

BRANDPIE

FTSE 350

# Purpose matters

Companies with a strong sense of purpose have been found to have more attractive brands, enhanced employee attraction and improved growth.

Building from this base we analyzed the publicly available purpose statements of the FTSE 350 index, which is made up of the constituents on the FTSE100 and the FTSE250 indices.



# Areas we explored

## PERFORMANCE

Is there was a difference in the financial and ESG performance of the companies in the FTSE 350 that had a publicly available purpose statement relative to those that did not.

## CONTENT

Does the succinctness of purpose statements matter and if this had an impact on outcomes.

## CONNECTION

Do purpose statements have an impact on outcomes by establishing whether or not they:

- connect the core of the business to the problems the world faces.
- identify stakeholders.
- are 'now' or 'future' oriented.

# Impact on performance

## THE FINDINGS

FTSE 350 companies with publicly available purpose statements are outperforming those without a purpose statement on two key financial metrics—Return on Equity (ROE) and Return on Assets (ROA). This means that the companies with purpose statements are more efficiently using equity and assets to realize profits.

FTSE 350 companies with publicly available purpose statements also had a higher Debt to Equity ratio, which could indicate higher levels of investment in the future.

FTSE 350 companies with a purpose statement relative to those without, have:

- A statistically higher overall ESG score.
- Statistically higher individual E, S and G scores and component scores within the E, S and G.
- Statistically higher component scores within the ESG and G, then you have your table below.

### Within the E

higher scores on resource use, emissions, and environmental innovation.

### Within the S

higher scores on workforce, human rights, and community.

### Within the G

higher scores on management, shareholders, and CSR.

# 78%

of the FTSE 350 have a publicly identifiable purpose statement

# Purpose matters

16

words or less have a statistically higher ROE, ROA percentage and D/E ratio.

36%

identified 'people' in general as a stakeholder, followed by 'customers', 'shareholders' and then 'surroundings' in their statements.

72

purpose statements do not mention any stakeholders.

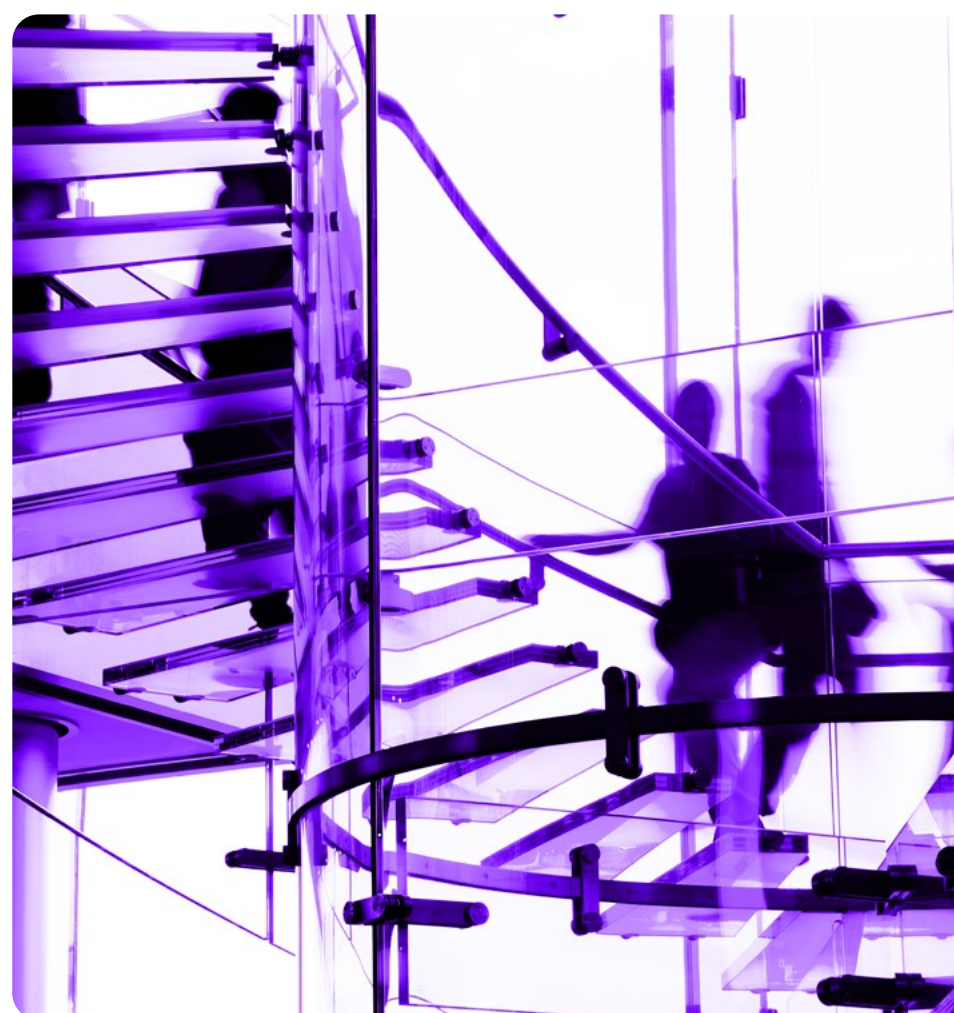
44%

do not connect their statements to what the world needs.

## Create succinct purpose statements... with content that resonates

Those companies that have relatively shorter statements appear to do even better on both financial and ESG metrics by outperforming those with longer purpose statements.

- The purpose statements of the FTSE 350 companies vary in length from 2 to 74, words with the average being 18 words, the median being 16 words, and the most popular number of words tied at 10 and 14.
- FTSE 350 companies with a publicly available purpose statement of 16 words or less relative to companies with a purpose statement of 17 words or more have a statistically higher ROE, ROA percentage and D/E ratio.



In our view a succinct purpose statement that connects what the business does to what the world needs, speaks to a broad set of stakeholders, and is focused on the long-term will inspire.

It should create clarity and alignment and demonstrate to all stakeholders that the organisation is about more than narrow self-interest and is building a resilient business to deliver long term value for all.

### DOES YOUR PURPOSE CONNECT WHAT YOU DO WITH WHAT THE WORLD NEEDS?

When purpose is used as a strategic tool, as an anchor for your ambition and strategy, it creates a clear and compelling vision to guide your business. It's an imperative to growth, talent and customer attraction, and to the long-term resilience and viability of an organization.

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