

# Purpose in Finance: Demonstrating Value with a Purpose Measurement Framework





## The Pressure on Financial Services to Embed Purpose and Demonstrate Progress

Expectations of the role of business in society are evolving quickly, driven by climate concerns, societal polarization, and other significant social challenges. Financial services firms aren't immune to pressure from their stakeholders to think beyond profit generation and toward articulating, embedding, and meaningfully pursuing a social purpose.

For many, this implies a transformative shift as they develop strategies and align operations to uplift the long-term well-being of all people and the planet, while also generating returns for shareholders. This can be complex work.

Companies—including financial services

companies—embracing social purpose are realizing meaningful benefits in talent attraction and retention, customer loyalty, brand value, and more.

However, consumers, employees, investors, and community members are increasingly demanding transparency, evidence, and progress.

This guide presents the essentials of developing a Purpose Measurement Framework and outlines its role in declaring, substantiating, and communicating social purpose. We hope that it will galvanize financial actors to be audacious as they strive toward delivering purpose beyond profits.



# Purpose in Finance: Demonstrating Value with a Purpose Measurement Framework

Consumers, employees, and investors alike are increasingly expecting businesses to demonstrate their contribution to society, beyond generating profits.<sup>1,2,3</sup>

Financial services firms, too, are feeling pressured to shift from a purely profit-driven approach to one that seeks to make a meaningful contribution to the long-term well-being of people and the planet.<sup>4</sup>

In response, many financial institutions are adopting a social purpose, which articulates their strategic and optimal contribution to the well-being of people and the health of the planet.

## The benefits are numerous and well-researched:<sup>5</sup>

- More and more dedicated customers
- Increased resilience to navigate dramatic sector-wide change
- Advantages in talent attraction, engagement, and retention

While approximately 15% of companies listed on the Toronto Stock Exchange have officially declared a social purpose,<sup>6</sup> many are still in the process of fully integrating their purpose into their day-to-day operations.

The gap between declaring a purpose and acting on it is driving firms to seek and share evidence of their impact.

Considering this, Junxion is working with leading financial institutions to develop a tailored measurement framework—a comprehensive and customized tool designed to assess progress towards their unique social purpose.

This guide provides an overview of the most important components to consider when building a Purpose Measurement Framework. The intent of this guide is to help your company take tangible steps to develop a framework of your own.

1 Stobierski, T. (2021, June 15). 15 eye-opening corporate social responsibility statistics. Business Insights Blog. <https://online.hbs.edu/blog/post/corporate-social-responsibility-statistics>

2 Dhingra, N., Samo, A., Schaninger, B., & Schrimper, M. (2021, April 5). Help your employees find purpose or watch them leave. McKinsey & Company. <https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/help-your-employees-find-purpose-or-watch-them-leave>.

3 Eccles, R. G., & Klimenko, S. (2020, November 24). Shareholders are getting serious about sustainability. Harvard Business Review. <https://hbr.org/2019/05/the-investor-revolution>

4 Beetz, E., Kleppe, A., Blanchard, B., Fantini, L., Ivanova, R., Schembier, M., & Grace, C. (2023, September 19). For financial institutions, Nature is the next frontier. BCG Global. <https://www.bcg.com/publications/2023/why-building-a-nature-strategy-is-pivotal-for-financial-institutions-to-evolve>

5 Wertz, J. (2022, November 9). How social values drive consumers to Brands. Forbes. <https://www.forbes.com/sites/jawertz/2021/12/27/how-social-values-drive-consumers-to-brands/?sh=6a8f4f3e7425>

6 Strandberg, C. (2021, November 18). Reimagining Canada's economy: Putting purpose before profit will ultimately net the highest returns. Sustainable Brands. <https://sustainablebrands.com/read/defining-the-next-economy/reimagining-canada-s-economy-putting-purpose-before-profit-will-ultimately-net-the-highest-returns>



A Purpose Measurement Framework brings a multitude of benefits, including opportunities to:

- **Better Allocate Resources**—All organizations are working with finite resources. When you measure your impact, you learn what is working and what is not. This improves your understanding of where it makes sense to invest your resources and where to pull back.
- **Increase Stakeholder Engagement**—Measuring your purpose should involve those your purpose seeks to benefit. Doing so creates opportunities to learn who your key stakeholders are, how to better engage them in creating change, and how to create better results for them.
- **Improve Equity**—Related to that, you might learn that your impact is benefiting some groups more than others and thus creating inequitable outcomes. Measurement is therefore a critical component to addressing inequities.
- **Strengthen Accountability**—Measuring your progress will provide the evidence to say you're doing what you said you'd do.



