



THE WHAT, THE WHY AND THE HOW OF PURPOSE.

A guide for leaders.

July 2018

In association with



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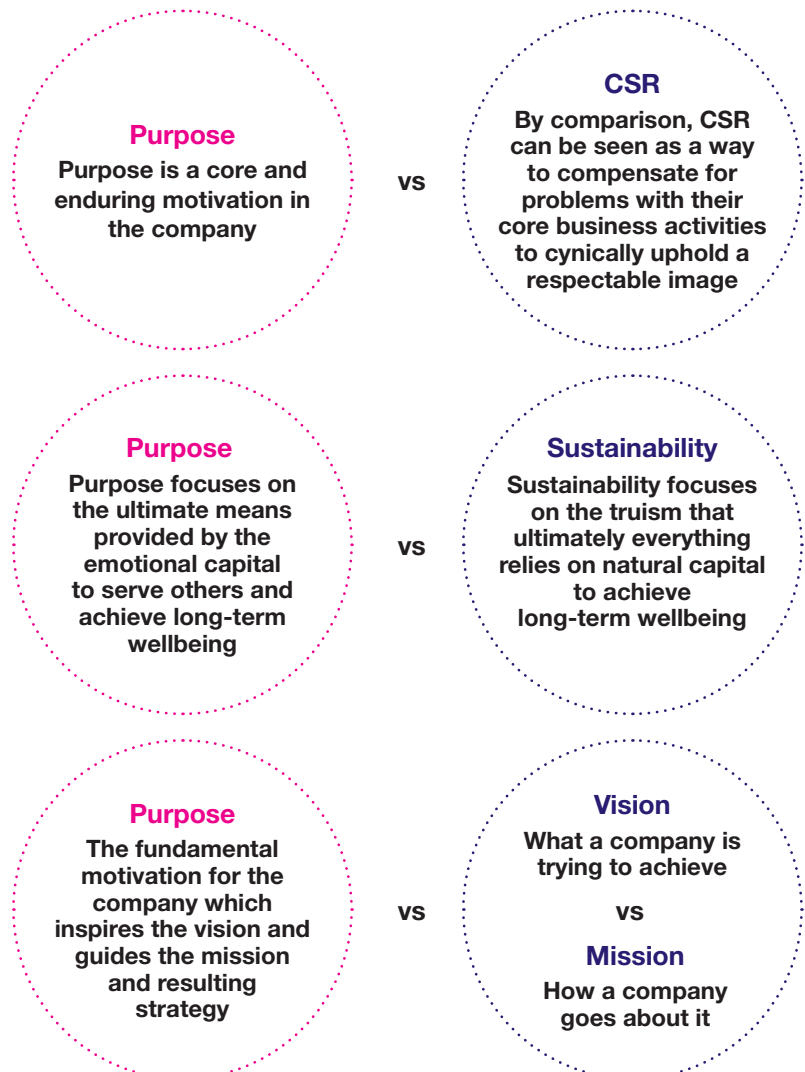
ORGANISATIONAL PURPOSE: WHAT, WHY AND HOW...

Purpose is bringing a sense of meaning to the organisation. It's around creating meaning, and answering the question, "why do you do what you do?"

**Geoff McDonald, Former
Global Vice President of Human
Resources, Unilever**



What makes organisational purpose different?



Why

Five reasons companies are becoming purpose-driven.

- 1 To maintain and increase legitimacy in business
- 2 To attract, motivate and retain talent
- 3 To drive strong customer and stakeholder relationships
- 4 To increase employee psychological wellbeing
- 5 To increase business performance

How

Three considerations for adopting and implementing an organisational purpose.

1 Choosing the purpose and its framing

Engage stakeholders

To enrich your perspective regarding how you impact society and your core identity

Origins - "Organisational nostalgia"

To connect employees to the "good old days" and restore a sense of direction

2 Embedding the purpose deeply

Stories and proof points

Show the financial/business benefits and the meaningful, emotionally compelling results of change

Incentivise purposeful outcomes

To help more people to learn what the right thing to do is on a daily basis

Go public

Provides a motivational boost and a level of external accountability

True transparency

Enables trust and builds the licence to operate

3 Identifying important organisational actors

Senior leadership

Signal advocacy, credibility and gives tacit permission to employees to act

Middle management

The gateway between the senior leadership ambitions and the rest of the organisation including purposeful younger executives

The bottom line is that purpose-driven, people centric, values-driven companies outperform. Not just because they do better sustainably over time, but because they avoid the risk.

Ann Francke, CEO, CMI

FOREWORD



Ann Francke CCMi CMgr
CEO, CMI



Charles Wookey
CEO, A Blueprint for
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The idea that organisational purpose is key to creating better businesses and repairing the fractured relationship between business and society has grown dramatically in recent years. It has moved decisively towards the management mainstream, with financial powerhouses like BlackRock joining calls for companies to adopt purpose, to shape stronger cultures and deliver sustainable success.

A seemingly endless flow of business crises has shown the harm that can be done by a myopic focus on maximising shareholder value.¹ What we face is an ecosystem problem – and solving it means asking deep questions about some of the underlying assumptions which shape how businesses behave – including assumptions about the place of profit and how people are motivated. The previous ‘big idea’ that attempted to improve how business interacts with the world around it, corporate social responsibility, looks ever more weak and outdated.

No wonder that people are talking about the potential of purpose in business. However, the risk is that it too becomes just another ‘big idea’ which turns out to be a passing fashion not a fundamental shift. Exploring the real challenge of becoming purpose led is not easy and what can help most is practical stories of those at the forefront of the purpose movement – and for managers who haven’t yet encountered it, there are lots of questions to be answered about what purpose means and how it works in practice.

This report aims to help leaders and managers cut through the noise. It provides a helpful perspective through 14 new in-depth interviews among business pioneers in the field, combined with insights from the research literature. It gives senior leaders, and indeed managers at all levels, a helping hand in thinking about what purpose is and what it might mean for their organisation.

We hope this research and the author’s conclusions give confidence that, while not always easy, exploring purpose seriously is essential to reshaping the business ecosystem and building successful, sustainable businesses for the 21st century.

A handwritten signature in dark ink, appearing to read 'A.P. Zander'.

A handwritten signature in dark ink, appearing to read 'Charles Wookey'.

¹ Bower, J.L and Paine, L.S., “The Error at the Heart of Corporate Leadership”, Harvard Business Review, 2017. Available at: <https://hbr.org/2017/05/managing-for-the-long-term>

ABOUT THIS WHITE PAPER

The growing popularity of organisational purpose is mirrored by increasing confusion as to what the concept actually means.

