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On Purpose Performance Metrics

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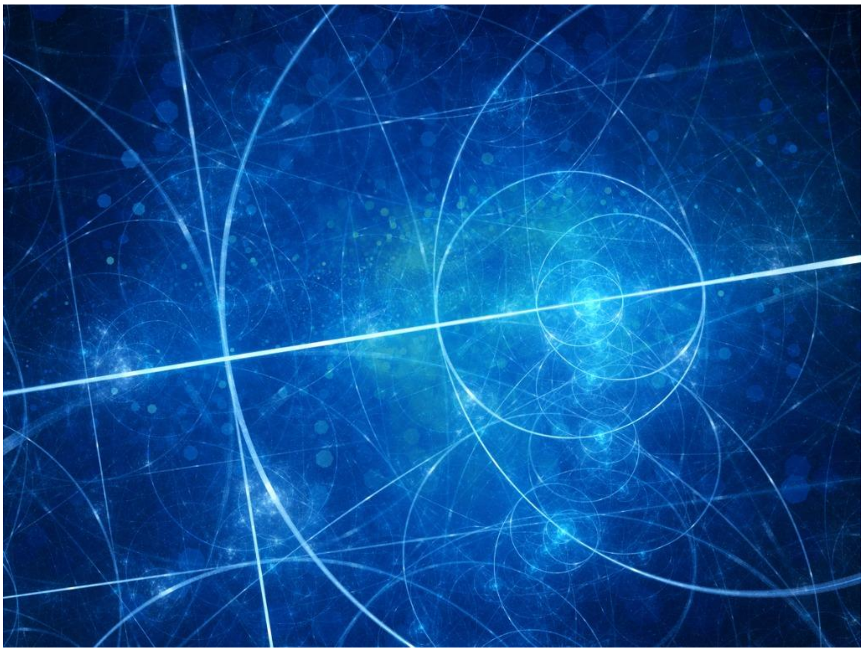
THE DARK SIDE OF PURPOSE METRICS INITIATIVES



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ESG. Stakeholder Capitalism. Corporate Sustainability Reporting Directive. SDGs Performance Benchmarking. In-House Purpose KPIs…

Is there a dark side to the wave of purpose metrics initiatives? Unfortunately, there is… and reporting teams around the world see it coming.

While purpose performance reporting harmonization is necessary, three risks could undermine the objectives all these initiatives aspire to achieve.

1. A **short-term, temporary reporting inflation** implied by firms' navigation between speculation on what the standards will look like and their own take on what to report in the meantime… on a matter that has yet to be mastered.
2. A **potential loss of focus from the critical few value drivers** of corporate performance… purpose performance included. Indeed, when it comes to performance management, focus on the right set of indicators —vs. overload— is essential to ensure the effectiveness of the management information serving as basis for decision-making.
3. **Distract Leadership Teams' Attention from the Strategic Fundamentals.** The globalization of Generally Admitted Accounting Principles has never exonerated firms from crafting a profitable strategy. The same applies to ESG. So, before racing around the clock for new KPIs, business leaders must reflect on their firm's strategic purpose, their strategy to bring it to life, and only pick the right ones.

The maturity of the momentum around purpose has not been matched yet by an equally mature harmonization of metrics. So, my recommendation is simple: Strategy First. Strategy-Derived KPIs second. And keep the bright side.

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