## Prerequisites and Success Factors

To build a successful Purpose Measurement Framework, there are three critical factors to incorporate in the process, and two prerequisites.

### Prerequisites:

**A) Social Purpose**—A purpose that declares why you exist in service of society.

**B) Theory of Change**—A map of the pathway to your company's desired societal changes/outcomes.

### Success Factors:

**1) Evidence-Based Metrics & Data Collection Processes**—Strong indicators of success and processes that ensure you collect meaningful data, efficiently.

**2) Stakeholder Engagement**—A mutually valuable exchange of ideas across a broad range of stakeholders in your ecosystem.

**3) Agile Implementation & Continuous Learning**—A continual, ongoing process of gathering data, tracking metrics, driving insights, and applying learnings.

The following describes each prerequisite and success factor in detail.

### Prerequisite A) Social Purpose

A Purpose Measurement Framework is used to assess progress towards your company's social purpose. It therefore goes without saying that a company must have a social purpose before developing a framework to measure it. What do we mean by social purpose?

At its essence, a social purpose answers the question: why does your organization exist, beyond generating a profit?

Leading social purpose businesses answer this question by looking to their operating context and considering how they might strategically and optimally contribute to solving entrenched societal issues.<sup>7</sup>

In this definition...

- Optimal refers to aligning ambitions with the size and capacity of the organization.
- Strategic refers to aligning the purpose to the company's core business activities and embedding it within the business strategy and planning processes.
- Contribution acknowledges that truly entrenched and vexing problems—those worthy of a purpose—can only be solved by multiple actors working together.

Activated social purposes are used as a lens through which to make business decisions, including the design, rollout, scaling, and retirement of products and services, and the alliances and collaborations necessary to accelerate toward the goals. If not used in this way, they are merely branding or positioning statements.

Purpose statements therefore align the company with a singular, clear statement, harnessing the energy and resources of a company in a common direction. Additionally, purpose statements signal to investors and customers what the company is meaningfully committed to achieving, which in turn drives loyalty, engagement, and support.<sup>8</sup>

Activating social purpose will require aligning all your organization's resources from governance and risk to product and program design to client services and even marketing and communications.

### Example: Libro Credit Union's Social Purpose

Libro Credit Union distinguishes itself with a steadfast commitment to social purpose that extends beyond the pursuit of profit: 'To grow prosperity in southern Ontario.' Its a purpose-driven ethos that emphasizes the importance of societal well-being alongside financial success "At Libro, we have a purpose beyond profit, helping our Owners achieve their goals, supporting businesses to create a thriving local economy, and contributing to strong and prosperous communities."<sup>9</sup> This declaration conveys Libro Credit Union's commitment to a broader social responsibility, reflecting its dedication to making a meaningful and positive impact on the lives of members and the communities Libro serves.

<sup>7</sup> Hurth, V., Dr. 2022. PAS 808:2022 Purpose-driven organizations – Worldviews, principles and behaviors for delivering sustainability – Guide. British Standards Institution.

<sup>8</sup> McIsaac, M., Shaw, K. et al. 2021. The Value of Social Purpose: How to Receive Value for Your Values. Baker Tilly Canada Corporate Finance.

<sup>9</sup> About Libro. www.libro.ca. (n.d.). <https://www.libro.ca/about/#:~:text=At%20Libro%2C%20we%20have%20a,to%20strong%20and%20prosperous%20communities>.