To help managers cut through the noise, a team from the University of Cambridge and the University of Plymouth embarked on a now two-year long project to capture the essence of the concept and identify what ties the different members of the purpose movement together.

The primary focus of the research has been 14 in-depth interviews with leading professionals in the purpose movement. Our interviewees were senior executives, typically at CEO, Partner, VP, or Director level, in companies across eight industries. These were mostly large, for-profit international corporations with annual revenues of over £10 billion, plus some consultancies and support institutions. Some interviewees worked for companies that were only a few years old, while other organisations were forty years old or more. Some were regional, others global with over 100,000 staff. The one unifying characteristic was that each company was deemed by its fellow peers as being invested in the organisational purpose movement.

The focus of the interviews was not on how authentic the companies' purpose-driven activities are, the extent to which the company has been successful in embedding a purpose throughout the organisation, or the success of the company in being purpose-driven in the eyes of the public. Instead, we looked at what purpose means at the organisation level, why companies are pursuing it, and how it might be effectively pursued.

After the individual interviews, we brought our participants together for a roundtable discussion at CMI, gaining further insight and generating debate where viewpoints converged and differed. Despite the variety of backgrounds, a clear underlying concept of organisational purpose emerged.

The insights presented here will be useful for multiple readers, including directors or senior leaders who want to demystify what purpose is, or who sense their current purpose is non-existent, poorly defined, not motivating or unsustainable. It will be helpful too for middle managers in purpose-oriented organisations, who are confused as to why they are being asked to consider meaning and purpose in the way the organisation is run. It will also help future leaders who are just starting out in their career and, are keen to work for businesses that serve a greater good.

Interview List²

BAM Nuttal – John Hutton
(Head of Sustainability)

Brunswick Consulting – Meaghan Ramsey (Partner)

BT – Richard Spencer
(Strategy Director)

Chartered Management Institute – Ann Francke (CEO)

Contextis – John Rosling (Owner)

EasyJet – Paul Moore
(Communications and Public Affairs Director)

Flood Re – Brendan McCafferty
(CEO)

Unilever – Geoff McDonald (Formerly Unilever's Global Vice President of HR)

Interserve – Tim Haywood
(Group Finance Director)

Marks & Spencer – Mike Barry
(Director of Sustainable Business)

Pearson – Amar Kumar
(Senior Vice President, Office of the Chief Education Advisor)

PwC – Neil Sherlock
(Head of Reputational Strategy)

PwC³ – Alison Sharpe
(Director, Corporate Affairs)

Vodafone – Matt Peacock
(Group Director Corporate Affairs)

Walmart – Richard Ellis (Group Head of CSR)

² Only interviewees for whom consent was requested and approved are listed. Some positions and titles may have changed since interviewing or may be different from when interviewed.

³ Now a consultant on organisational trust and purpose

1. WHAT IS PURPOSE IN BUSINESS?

FIVE INSIGHTS FROM LEADING EMPLOYERS

This is a really important emerging trend that no one can quite nail to the wall, and we do need some smart minds to gather many different thoughts and input into one compelling narrative that we can then operationalise. The timing is right. I think you are hearing a sufficient number of voices saying 'help.'

Mike Barry, Director of Sustainable Business, M&S

What is organisational purpose?

At the beginning of the decade, 'organisational purpose' was little more than the calling card of a small set of pioneers.^{1,2} Now, organisational purpose is used to rank companies,^{3,4} offered as a speciality in consultancies and change agencies,⁵⁻⁸ and promoted in a wide range of professional writing and analysis.⁹⁻¹⁴ A strong sense of organisational purpose within teams has also shown better growth rates and higher employee engagement levels – three times higher than their non-purpose-driven rivals.¹⁵

It has undeniably hit the business mainstream: this year's annual letter to chief executives from BlackRock's CEO was entitled 'A Sense of Purpose'.¹⁶ If the trend continues, the Centre for Social Justice in 2016 estimated that all UK businesses will have social purposes by 2026.¹⁷ Something supported by the advisory panel to the UK Government's Mission-led business review.¹⁸

However, the growing popularity of organisational purpose is rivalled by increasing confusion about what the concept actually means. A review of the writing on it reveals conflicting and partial descriptions that variously describe purpose as a recruitment tool,¹² a way for a company to differentiate itself,¹⁹ a way to deal with uncertainty or risk,²⁰ and an altruistic way for companies to help society.¹³ For marketing professionals, purpose is proposed as a way to help customers connect more deeply with a brand, leading to the parallel development of "brand purpose".²¹⁻²³ This range of interpretations also exists in academia.²⁴⁻²⁵ As there is confusion around the definition of purpose, it is obvious that there would also be confusion around what purpose means in practice. Whilst 66% of organisations are setting out their purpose, only 26% discuss a link between purpose and strategy, contradicting others who believe that purpose is a key strategic benefit.²⁶ It is not surprising that our conversations with business leaders indicated a demand for more clarity.

Defining organisational purpose

To develop a rigorous definition of purpose, we searched for common aspects underlying the interviews, professional reports, and academic literature. Despite a diverse range of interpretations, a clear definition emerged. Organisational purpose is:

An organisation's meaningful and enduring reason to exist that aligns with long-term financial performance, provides a clear context for daily decision making, and unifies and motivates relevant stakeholders.

We believe that the above definition captures all aspects of organisational purpose that make it such a powerful tool in business today. From a review of the literature we also believe that this applies to all organisational forms, from charities and co-operatives to B-corps. Purpose is motivational and directional, tapping into our strong human desires to serve the wellbeing of others, while also giving clarity of direction – a north star. It is not only unifying across organisations and individuals but also powerfully differentiating for an organisation in a marketplace. Finally, it is at the core of the organisation, helping the business pursue long-term value creation by clarifying its foundational identity. It also holds not only for for-profit enterprises but other organisation types too, such as charities and social enterprises, since they too need to be financially sound to survive in the long-term.

We will now unpick our definition, taking a look at each of the five aspects that an organisational purpose should have.

1. A transcendent, meaningful reason to exist

(Purpose is about) saying, 'why are we here as a business?' It sits above. It's a higher reason." **Director of an international technology company**

Purpose is bringing a sense of meaning to the organisation. It's about creating meaning, and answering the question, 'why do you do what you do?'

Geoff McDonald, Former Global Vice President of Human Resources, Unilever

Executive interviews and professional reports unanimously suggest that organisational purpose should provide the company with a meaningful and higher, or company-transcendent, reason to exist. We do not mean transcendent in the religious sense, but more simply, something which is greater in scope than the subject. As such, organisational purpose is external to the organisation.

