

Wayne Baker
Alex Cruden

case 5-441-820
September 10, 2024

Preserving the Company Mission: The Perpetual Purpose Trust

Inspired with an ideal, you start a business. It takes off. Your concept, execution, and brand image find growing support and profitable returns. As years go by, with a team of like-minded managers and dedicated employees, your thriving business achieves widespread recognition while remaining true to its founding vision. The time then comes when, as owner, you need to decide how the business should proceed in a future without your leadership. How should the company, with its unique personal ethos, go on?

The usual way owners thought of succession was to sell the company, particularly to an entity that would pay a large amount, such as an investor group or a bigger company—or, for a more personally guided business, transferring the organization to key employees or family members. But if the business had been successful, those employees or relatives would have a large tax bill to pay at the same time they were trying to carry on the company's special culture and its formula for success.

Now, though, in the United States and some other countries, an alternative succession method promised a low-cost path for a company and its culture to go on endlessly. It was the perpetual purpose trust (PPT). A structure developed in the 2010s, the PPT challenged the traditional processes, methodologies, and rationales for business owner succession.

Business scholar Ranjay Gulati put the challenge this way: "Most leaders think of purpose functionally or instrumentally, regarding it as a tool they can wield. Deep purpose leaders think of it as something more fundamental: an existential statement that expresses the firm's very reason for being. ... In their hands purpose serves as an organizing principle that shapes decision-making and binds stakeholders to one another."¹

Purpose survives succession when there's a PPT. Early adopters of the PPT ranged from the global corporation Patagonia to a mid-size distributor of organic foods to a small IT and digital marketing firm. This case examines the decision-making of each of the three—plus pays special attention to the ownership

Published by WDI Publishing, a division of the William Davidson Institute (WDI) at the University of Michigan.

©2024 Wayne Baker and Alex Cruden. This case was written by Alex Cruden under the guidance of Wayne Baker, Robert P. Thome Professor Emeritus of Business Administration at the University of Michigan's Ross School of Business. The case was prepared as the basis for class discussion rather than to illustrate either effective or ineffective handling of a situation and was written based on both primary and secondary data. The case should not be considered criticism or endorsement and should not be used as a source of primary data. Representatives of Organically Grown Company, Purpose Owned LLC, and Zingerman's Community of Businesses reviewed and approved the case before publication.