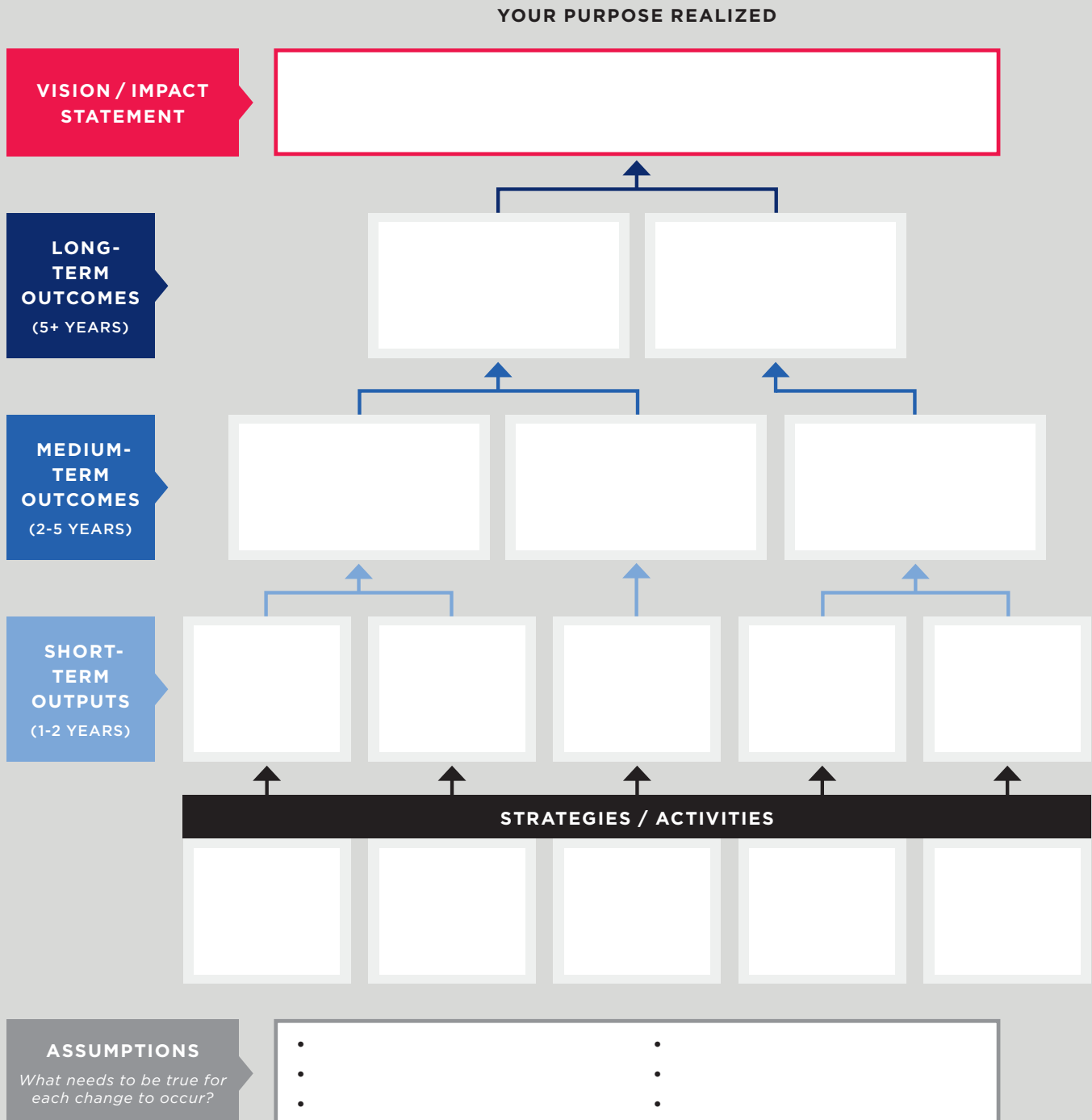
## Prerequisite B) Theory of Change

Before creating a framework to measure progress towards a company's purpose, it helps immensely to clearly understand, and map the changes that must occur along the way. In the non-profit sector, this is referred to as a Theory of Change.

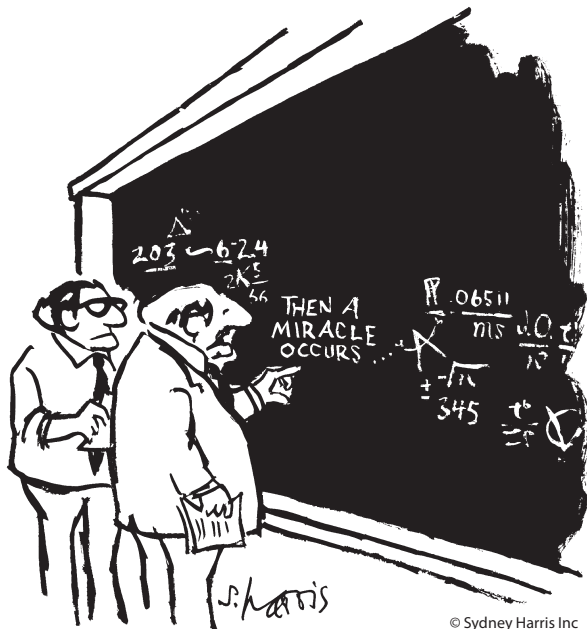
A Theory of Change is an illustrative summary of "how and why the things you do will lead to the change you seek to generate".<sup>10</sup> It is represented as a diagram accompanied by brief text—serving as a quick reference for anyone in the company involved in its implementation.<sup>11</sup>

<sup>10</sup> Farmelo, M. 2014. "Suggested Guidelines for Creating a Theory of Change".