Sometimes, business purpose has been used to describe somewhat abstract notions, such as transforming the status quo (e.g. Steve Job's 'putting a dent in the universe') or doing something that seems intrinsically valuable (e.g. an art company pursuing beauty for beauty's sake). However, our interviewees emphasised that it is about a company serving a larger, societally valuable pursuit, either directly or via a sustainable system of resource use. As one interviewee said, "It's about making a contribution to society and the environment."

It is this service of others that makes the concept meaningful and therefore highly motivating on a human level. Purpose gives us meaning because it taps into universal values about what is good and our fundamental drive as human beings to serve the wellbeing of others.²⁷ Therefore, an organisational purpose that is authentically implemented should be a motivating force for individuals within the company and for its stakeholders.

2. An enduring attribute of the organisational identity

It's the essence of who you are. Purpose is the fundamental essence of an organisation. **Alison Sharpe, independent consultant on organisational trust and purpose, formerly Director, Corporate Affairs, PwC**

An organisation's identity is central, enduring, and distinctive.^{28, 29, 30, 31} In our interviews and research, organisational purpose is linked to all of these.

The core about purpose is it doesn't change. So, the purpose stays regardless of the times, regardless of the leaders, regardless of the organisation, regardless of the challenges of society. Purpose is at the core of the organisation. **Neil Sherlock, Head of Reputational Strategy, PwC**

The strong underlying message is that purpose is at the very foundation of the company, in its very DNA. If not, it is 'purpose-washing'. (We pick this theme up in the third and fourth chapters.)

3. Aligned with long-term financial performance

The sweet spot is when you look at your own business, what is it in our core business that delivers returns to our shareholders that also has a positive societal benefit? **Matt Peacock, Group Director of Corporate Affairs, Vodafone**

Perhaps the most common misconception of purpose is that, because it is about prioritising societal benefit, its pursuit automatically requires an organisation to sacrifice its profits. In reality, purpose is believed to be aligned with, and indeed beneficial for, long-term financial performance.



When pressed to describe the relationship, leaders' responses had some different emphases, but the dominant view was that purpose and profitability go hand in hand.

*I had an "A-ha!" moment which was that you can use this concept of purpose to truly drive the performance of the organisation, and I saw how powerful a company could be in contributing to the social and environmental challenges or issues that our world faces. **Geoff McDonald, Former Global Vice President of Human Resources, Unilever***

*I think it's really, really important that without profit the achievements of purpose are often completely flawed. **Brendan McCafferty, CEO, Flood Re***

*We can only create the social impact if it does make profit. **Laura Turkington, Senior Manager of Global Innovation and Business Development, Vodafone***

4. A clear context for daily decision making

*It needs to become the go-to test that people have in their minds when they do what they do during every day, and they hear what they hear every day, and see what they see every day. **Brendan McCafferty, CEO, Flood Re***

Because purpose creates an enduring sense of what is driving the organisation, it helps employees to make decisions more quickly than before.³² A purpose may be very high-level, there are many decisions for companies to make around how much detail should be emphasised or dictated for employees and stakeholders, and how much should be allowed to emerge. An organisational purpose needs to be specific enough to give direction to all stakeholders, but also broad enough to give individuals the flexibility to determine the best course of action in their specific situation.

*What we hope is that having a high-level purpose statement allows people in different parts of the company to say, "What does this mean for me?" rather than for us to tell them what they need to do. **Director of an international technology company***

These two characteristics – high-level direction and individual freedom of interpretation – give organisational purpose the sense of being like a doctrine. Doctrines, or sets of beliefs, are common within law, religion, and military practice, and are particularly useful for organisations and groups that span multiple countries and diverse contexts.³³ Purpose creates both a broad direction and the creative freedom to appropriately address challenges.

This has significant implications for company agility and may be one of the concept's most important strategic benefits, helping companies navigate the Volatile, Uncertain, Chaotic, Ambiguous (VUCA) world we live in.

*There is a link between purpose and autonomy because if you know where you are going, it's much easier to be able to be autonomous. I think purpose creates some real clarity and therefore some real agility. **John Rosling, CEO, Contaxis***

5. Unifying and motivating for stakeholders

*... it (the purpose) really galvanised and centred where the business was going, not just for the owner but for everybody. **John Rosling, CEO, Contaxis***

Organisational purpose helps address the challenge of balancing diverse stakeholder needs, by providing a clear sense of meaning, which all stakeholders can support or at least understand. In this way, it helps raise the sights of stakeholders (including competitors) beyond their individual demands to a higher, motivating, shared goal. Vodafone, for example, is well known for teaming up with its competitors to tackle larger societal problems.³⁴ Unilever, as a global FMCG company, has worked closely with the Department for International Development (DFID) to address development challenges.

However, it would be wrong to assert that all organisational purposes align all of a company's stakeholders. Rather, many purpose-driven organisations have made decisions that upset certain stakeholders, using their purpose to justify and stick to difficult decisions.

*We're not going to be pushed around by anybody. We're going to do the things we need to do so that we are clearly in alignment with our purpose... So, it caused us to do things that were actually quite tough. **Brendan McCafferty, CEO, Flood Re***

Similarly, Unilever, adhering to its purpose, ended quarterly reporting to the City and actively managed away its hedge fund investors.² Barclays used its purpose to justify ending its tax reduction department,¹ which may have upset some stakeholders. And one of our interviewees recalled his company declining a major contract because the client did not align with their purpose.

Even if a company's purpose is a universally agreed goal, how the company goes about achieving that purpose may be contested. Therefore, the power of purpose to align and motivate stakeholders will depend on the perceived relevance of the purpose, and the perceived appropriateness of the method used to pursue the purpose.

Definitions are important

*My biggest fear in this space right now is purpose washing. I'm just seeing it all over the place. **Geoff McDonald, Former Global Vice President of Human Resources, Unilever***

As the benefits of organisational purpose attract more companies, many of the movement's first-movers fear an influx of 'purpose washing'.³⁵ This is a particularly important threat for purpose because many of its potential benefits rely on stakeholders believing the company is authentic about its purpose. By defining what organisational purpose is, we hope to help professionals and researchers identify inauthenticity, helping to keep the movement impactful and relevant.

2. WHAT MAKES PURPOSE DIFFERENT?

Much of the confusion around purpose lies in how it relates to other business concepts. What is the relationship between organisational purpose and CSR? Is it the same as sustainability? How similar is purpose to mission, vision, and values?

