



Purpose



What Is the Purpose of Your Purpose?

by Jonathan Knowles, B. Tom Hunsaker, Hannah Grove,
and Alison James



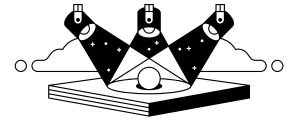
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Spotlight

What Is the Purpose of Your Purpose? Your why may not be what you think it is.



TODAY'S BUSINESS LEADERS are under pressure to come up with a corporate purpose, much as they were challenged to develop vision and mission statements in the 1980s and 1990s. Although this focus on the role of corporations in the economy and broader society has many positive aspects, a risk is that speed, shortcuts, and spin may take precedence over authentic action. Our goal in this article is to help executive leaders be clear-sighted about what they seek to define: the purpose of their purpose.

Purpose has become something of a fad and a victim of its own success. Companies are aware that their customers and employees are paying more attention to it as part of a wider

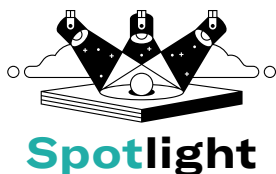
reassessment of the role of corporations in society. BlackRock's CEO, Larry Fink, and other major investors are urging executives to articulate a role for their companies beyond profit making, implying that doing so will affect their valuation. But despite its sudden elevation in corporate life, purpose remains a confusing subject of sharply polarized debate. Our research indicates that a primary cause of this confusion is that "purpose" is used in three senses: *competence* ("the function that our product serves"); *culture* ("the intent with which we run our business"); and *cause* ("the social good to which we aspire").

Cause-based purposes tend to receive the most attention, largely because

companies that push for societal change are more visible. But any of the three types can be effective when pursued appropriately. A competence-based purpose (such as Mercedes's "First Move the World") expresses a clear value proposition to customers and the employees responsible for delivering on it. A culture-based purpose (such as Zappos's "To Live and Deliver WOW") can create internal alignment and collaboration with key partners. A cause-based purpose (such as Patagonia's "in business to save our home planet" or Tesla's "to accelerate the world's transition to sustainable energy") promotes the idea that it is possible to do well by doing good. All three types can create a meaningful *why*.

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Spotlight

For any individual company, determining the purpose of its purpose is fundamentally a business decision and must be anchored in strategy. Finding the right answer involves identifying the most authentic and motivating basis for alignment among the key stakeholder groups on which the success of the business depends. That is easier said than done, because multiple business functions have a vested interest in and a specific perspective on purpose. It sits at the intersection of four business agendas: (1) For marketing and sales, it can help win customers and enhance their loyalty. (2) For HR, it can attract, engage, and retain employees. (3) For governance and sustainability, it can enhance environmental, social, and governance performance. (4) For strategy and finance, it can guide how resources are allocated and risks are managed.

Any exploration of purpose begins with recognizing that these agendas are valid inputs to the process. We four—a former CMO, a former CHRO, a professor of global business, and a strategy consultant—represent each of the main constituencies, and we believe that although every company needs

a purpose, not every purpose must take the form of a social cause. Of course every company should work to become a better corporate citizen, through programs that actively address climate change and pollution, workplace safety, diversity, and employee well-being, and invest in local communities. As other scholars have shown, improving ESG performance (especially in areas that are most material in your industry) is good for business. But it is distinct from the *purpose* of a business.

In this article we'll provide three key rules regarding the role of purpose; our observations about what companies typically get wrong about it; and a framework for evaluating which of the three types is likely to be most effective for a company.

I Don't Rally Around a Cause Unless You Actually Have One

Discussions about purpose typically start with the question How would the world be worse off if we did not exist? This spurs people to identify an inspiring social impact that the business should strive to achieve. However, only a limited number of

companies operate in industries where the nature of the business lends itself to a compelling answer to that question. Examples include Beyond Meat, whose purpose is to find “a better way to feed the planet,” and Disney, which aims to “create happiness through magical experiences.” Health, science, and clean energy companies fall into this category too. However, focusing on this question too much may lead the majority of companies to misrepresent the actual nature of their business—as WeWork did in its 2019 investor prospectus when it described subletting office space as striving “to elevate the world’s consciousness,” and Knorr (a brand known for stock cubes and gravy) did when it suggested that consumers could “change the world by changing what’s on [their] plate.”