<sup>11</sup> This is different from a "program logic model" that is usually a linear summary of activities, inputs and outcomes, which does not spell out why the change is expected to occur.



The immediate results of a company's activities or the "short-term outputs" are relatively easy to ascertain. How those activities then impact the decisions, capacities, or even behaviors of their customers is also relatively intuitive—the intermediate outcomes. Then, things can get fuzzy: what change occurs next? What change needs to occur to achieve your purpose? We call this "the missing middle".



"I THINK YOU SHOULD BE MORE EXPLICIT HERE IN STEP TWO."

At this stage, it can be helpful to work backwards from the purpose statement. What changes need to happen for the purpose statement to be realized? These are your long-term outcomes and they may reveal the need for additional or different activities that go beyond impacting customers towards impacting your suppliers, your sector, government regulations, and other system-level changes.

During the process of mapping the pathway, you will reflect and dissect the assumptions underlying these outcomes. This is a critical exercise as it is likely to unearth the need for more or different activities. Existing research and interviews with subject matter experts can help you validate (or invalidate) these assumptions. Ensuring your Theory of Change is evidence based will shortcut trial and error.

That said, it's called a theory because it is not yet proven. The pathway provides your company with a starting point—your best guess with the available knowledge—about how and why change will happen. Over time, as your company learns and the context shifts, you will modify your Theory of Change to better suit the landscape and the evolution of your understanding.

### Example: Theory of Change—Addressing Income Inequality

Progressive financial institutions have identified income inequality as an important and intractable societal challenge relevant to the realm of their core business. One western Canadian credit union, Coast Capital Savings, articulated a Theory of Change that outlines how their actions, resources, programs, partnerships, products and services will lead to addressing short-, intermediate-, and long-term outcomes that will ultimately contribute positively to the problem of income inequality. The process involved researching root causes of income inequality and gathering stakeholder input to identify their unique role in addressing them. Through this process, they identified Accessible Education, Equitable Employment, Inclusive Finance, and the Purpose Economy as the major pillars they could influence to bring about change.

### 1) Evidence-Based Metrics & Data Collection Processes

With a purpose statement and Theory of Change at hand, your company will now have the foundation necessary to go about building a Purpose Measurement Framework.

By reviewing the short-, intermediate- and long-term outcomes included in your Theory of Change, you can now determine which metrics will help you measure whether or not you are making progress toward each one of them.

Metrics or indicators can be quantitative or qualitative, and may require different degrees of skills, tools, resources, and time to measure. High-quality accurate data is essential to successful measurement, management, and achievement of your goals. You will therefore need to determine your data collection sources and methods, set targets, set up data management systems, and establish roles, responsibilities, and cadence for data collection and analysis.

If your company engages external consultants to design your Purpose Measurement Framework, be sure they work closely with those who understand and work with the company's existing data and processes. These individuals will be ideally positioned to sense check the feasibility of the recommended metrics and suggest alternatives.



In addition, we have found it considerably valuable to ensure the framework includes metrics that measure the company's purpose-aligned impact on organizational-, community-, sector-, and system-level change. It should also include targets that each employee will find relevant to their role and be able to contribute to.

All this information will be documented in the Purpose Measurement Framework; see an example below.

Many companies have begun blending and balancing social purpose metrics with corporate objectives and integrating them into their performance management practices. As financial services companies refine their Purpose Measurement Frameworks, they must ensure that their chosen metrics are relevant, feasible, and aligned with their social purpose.