For some, this concern with the ‘alphabet soup’ of business concepts is not important. However, we argue – as do the leaders we interviewed – that purpose is, in fact, unique, and that understanding why it’s unique matters. In practical terms, understanding what it means is vital for any leader trying to create purpose in their organisation. More widely, it also prevents ‘purpose-washing’ from companies who might think they can take short-cuts with purpose.¹

1. Purpose and CSR

Well, the first thing that it isn't is CSR.
Matt Peacock, Group Director of Corporate Affairs, Vodafone

Unanimously and adamantly, business professionals separate purpose from the concept of Corporate Social Responsibility (CSR). We found that CSR is considered to be a superfluous, ancillary activity. At its worst, it was seen as being a way for companies to compensate for problems with their core business to cynically uphold a respectable image.

CSR is, “tick this box over here.” It has nothing whatsoever to do with the core of business.
Ann Francke, CEO, CMI

Even when CSR is about genuinely trying to help society, it is often low on the company priority list and typically the first item on the budgetary chopping block when managers look for savings. By contrast, purpose is perceived as a core and enduring motivation in the company.

If you think about corporate social responsibility, it kind of feels very bolted on to an organisation, and it's often one of the first things that get hit by budget cuts. It's often one of the things that most people dismiss as not core to their business strategy. But if you have a purpose, then that is your core.
Meaghan Ramsey, Partner, Brunswick

In the academic world, CSR has many variations, and some seek to place people and planetary issues at the heart of business.² However, this is very different from placing one clear purpose into the very core of the company’s identity. As Matt Peacock, Group Director of Corporate Affairs at Vodafone put it; a purpose-driven company is one that “aligns its core business strategy with its ability to have the maximum social impact in specific targeted areas.”

Moreover, organisational purpose is usually about pursuing a brighter tomorrow rather than just avoiding a darker one – a maximising rather than minimising position. As Elon Musk explains when discussing his passion for Space X, “Life cannot just be about solving one miserable problem after another, that can’t be the only thing... There needs to be things that inspire you, that make you glad to wake up in the morning and be part of humanity”.³ Our interviews supported this view that purpose moves the agenda to a positive one.

I think what we have learned is that you get the organisation more excited in a positive way rather than a negative way... For instance, if my goals were to have fewer bugs in our (product). Yeah, that's good for our end users. That's very good. But wouldn't I rather phrase it as I want end users to be able to access positive outcomes? To succeed in that positive outcome and make progress? That's much more positive.
Amar Kumar, Senior Vice President, Pearson

It was also recognised that this shift needed to be made wholeheartedly, in order to not be caught between a minimising and maximising position:

CSR is about managing the status quo, so CSR is not purposeful, it's just risk management. ... So, either in a very binary world you have low cost and you manage your backside, or you're absolutely purpose driven with huge levels of engagement passion and emotion about what you do. What you don't get is caught in the middle with the costs but none of the benefits.
Mike Barry, Director of Sustainable Business, M&S

2. Purpose and sustainability

Many participants noted strong overlap between sustainability and purpose, with many seeing purpose as a key way to pursue a sustainable society:

The endpoints we want are a sustainable society first, and economy second. And (this company's) participation in society is furthering that endpoint. So, I would define my purpose as contributing meaningfully

to creating a sustainable society.
Mike Barry, Director of Sustainable Business, M&S

In sustainability, the three pillars of financial, environmental, and social concerns are the language used to unpick how to achieve long-term wellbeing.⁴ This language was also present in some of our interviews on purpose.

There's money everywhere. What's not around is social and environmental capital... we've generated more and more financial capital at the expense of social, environmental and human capital.
Geoff McDonald, Former Global Vice President of Human Resources, Unilever

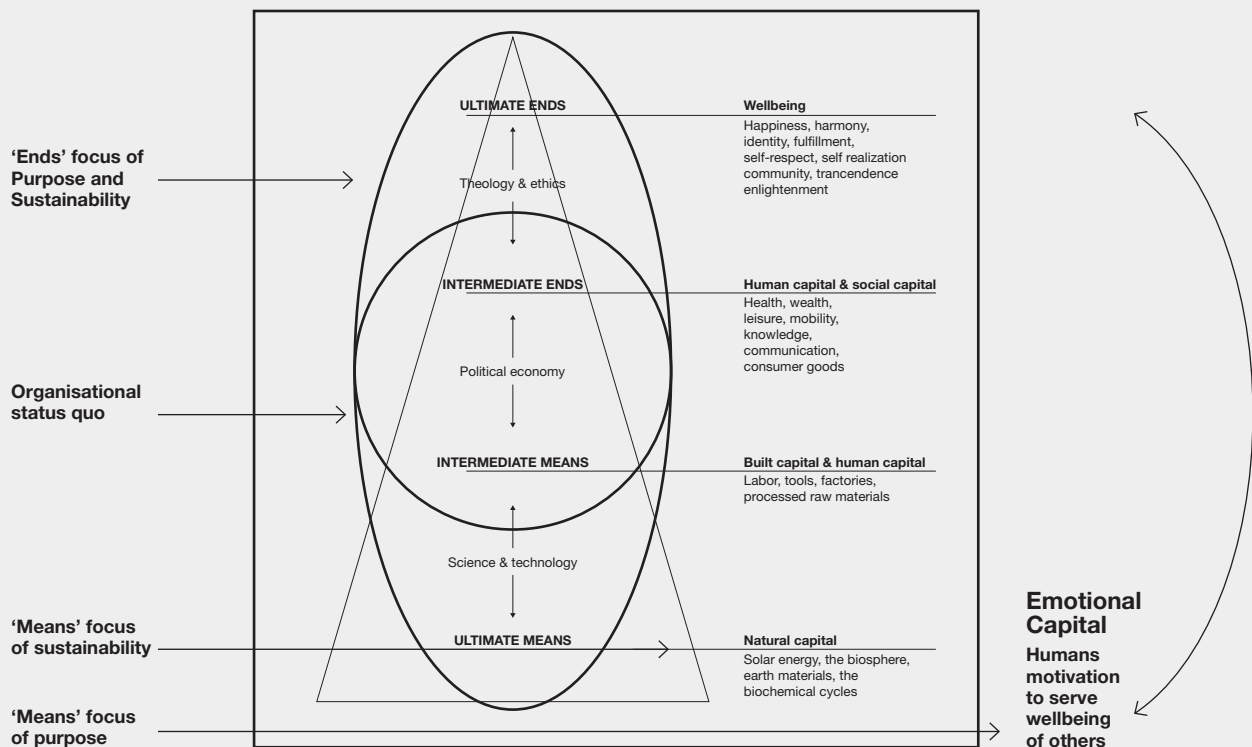
And this sustainability agenda was seen by some as the platform through which they can live out their purpose:

If you use the word sustainability in its broadest sense, of helping to address social and environmental issues in the world, you can use that as the vehicle to live your purpose.
Geoff McDonald, Former Global Vice President of Human Resources, Unilever

So, purpose and sustainability are closely related. Both expand people's view from the narrow, short-term to the long-term systems level. Additionally, purpose shares sustainability's focus on the 'ultimate end' of societal wellbeing, drawing attention to the 'ultimate means' that are needed to deliver this wellbeing.⁵

However, there are some key differences. While sustainability focuses on the truism that ultimately everything relies on natural capital to achieve the wellbeing, purpose focuses instead on the ultimate means provided by the human motivation to serve others and connect to that which is greater than oneself. Purpose is also more specific in its contribution to wellbeing, often narrowing in on a specific goal or service group that draws on its unique capacities and identity. Figure 1 illustrates the overlap and differences.

Figure 1: The relationship between purpose and sustainability. Adapted from Donnella Meadow' adaptation of Daly's Triangle⁵





Mission, vision, and purpose

So your purpose is your why. Your vision is what the world looks like when you've made it. And the mission is how you are going to get from where you are today to the vision. Meaghan Ramsey, Partner, Brunswick

If the definitions of sustainability and CSR are in muddy water, then the concepts of mission and vision are submerged in a mudslide. These concepts span longer time periods in business than CSR and sustainability, and their meanings change in different times and contexts.^{6, 7} However, in our interviews, many saw the vision as what the company is trying to achieve, the mission as how it is going about it, and purpose as why it has that vision and mission in the first place. Put another way; purpose is the fundamental motivation for the company which inspires the vision and guides the mission and resulting strategy.

Values and purpose

Whatever the values might be, that's what starts to land it for people. You can then start translating those values into behaviours. Then incentivising those behaviours. That's all part of landing the purpose. Alison Sharpe, independent consultant on organisational trust and purpose, formerly Director, Corporate Affairs, at PwC

Organisational purpose is meaningful because it connects with human values. It achieves its full potential to align and motivate stakeholders by pursuing company-transcendent purposes that are grounded in universal human values.⁸ It means that values are a way of reinforcing and crystallising the meaningfulness of the purpose and the way in which the purpose is pursued.⁹

Passing the mafia test

It is worth referencing the common dictionary definition of purpose to make plain why the modern concept of 'organisational purpose' is much richer than the simple, "why you do something or why something exists".¹⁰ This stripped-down view does not imply any judgement on what the purpose might be. It does not pass the 'mafia test'. The mafia may have a purpose or set of objectives but the difference to the modern business concept lies in organisational purpose being company-transcendent, meaningfully based on universal human values, and leading to ultimate ends of wellbeing. The dictionary definition lacks these or the other characteristics identified both in our interviews and in the burgeoning literature.

Stakeholder orientation and purpose

Stakeholder theory is often understood as being about serving all stakeholders,

because how can you have a successful organisation if you don't. While organisational purpose shares the recognition of an organisation as part of a complex system that must recognize and serve its constituent parts to flourish in the long-term, it also recognizes that such a system needs a clear sense of direction and distinctiveness to unite and energize resources. Hence purpose is about focusing on serving the wellbeing of a clearly articulated group and serving a range of stakeholders in order to achieve this. That said, the idea that stakeholder theory is about trying to serve all stakeholders is a misnomer. Freeman and colleagues¹¹ made clear that the first of the two stakeholder theory foundations involve articulating a purpose through a clear sense of the shared value stakeholders want to create. Our research goes further to suggest that organisational purpose places the long-term wellbeing as the shared umbrella goal and it requires a company to be clear about its unique identity and its reason for existence within this meaningful global frame: whose wellbeing is the organisation serving that aren't already served very well by someone else? – i.e. based on what unique internal capacities and market advantages. An organisation's purpose is then pursued in ways that are profitable, do not conflict with the meta-frame (i.e. reducing long-term wellbeing for other groups) and importantly serve the stakeholders it depends on, thus reinforcing the ability to meet the purpose.

3. WHY: FIVE REASONS COMPANIES ARE BECOMING PURPOSE-DRIVEN.

Why do companies exist?

The view that an organisation's main purpose is to maximise financial returns^{1,2} is so prevalent it has even occasionally been written into law.³ Another perspective, the marketing concept, contends that the purpose of business is to "create a customer".⁴ However, some companies have rejected these dominant views and begun emphasising company-transcendent, meaningful organisational purposes that guide and motivate their decisions.⁵⁻⁷

But why?

Our interviews and review of the literature identify five main reasons.

1. To increase and maintain legitimacy in business

Organisations need to be clear about why they exist, and their actions and decisions need to underpin that purpose. That seems to me to be one of the key actions that businesses can take to bridge the trust divide. Alison Sharpe, independent consultant on organisational trust and purpose, formerly Director, Corporate Affairs, at PwC

In the last few decades, a large number of corporate scandals (HealthSouth, the Bernie Madoff Ponzi Scheme, Volkswagen, Tesco,

the Stanford Financial Fallout, Tyco Ltd., Enron Corp., Parmalat, Adelphia Communications Corp., the Deutsche Bank spying scandal, or the Carillion collapse, just to name a few) have eroded public trust in business. This lack of trust has been perceived as a threat to companies' 'social contract' or 'license to operate.' As Larry Fink, CEO of BlackRock has written:

"Society is demanding that companies, both public and private, serve a social purpose. To prosper over time, every company must not only deliver financial performance but also show how it makes a positive contribution to society."⁸

Since trust is what allows companies to act without over-burdensome regulation – or to exist at all – an eroded license to operate poses a threat to corporate success.

When facing a crisis in legitimacy, many companies engage in what is called a corporate apologetic, or a defence for their existence as an organisation.^{9, 10} Organisational purpose can be seen as a genuine corporate apologetic to regain the trust of the community by demonstrating the company's authentic pursuit of improving the world around it.

It's about, on the defensive side, ensuring that a business has a license to operate in society, and is sort of doing everything it can to insulate itself from the toxic effects

of corporate scandals and losing trust. Tim Haywood, Group Finance Director and Head of Sustainability, Interserve

Beyond (re-)establishing legitimacy for an organisation, authentically pursuing a societally beneficial purpose reduces the likelihood of scandals that can arise from pursuing profits as the end goal. This is especially important in today's transparent digital era, where it is safer to create a business you are happy to expose to the world.