Being able to define a social-cause-based North Star may be of benefit primarily to consumer-facing enterprises. But few others—particularly if they’re in B2B sectors such as basic materials, energy generation, capital goods, commercial transportation, and business services—have any particular higher purpose to which they can authentically lay claim.

IDEA IN BRIEF

THE PROBLEM

Despite its sudden elevation in corporate life, “purpose” remains a confusing concept. Finding the right one involves identifying an authentic and motivating basis for alignment among key stakeholder groups.

WHY IT EXISTS

Purpose is used in three distinct senses: competence, as in “the function that our product serves”; culture, as in “the intent with which we run our business”; and cause, as in “the social good we aspire to.”

THE SOLUTION

Not all companies can save the world. Only a minority should put forward a cause-based purpose. For the rest, a functionally useful business or a strong culture can provide the basis for a meaningful and motivating why.

Improving environmental, social, and governance performance is good for business. But it is distinct from the *purpose* of a business.

2 A Strong Culture Is Often All You Need

The current fixation on purpose puts pressure on executives to be seen as running a “good” business. Sometimes, however, it’s enough simply to run a business well. Culture-based purpose statements are a great option for companies that provide necessary products and services but don’t present credibly as agents of positive social change. This is especially true when their success depends on high levels of employee engagement and collaboration with both suppliers and distributors. Those stakeholders are primarily interested in what the company is really like to work for or with rather than in its aspirations to have a broader impact on society.

Defining your purpose as embedded in culture—as operating in a thoughtful, disciplined, ethical manner—can be both pragmatic and genuine. Consider Mars, a family-owned consumer packaged goods company, which in 2019 unveiled its first purpose statement in more than 100 years of operation: “The world we want tomorrow starts with how we do business today.” While this expresses aspiration for a better future, its focus is on the “how” of the company’s culture—specifically its Five Principles (such as “We base decisions on Mutuality of benefit to our stakeholders” and “We harness the power of Efficiency to use our resources to maximum effect”) that since they were first published, in 1983, have actively guided the attitudes and behaviors of all Mars associates.

Contrast that with the initial approach to purpose of Mars’s rival

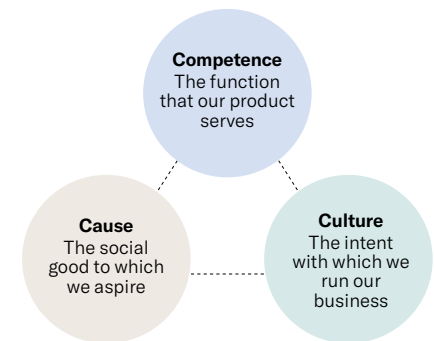
Nestlé. In 2014 the company began positioning itself as “the world’s leading nutrition, health and wellness company”—a descriptor it was forced to retract when commentators observed that nearly three-quarters of its earnings were from snacks and confectionary. The company subsequently retreated to the more believable “Good food, good life.”

Choosing culture as the focus of your purpose statement can be a powerful way to attract talent. An engaged workforce is a key business driver. Conversely, Gallup has estimated that the cost of disengagement—in the form of turnover, low productivity, and low morale—can come to about 18% of salary costs.

A focus on culture may take one of three forms, each of which can establish a powerful sense of community and belonging among employees and business partners. Cultural *consistency* stresses adherence to a code for the business—such as the J&J credo and Mars’s Five Principles. Cultural *fit* emphasizes an aspect of the culture that will attract employees and partners who are similarly inclined. Examples include Bridgewater Associates’ culture of “radical transparency” and Zappos’s belief that great customer service depends on “[getting] the culture right.” Cultural *diversity* focuses on promoting inclusiveness and celebrating employees and partners for their differences as much as for their similarities. This approach is particularly effective at companies such as airlines and financial services, whose business models require that their employee base closely match the diversity of their customer base.

