



SUPPORTING SMES TO EMBRACE CORPORATE PURPOSE AND 'BUILD-BACK-BETTER'

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Awareness around the benefits of corporate purpose is growing but it remains a big-firm story. To reap its full potential we need all firms engaged, big and small.

Against the backdrop of a global pandemic, many companies are seeking to redefine themselves around both ESG and Corporate Social Purpose. They are taking on a new role as a positive, proactive force in tackling societal challenges, leading the drive to net zero and championing sustainability. In doing so, their focus is on creating both shareholder value and societal value, using their influence to help address the economic and social dislocation wrought by Covid-19. However, to succeed, this movement also needs to engage and inspire all businesses. Not just the large, publicly-traded corporations but the millions of small and medium-sized business that account for 99% of firms and two out of three private sector jobs in the OECD.

Leading with a strong, clear social purpose is big business. In 2019, even before the pandemic, the *Business Roundtable*, a group of 180 CEOs of the largest firms in the US,

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pledged to focus their businesses on *all* stakeholders – consumers, communities, employees, suppliers – not just shareholders.

Indeed, all stakeholders are playing a part in making this change. The seismic shift towards purpose has been inspired, instigated and amplified by socially conscious consumers, responsible investors and newly empowered employees who are seizing this moment to drive fundamental change.

It is also being driven by companies who increasingly recognise that social purpose can generate win-wins. Through higher profits from the adoption of more efficient and sustainable production processes, especially on energy, water, and waste; or from attracting consumers, including downstream firms and governments, who increasingly favour firms that embrace models of equity and sustainability; and, of course, through boosts to productivity engendered by a more motivated and engaged work force.

It is therefore no coincidence that companies that adopt a social purpose are also being rewarded with investment capital. Globally over USD30 trillion of global assets now incorporate some level of environmental, social and governance (ESG) considerations; an increase of more than 30% since 2016.

The evidence on the benefits is not new. Social economy organisations and social enterprises have long pioneered human-centric business and governance models, which pair profits with social, societal and increasingly environmental objectives. These businesses have always had a social purpose at their core and have helped mainstream ideals such as fair trade, organic food, ethical finance and meaningful jobs for disadvantaged groups. There are now more than 100,000 social enterprises in France and Italy and in Canada social enterprises employ more than 254,000 people.

There is, however, a risk to the sustainability of this purpose-led momentum. There is no accepted definition of social purpose nor are there metrics to measure it. Companies, including SMEs, are driving blind, without a universally accepted definition of social purpose, to guide their actions inform their decisions, or to measure their progress. It is critical that SMEs are part of this process. Not just because of their collective scale, but also because of their local roots: many SMEs are already providing services and goods to local communities, addressing local issues, and have the trust of and access to “hard to reach” groups.

Small firms need standards and measures to enable them to signal their social credentials to customers and investors. In some cases more so, where they need to demonstrate these to larger firms downstream who need to provide customers assurances over their supply chains. Our challenge is therefore to ensure that any system of standards works for all firms.

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Ultimately, without a globally accepted definition, applicable and relevant to small firms, as well as large, there is a real, and frankly likely, risk that firms, consumers and investors will become sceptical and disillusioned at the lack of substance and meaning behind the concept of purpose. It would also derail momentum to design public policies to reward firms, especially smaller firms, with a social purpose, including through direct tax credits, loans and grants and procurement systems. And above all, it would risk losing the positive momentum and potential to embed purpose into building back better.

This is a challenge that needs to be solved – and it can be. But the march towards a workable purpose-based standards all businesses can implement and use, large and especially small, needs to start now.

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Faith is the CEO of a global consulting firm focusing on ESG and Corporate Purpose as the new business essentials. Faith is leading international collaborations in the development of an authoritative framework for Corporate Purpose. Faith has extensive expertise in ESG & Purpose. She is at the forefront of helping firms consider that a global shift is redefining the contract between businesses and their communities from simply “being responsible” to creating real shareholder and social value. A competitive advantage awaits those firms who embrace this emerging sustainability frontier.

Faith is also the Founder of the NFP– the VeriStell Institute – a global think-tank, bringing together the world’s leading voices on corporate sustainability with a view to “mainstreaming” Corporate Purpose in the developed and developing world. She has 40 years of commercial, operations, and policy experience in the energy sector, including a decade of managing climate change policy matters across Canada. As a former Vice President of Energy Supply & Trading for Suncor Energy, and the lead on Climate policy/facility benchmarking for some of Canada’s largest energy firms, Faith understands the complexity and gravity of delivering on credible ESG in high carbon intensive industries. She understands the corporate tradeoffs of remaining competitive while concurrently making meaningful and transparent progress on ESG.

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As a key member of the OECD Senior Management team, Ms. Kamal-Chaoui supports the Secretary-General in achieving the OECD's mission to advance economic growth and social progress as well as contributing to other global agendas such as the G20, the Paris Agreement on Climate Change and the implementation of the United Nations Sustainable Development Goals.

Ms. Kamal-Chaoui has held several senior positions at the OECD since 1998. From 2012 to 2016, she served as Senior Advisor to the OECD Secretary-General. In this role, she supported the Secretary-General's strategic agenda and led the OECD Inclusive Growth initiative, the Knowledge-Sharing Alliance programme, the development of the Global Deal and the implementation of the OECD Strategy on Development. From 2003 to 2012, she was Head of the Urban Programme in the Directorate for Public Governance and Territorial Development. She has also previously worked in the Trade Directorate and the Directorate for Financial and Enterprise Affairs. Before joining the OECD, Ms. Kamal-Chaoui worked for a university-based research institute as well as several media outlets.