Everything we do is exposed now given the internet. We have to assume that absolutely everything we do is in the public domain, whereas in the past that wasn't the case. John Rosling, CEO, Contextis

For example, consider the large social and environmental objectives of Unilever or M&S in their Plan A, which helps them achieve their stated purpose. By declaring their objectives publicly, M&S and Unilever announce to the world the benefits they bring to society. This provides the basis for stakeholder accountability while also creating socially-aligned reasons for their actions.

Therefore, organisational purpose can be seen as both a way to increase businesses licence to operate in the present and as a strategy for minimising future corporate scandals.

2. To attract, retain, and motivate talent

Organisations are the sum of their people. Staff are looking to be encouraged, inspired, to feel happy at work, to feel like they are contributing and working towards a purposeful goal... the greater good. John Hutton, Head of Sustainability, BAM Nuttall

Attracting, motivating, and retaining talented employees are three critical concerns for the modern business,^{11, 12} and organisational purpose is seen as beneficial for all three. The main reason for these perceived benefits is the ability of purpose to help companies stand out.

Attracting and retaining talent is really tough. Especially in some industries at the moment. So how can you differentiate yourself as an employer? Many people will go to purpose as an anchor space for that differentiation. Meaghan Ramsey, Partner, Brunswick

During recruitment, purpose is seen as a point of differentiation, influencing the talented person to choose the company over similar companies with equivalent offerings. This was seen as especially significant for the younger generation who may put working for a purposeful company high up their priority list.

I've worked for professional services firms and for some banks. They are all realising that, with young talent, they want purpose. Why? Because they want meaning in their lives. They want to work for an organisation that's got a sense of meaning. And people are beginning to get that. Geoff McDonald, Former Global Vice President of Human Resources, Unilever

After hiring, a deeply embedded purpose is believed to motivate employees by adding meaning to every task undertaken.

A year into the job I took the staff away for the afternoon. We got some charts on the wall, and we asked some exam questions. Things like, "I'd recommend working for (the company)." And, I just put a scale of one to five of "where are you?" You know, five is great, and one is not great. I came back in the room and was stunned because basically everything was on the right-hand side, right over on the right-hand side. I mean the lowest score was 4.5. Scores that you would kill for in corporate finance. People went, it's great ...we love it. Brendan McCafferty, CEO, Flood Re

Finally, an employee who appreciates the meaning an organisational purpose brings to his or her work will be hesitant to leave for a company that does not offer the same level of meaning. Supporting interviewee beliefs, previous literature has already established that meaningfulness at work is related to both employee motivation¹³ and organisational commitment.^{14, 15}

3. To foster strong customer and stakeholder relationships

What we are hearing from customers is, "we want you to stand for something". Mike Barry, Director of Sustainable Business, M&S

Purpose has the potential to engender stronger relationships between the company and its other stakeholder groups. Customers, for example, are attracted to meaningful company agendas and have better experiences when they perceive a company to be authentic¹⁶ and trustworthy. This customer-company link is also perceived to bring other benefits, such as cross-category sales and higher renewal rates.

*We sell cross-categories sales, where you love the brand so much that you are willing to choose that brand in multiple categories rather than just the one that you would normally. **Executive in an international services firm***

*While this may be an increased investment in the short-term, it's the right thing long-term for us and our customers. In the long run, those customers are going to want to renew their contract, recommend their friends. **Amar Kumar, Senior Vice President, Pearson***

A company that has clear and noble intentions is likely to be approached for collaboration by stakeholders, such as governments and communities. They will come to turn to that organisation to solve when their needs, and those of their service groups, are met through the company's purpose-oriented activities. Further, the fact that purpose is nested in a common goal to improve wellbeing for all in the long-term means that there is a clear basis for purpose-driven companies to unite. However, where profit maximisation is the assumed motive by each party, these positive effects are much harder to realise. Self-interest, self-protection and tit-for-tat get in the way.

Interestingly, as well as unifying companies in a shared overarching purpose, organisational purpose also provides the basis of deep differentiation. Since organisational purpose is a core attribute of an organisation's identity, it focuses on the company's distinct contribution to wellbeing. Therefore, purpose provides a way in which a company can highly differentiate itself amongst other brands through being clear about the unique contribution it makes to solving the big problems we face. This aspect was mentioned by interviewees multiple times in regards to attracting customers, employees and other stakeholders.

4. To increase employee psychological wellbeing

*I mean, people are being burnt out right now. The preponderance of depression and anxiety in organisations is getting more noticeable. We are not looking after the wellbeing of our people who work for companies today. Mental ill health is costing economies billions. **Geoff McDonald, Former Global Vice President of Human Resources, Unilever***

Organisational purpose offers transcendent and meaningful objectives not only to companies, but to the individuals working for those companies. Self-transcendence and meaning are well known to increase psychological wellbeing¹⁷⁻¹⁸ and even decrease depression in middle-aged adults.¹⁹ A company that can fully embed purpose, will likely see improved employee wellbeing and all the performance benefits that follow.

5. To increase business performance

*Purpose is your intention - your resolution to be sustainable. It should be life-affirming and life-enhancing. It will make money. A lot of money. More than we do now. **John Hutton, Head of Sustainability, BAM Nuttal***

*The bottom line is that purpose-driven, people-centric, values-driven companies outperform. Not just because they do better sustainably over time, but because they avoid the risk. They avoid the Volkswagen and the Tesco problems, and they avoid the backlash that wipes 30% off their share prices. **Ann Francke, CEO, CMI***

Every interviewee strongly believed that organisational purpose leads to improved business performance. That could be today or tomorrow but was certainly seen to be true in the long-term. That bottom line result is the outcome of the other benefits summarised here, and beyond those benefits, the authors of this paper are also researching the potential of purpose to improve a number of cultural attributes which themselves

are known to drive increased performance, such as context clarity and engagement.²⁰

Embedding prosocial goals may also impact company creativity and innovation, such as it did with Unilever's Lifebuoy soap.²¹ If a company has a strong marketing platform to meet the real needs of its stakeholders, to co-create routes to deliver its purpose, and to signal the authenticity and usefulness in its actions, then organisational purpose will become a powerful generator of sustainable profitability and long-term success for the organisation.

4. HOW: THREE CONSIDERATIONS FOR ADOPTING AND IMPLEMENTING AN ORGANISATIONAL PURPOSE

Let's say you've recognised a need for your organisation to become purpose-driven.

