustain or credibly realise its purpose.

Lastly, the participants stressed that there should be a link between the company purpose and the daily activities of employees. This link should be flexible enough to account for local and international differences between various company locations. Furthermore, the company purpose and organisational-level targets should, where relevant, be broad enough to allow for flexible implementation (e.g. poverty reduction in one location, pollution reduction in another). Purpose-related targets can subsequently be cascaded throughout the organisation as part of people's individual objectives.

Avenues for future dialogue and research

Several areas of further dialogue – and potential research – can be identified from the main findings. It may, first, be interesting to evaluate whether and how purpose statements can create space for an overlap between individual and organisational purposes. Second, it seems meaningful to explore whether and how company sustainability is affected by purposes that are focused on employees rather than other stakeholders. Third, illustrations of how differences in company history and profiles may affect the formulation of company purposes, and whether this has any broader effects on company reporting and activities, can be useful inputs in the discussion. Fourth, more detailed accounts of whether and how companies engage in a constructive dialogue with their employees and other stakeholders may result in an overview of best practices to assist the formulation and implementation of company purposes. These practices can shed light on relevant qualitative and quantitative indicators in the design of purpose-related targets, and on their impact on the quality of the dialogue.

As a closing remark, the organisers wish to thank the round table participants for sharing their time and experiences. They also extend a special thank you to Martijn van Rensch from Deloitte for organising the venue and catering for the event. It was a pleasure to unite committed people in a single discussion, and your insights and the new ideas for future dialogue and research that you have inspired are much appreciated. The hope is to continue this meaningful dialogue with you and like-minded organisations in the future.

Maastricht, 15 June 2022

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