**PURPOSE MEASUREMENT FRAMEWORK TEMPLATE**

OUTCOME	TARGET & METRIC	WHO	WHEN	HOW
The short, intermediate or long-term change that results from your company's activities.	The specific data (metric or indicator) that will tell you whether, and to what degree, the outcome has been achieved. Add targets at different time intervals to motivate progress.	The person or role at the company responsible for collecting the data.	The dates or intervals at which the data should be collected.	Methodological or other considerations for how the data should be collected.
Intermediate Outcome Example: Consumers reach their two-year financial goals by participating in the FI's financial goals advisory service.	Metric: Percentage of clients who report meeting their financial (eg., savings and debt reduction) goals within a two-year timeframe. Target: 95%	Data Analyst, Client division to lead the development of the survey and ensure deployment through the FI's banking app. Financial advisor to provide client with in-person instructions and reminders on completing the surveys.	Baseline at completion of financial goals assessment. Follow-up surveys delivered following advisory service sessions or quarterly for two years post-assessment.	Data will be collected using a baseline survey and follow-up survey delivered through the FI's banking app. The survey will be delivered to 100% of clients who complete the financial goals assessment with an expected response rate of 70%. Qualitative interviews will be conducted on an appropriate sample of respondents to gather richer insights into the effectiveness of the financial goals advisory service.

**Case Study: Coast Capital Savings' Purpose Measurement Framework**

Coast Capital Savings (Coast) is now among the first businesses in Canada to have a comprehensive and robust framework for measuring progress towards its purpose that integrates B Corp, diversity, equity and inclusion, truth and reconciliation, and ESG metrics all in one place. Prior to the engagement, Coast had completed a significant amount of work, including a social purpose impact plan, a theory of change, and an aligned corporate strategy. Coast also analyzed which B Impact Assessment metrics would help signal progress on its unique corporate purpose. While Coast found that many metrics were well aligned, they saw a need to add metrics specific to their unique purpose. Ultimately, Coast desired a comprehensive, evidence-based framework that would enable it to demonstrate meaningful progress toward its purpose. In addition, it was critical the framework would incorporate metrics on diversity, equity and inclusion,

and truth and reconciliation, as well as environmental, social and governance factors. Finally, the framework needed to outline alignment with the United Nations' Sustainable Development Goals.

Over the course of eight months, Junxion worked with Coast's project team in the co-creation of a Purpose Measurement Framework specifically tailored to Coast's unique social purpose. The final Purpose Measurement Framework includes metrics that will measure Coast's purpose-aligned impact on organizational, community, sector, and system-level change. It also includes targets that each employee will find relevant to their role and be able to contribute to. Taken together, the framework fosters both societal-level progress and employee engagement.



## 2) Stakeholder Engagement

Meaningful engagement of your stakeholders is a critical component of developing a successful Purpose Measurement Framework. By thoughtfully convening stakeholders within and outside the organization, companies can generate new insights, discern the best among a range of ideas, and cultivate the connections necessary to drive progress toward your purpose.

### Internal Stakeholders

The process of engaging staff can be a significant opportunity to build engagement and buy-in around your company's purpose. Employee engagement in developing the Purpose Measurement Framework provides employees with an opportunity to become deeply familiar with the company's purpose and how their unique roles might support the company's purpose. This has direct benefits for the company. In fact, research by McKinsey found that "when employees feel that their [personal] purpose is aligned with the organization's purpose, the benefits expand to include stronger employee engagement, heightened loyalty, and a greater willingness to recommend the company to others."<sup>12</sup>

Beyond driving engagement, loyalty, and productivity, involving employees in the formation and deployment of a Purpose Measurement Framework is also necessary to drive successful results. For example, including data sources from various departments, you can gather insights that may only emerge through interdepartmental collaboration and sense making.

Below are practical steps companies can take to enlist employees:

1. Evaluate the key roles and departments that will be critical to drive success.
2. Identify champions from across the company; people who will be able to socialize the Purpose Measurement Framework and drive engagement.
3. Engage employees in the feedback on metrics; depending on their knowledge, employees in various departments may have the detailed insight to be able to suggest specific metrics outright.

### How to Engage Employees in Developing a Purpose Measurement Framework

1. Identify Key Departments and Roles
2. Identify Champions
3. Engage Employees in Developing/Refining Metrics

### External Stakeholders

A strong purpose statement will necessarily invoke grand ambitions for societal progress. As such, no single organization will be able to achieve it by working alone and collaboration among multiple actors will be required.

Convening external stakeholders to help build a Purpose Measurement Framework is an unexpected delight and added value for the clients we've advised. External stakeholders who are working with similar ambitions can provide an immensely valuable perspective by providing insight into what matters—and therefore what should be measured—as well as external data sources.

Companies also benefit from the challenges that additional perspectives can bring—including insights into their counterparts' previous efforts, whether they were effective or fell short of expectations.