Maybe you've seen purpose being adopted by other large, existing organisations. Perhaps you've followed the success of Unilever with its goal to "double its turnover while halving its environmental impact",¹ or BT with its purpose to "use the power of communication to make a better world." Possibly, you've talked to one of the scores of consulting organisations that help companies develop their sense of purpose, or looked at the many rankings of purpose-driven organisations, noticing how successful the firms at the top are. The next question is: how do we go about starting the purpose journey? What are the insights from the early adopters of organisational purpose which could help with this profound change process?

This chapter focuses on three major areas that stood out from our interviews:

- Choosing the purpose and its framing
- Embedding the purpose deeply
- Identifying important organisational actors

1. Choosing the purpose and its framing

For organisations that are not sure what purpose would fit their organisation or are cautious and rightly want to ensure the purpose they have adopted is an appropriate one, a couple of methods for choosing and framing a purpose stand out.

1.1 Stakeholders

It's very much a Board decision and discussion, with stakeholder research inside and outside around what might work. Director at an international technology company

The first method is consulting stakeholders. Purpose needs to reflect the organisation's identity, and when forming their identity companies often reach throughout their entire network for inspiration.² The rationale is that your stakeholders will enrich your perspective regarding how you impact society. Employees, partners, peer organisations, and other external stakeholders can all be contacted for input. One benefit is being able to make an informed decision to pursue a purpose that resonates for the largest number of, or the most important, stakeholders. This strategy was adopted by one of the companies we interviewed:

We sent out for the first time a questionnaire to all of them [stakeholders] to try and understand, were we building long-lasting relationships. And then we had some focus groups to try and understand what the real issues were.

Laura Turkington, Senior Manager of Global Innovation and Business Development, Vodafone

1.2 Origins

So, what is our purpose? That's not too difficult if you go back to the heritage of your organisation.

Geoff McDonald, Former Global Vice President of Human Resources, Unilever

The other strategy for choosing your purpose is to go back to the roots of the organisation. For the older, established firms we interviewed, who were incorporated at a time when an organisation's service to society was often a given, company lore often contained a story of the founder or the founding of the company. This origin story usually described why the company was started in the first place and named a societal need that was being met. Although the nature of the need may have changed, the essence of the purpose can be contained in these roots. Identifying and reigniting this purpose was then the aim, connecting employees with the 'good old days' and restoring a sense of direction that had been lost along the

way. This “organisational nostalgia”³ is a common method of trying to create fundamental, yet rooted, change within an organisation’s identity.

2. Embedding the purpose deeply

Purpose is a core aspect of the organisation’s identity, embedded deep within the organisation’s culture where it is constantly felt by the employees and enacted through daily decision making. This also underpins the performance benefits of purpose. However, embedding a new concept deeply in a company’s culture is difficult and there is no consensus on how to best approach the challenge. Creating an ethic of care and building trust were highlighted in our interviewees, including the critical importance of acting consistently and increasing the diversity of employees. Four particular methods stood out as having been used successfully to embed purpose.

2.1 Stories and proof points

What you really want to do is show where you have made a positive difference and haven’t harmed the bottom line. That you’ve actually helped the bottom line. Director at an international technology company

One common suggestion is to show examples or ‘proof points’ where the purpose was successfully followed with great success. It’s important here to focus on the story’s meaningful aspects when describing the actions that were undertaken, rather than just the change in process or operation. While many senior executives can make tangible changes – creating purpose statements, adding purposeful aspects to the objectives and policies – employees at the lower levels of the organisation focus more on meaning-level changes⁴. This means that the company needs stories, proof points and examples of behaviour that continually show both the financial/business benefits and the meaningful, emotionally-compelling results of change.

You need to do these things from within, to live and breathe them from within and you role model those behaviours. And if people see people around them doing that, then they start to believe, and they start to change their own behaviour Ann Francke, CEO, CMI

However, these stories don’t all have to be positive ones. The authenticity and transparency that underpinned purpose were seen as permitting the use of negative stories.

I actually feel that we do need examples that show that not everything is good. If there are some bad products, we must show what we’ve done about them. Again, that goes to the point about the authenticity and transparency with which we are doing this. We really do believe this. And that means we aren’t going to shy away from exposing information. That mind-set can be hard for an organisation. Amar Kumar, Senior Vice President, Pearson

2.2 True transparency

Real corporate transparency forces change... (and) with social media and a whole new breed of NGOs or a whole new breed of activist, if it’s not really transparent you get found out. True corporate transparency changes behaviour. Matt Peacock, Group Director of Corporate Affairs, Vodafone

One area with strong support was that of transforming your organisation’s approach to transparency, as a key way to change the organisational culture, by enabling trust and hence building the license to operate. Matt Peacock noted how Vodafone’s first transparency report helped to reduce negative sentiment and build positive sentiment between the organisation and stakeholders. Real transparency can help a company work together with its stakeholders as it tries to solve purposeful issues in the wider system, rather than concentrating energy inwards.

You will see that we are very open and honest in the things that have succeeded and the things that haven’t.

We aren’t beating anybody up. We are identifying the pitfalls and stumbling blocks and challenges, and we are saying ‘OK, yeah, we’ve done some great things and we’ve got some big things still to do.’ Tim Haywood, Group Finance Director and Head of Sustainability, Interserve

2.3 Incentivise purposeful outcomes

I think that purpose needs to be embedded into objective settings and decisions right through the organisation. The tone and example from the top must be mirrored in the middle... which is where a blockage can often arise. You need to get through the marzipan layer. Alison Sharpe, independent consultant on organisational trust and purpose, formerly Director, Corporate Affairs, PwC

An intuitive method of embedding purpose in an organisation’s systems and processes (and therefore culture) is to include purposeful outcomes in incentive schemes. However, examples of this in practice are not widespread. Amar Kumar of Pearson offered one example of an innovation that occurred as a result of the company’s drive to live its purpose, which had highlighted a problem with high drop-out rates, undermining the company’s purpose to deliver learning outcomes.

We used to run a lot of language centres in China... the people who worked at those centres were incentivised by the number of people who came in. So they tried to get as many people into the centre as they could. And of course, no surprise, we had something like a 40 or 50% drop out rate. We changed the job descriptions and sales incentives of those people to be about how many people graduated. All of a sudden it became, I have to get the people who are actually going to graduate and not just anyone I can find. They are still seeing the results of that in terms of learner outcomes, but the intermediate outcome of staff morale is through the roof... People just love being there now. Amar Kumar, Senior Vice President, Pearson



At the time of interviewing, the company did not know if the move would be profitable or drive employee engagement but simply believed it would help more people learn rather than just bring in short-term profits: in line with the company's purpose, it was the right thing to do.

2.4 Go public

One of the bravest things (the company) did was go outside. Talk about accountability around those goals! We could have kept that to ourselves, but (the CEO) decided that he was going to go to the external market **Geoff McDonald, Former Global Vice President of Human Resources, Unilever**

Going public with goals and purposeful objectives can provide a motivational boost and provide a level of external accountability. Some companies, such as M&S, declare ambitious environmental goals and invite public scrutiny of their progress. This not only signals authenticity but also creates an urgency within the company to achieve the promises it has made. That view was shared by several interviewees.

I think, as we start to build the narrative stronger and bigger and bolder and go externally, people are going to get more motivated behind it. – Laura Turkington, Senior Manager of Global Innovation and Business Development, Vodafone *We launched a very public commitment*

because we said that's how you galvanise an organisation. Internal strategies, everyone's got one. They are all on the shelves. We really need to make a public commitment that will really force us to get this done. **Amar Kumar, Senior Vice President, Pearson**

3. Identifying important organisational actors

The successful diffusion of purpose throughout the company and to the outside world, like most change processes, relies on organisational actors at multiple levels. Most interviewees were adamant that the purpose belonged to the entire company, and all employees and stakeholders were important to achieving the company's purposeful goals. The Board or governing body is particularly important because it is the ultimate decision-maker and custodian of the organisational purpose.² However, reflecting current literature, purpose has been mainly understood through a managerial lens.

Within management, two groups are particularly important for the proper implementation and diffusion of purpose in an organisation: senior leaders and middle managers.

3.1 Senior leadership

You obviously need top leadership to be shouting from the rooftops, 'We are purpose driven. Profit and purpose, growth and impact.' You obviously need that, because without that you have no credibility. **Amar Kumar, Senior Vice President, Pearson**

Senior leadership plays an extremely important role in adding credibility to pursuing the purpose within the company. Publicly supporting the organisational purpose from the top signals advocacy and gives tacit permission to employees to act. Courageous and vulnerable leadership styles were noted as important for garnering trust and confidence from employees. This leadership was important for building the trusting relationships that many interviewees cited as foundational to purpose. John Rosling, CEO of Contextis, described this kind of honest, vulnerable leader as, "A leader who says, 'look I know I'm not getting all of this right, but I know what we have to do'".

3.2 Middle management

*There's no point getting the top and bottom right if you don't get the middle right. **Ann Francke, CEO, CMI***

Middle management has been widely recognised as the gateway between the senior leadership ambitions and the rest of the organisation.⁵ This was also the case for purpose. As Meaghan Ramsey, Partner of a multinational professional services firm put it: The middle management is the group of people that translate purpose, for example to their teams, but also demonstrate it coming to life for their upper management. So, I think they have a huge responsibility in that space.

Given their pivotal position, getting buy-in from middle management for the organisation's purpose is crucial for successfully embedding purpose within the company. This requires a recognition of the huge identity shifts that are being asked of middle managers, and of the natural scepticism that is likely to exist around such a large change. Middle managers are not going to put their long-term credibility within the organisation on the line if they feel that purpose is another executive fad. This is especially true if they feel neglected by senior leaders' communications strategies as suggested by CMI's report, The Middle Management Lifeline, which found only 36% of middle managers trusted their leaders fully.⁶

In a sense, it's more difficult for a middle manager because they can't float in and out in the way that more senior people do. And yet they are more likely to feel the constraints and responsibilities of the organisation around them. Thinking about particularly bigger organisations, the tenacity is vital. And they're going to constantly want to look and see evidence that the guy that came and said this was serious, was serious.

Brendan McCafferty, CEO, Flood Re

Middle managers need to see not just words and stories but actions, public declarations and shifts to policies, processes and reward systems. Without these shifts, without a consistent and coherent picture emerging, middle management's belief in the authenticity of the organisational purpose will be tenuous at best. Their lack of belief could fatally undermine the adoption of purpose within a company.



Continuing the purpose journey

We have seen that the organisational purpose movement is changing and maturing within the business community, and we look forward to seeing where it leads. As the interviews conducted during this research demonstrate, organisations are at different stages. Some may have just started to consider purpose while others may have strategies for developing and integrating it within the organisation. We are looking forward to providing research support to the growing community of companies who are authentically pursuing purpose. We hope this report has helped you understand more about this exciting practitioner movement towards purpose-led business and perhaps helped some of you to start your journey.

About A Blueprint for Better Business

A Blueprint for Better Business is an independent charity, which helps businesses be guided and inspired by a purpose that benefits society and respects people. We were pleased to be able to connect the authors of this research with this group of businesses and individuals we have met through our work.

If you would like any more information about Blueprint or the Five Principles, please contact enquiries@blueprintforbusiness.org

Five principles of a purpose driven business

Our Five Principles offer a picture of how a business might look if it is genuinely led by a purpose that benefits society. The Principles were rigorously developed through a year-long collaboration with a wide range of businesses, NGOs, investors, academics, different faiths and others in 2013.

FIVE PRINCIPLES OF A PURPOSE DRIVEN BUSINESS

HONEST AND FAIR WITH CUSTOMERS AND SUPPLIERS

- Seeks to build lasting relationships with customers and suppliers
- Deals honestly with customers, providing good and safe products and services
- Treats suppliers fairly, pays promptly what it owes and expects its suppliers to do the same
- Openly shares its knowledge to enable customers and suppliers to make better informed choices

A GOOD CITIZEN

- Considers each person affected by its decisions as if he or she were a member of each decision-maker's own community
- Seeks and provides access to opportunities for less privileged people
- Makes a full and fair contribution to society by structuring its business and operations to pay promptly all taxes that are properly due

HAS A PURPOSE WHICH DELIVERS LONG-TERM SUSTAINABLE PERFORMANCE

- Operates true to a purpose that serves society, respects the dignity of people and so generates a fair return for responsible investors
- Enables and welcomes public scrutiny of the alignment between stated purpose and actual performance

A RESPONSIBLE AND RESPONSIVE EMPLOYER

- Treats everyone with dignity and provides fair pay for all
- Enables and welcomes constructive dialogue about its behaviour in keeping true to its purpose
- Fosters innovation, leadership and personal accountability
- Protects and nurtures all who work for it to ensure people also learn, contribute and thrive

A GUARDIAN FOR FUTURE GENERATIONS

- Honours its duty to protect the natural world and conserve finite resources
- Contributes knowledge and experience to promote better regulation for the benefit of society as a whole rather than protecting self interest
- Invests in developing skills, knowledge and understanding in wider society to encourage informed citizenship

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NOTES

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