External experts on purpose-related topics can often point toward leading and industry-specific indicators, new or evolving developments, and other potential partners.



When employees feel that their [personal] purpose is aligned with the organization's purpose, the benefits expand to include stronger employee engagement, heightened loyalty, and a greater willingness to recommend the company to others.

—MCKINSEY

<sup>12</sup> Dhirra, N., Samo, A. et al. 2021. Help your employees find purpose – or watch them leave. McKinsey. <https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/help-your-employees-find-purpose-or-watch-them-leave>

### 3) Agile Implementation & Continuous Learning

Finally, because social purposes focus on resolving big, intractable challenges in society, ongoing learning is essential for long-term success. In deploying the Purpose Measurement Framework, financial services companies will begin to gather data to assess progress toward the desired outcomes. Analysis of the data should lead to valuable insights on the extent to which progress is being made (or not) and why.

Regular evaluation and analysis intervals enable companies to identify areas for improvement early and make changes when results are not as expected. Results will ideally be shared at all levels of the company, so that course corrections have full buy-in and support. While coordinating across various departments and management levels may seem daunting, relegating measurement and learning to a single department is a sure way to prevent meaningful, quicker progress.

Many stakeholders—customers, staff, investors, and more—are pushing financial services firms to consider their purpose beyond profit. So developing and implementing a Purpose Measurement Framework is increasingly an essential governance activity and leadership responsibility. This means meaningfully including measurement in annual corporate planning, quarterly reviews, and other relevant governance processes.

Openness to learning and change, and the tenacity and agility to adapt—incrementally or transformationally—will help you accelerate progress.

In sum, effective measurement is a continual, ongoing process of gathering data, tracking metrics, driving insights, and applying learnings.

#### **Example: Good & Well Uses Measurement to Learn and Adapt**

Good & Well is a boutique impact investment firm based in Toronto, Canada, specializing in partnering with early-stage social purpose businesses. Their mission is to contribute to a more conscious form of capitalism and foster a purposeful, sustainable economy for all. In their pursuit of continuous learning and adaptation, Good & Well experimented with various approaches to their impact measurement processes. For example, they recognized the limitations of collecting feedback through surveys alone and adopted a toolkit with best practices to capture deeper user insights. Additionally, attempts to create an efficient impact and financial frontier revealed the complexity of evaluating a company with a single numerical score. Through these trials, Good & Well is acting on its purpose to contribute to a more conscious, purposeful, and sustainable economy for all.<sup>13</sup>

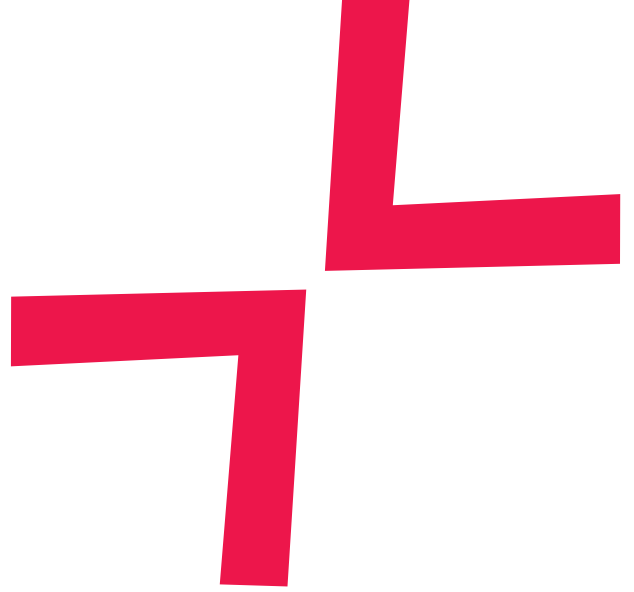
<sup>13</sup> Van Bergh, J. (n.d.). Our Story. [www.goodandwell.ca](https://goodandwell.ca). <https://goodandwell.ca/#ourStory>

## Conclusion

To truly activate progress towards their purpose, financial services companies must embrace the integration of measuring, tracking, and evaluating their progress. Companies that transparently measure their impact build trust, engage stakeholders, and pave the way for a prosperous society and planet.

The transformation toward purpose beyond profit is already well underway and represents a sea change in the way businesses—especially those in financial services—see themselves and assess their success. Whether the shift toward purpose is just emerging as a priority for you or you're already on this path, we'd love to chat about the best measurement practices we've employed with your peers.

**Let's Be Audacious, Together...**







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