The Three Senses of Purpose

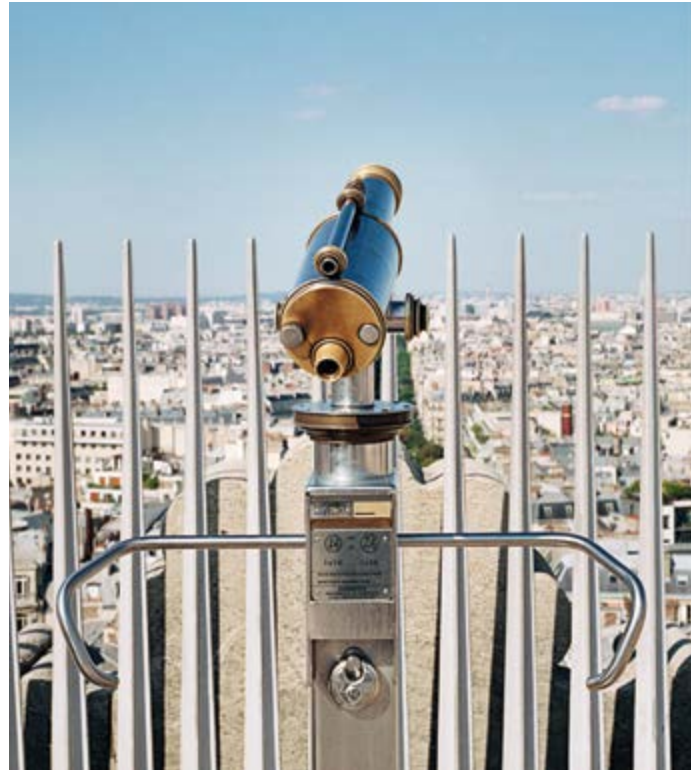
Despite its elevation in corporate life, purpose remains a confusing subject of sharply polarized debate. A primary reason is that it can be understood in three distinct ways.



3 Don't Delegate Purpose to the Marketing Team Alone

Because CEOs assume that the marketing team is most closely in touch with consumer sentiment, some combination of marketing and corporate communications is often tasked with articulating the corporate purpose. But given that marketing’s objective is to generate demand for the company’s products and services, the purpose initiative may devolve into an exercise in appealing to consumer preferences. Because research shows that most consumers, and especially Millennials, prefer to buy from companies with a cause-driven purpose, the marketing and corporate communications teams will almost inevitably arrive at an elevated statement that puts the company in a highly flattering light.

At the extreme, conflating marketing and purpose can lead to the sort



of posturing whereby BAT (British American Tobacco) and Philip Morris International claim—without any apparent irony—that their purposes are, respectively, to “build a Better Tomorrow” and to “unsmoke the world and create a better future,” even if they are simply trying to promote the next generation of their products rather than reduce consumption of an addictive substance. Consider the less egregious but still poorly received attempts by Pepsi and Gillette to position their brands as advocates for important social issues with which they had little previous involvement. The absence of an intuitive connection between Pepsi and the cause of social justice resulted in widespread criticism of its 2017 advertisement featuring Kendall Jenner. A similar reaction greeted Gillette’s 2019 brand repositioning, which replaced “the best a man can get” (in use since 1989) with “the best men can be” in a short film that focused on the problem of toxic

masculinity. Although this was and is an important social issue, a history of perpetuating male stereotypes through the sponsorship of macho athletes made Gillette an inauthentic advocate.

That’s not to say that purpose can’t inspire a successful marketing campaign. Contrast those misfires with Dove’s campaign for “real beauty,” which used normal women as models. The campaign was born out of marketing research revealing that in 2004 only 2% of women around the world would describe themselves as beautiful (the figure had reached only 4% when the research was repeated in 2010). Dove’s functional benefits—cleaning and moisturizing—gave rise to an emotional benefit: self-esteem. The campaign aligned nicely with the purpose of Unilever, Dove’s parent company: “making sustainable living commonplace” by investing in and improving the lives of its customers and the communities in which it operates. A marketing

campaign is most effective when it is the offspring of a corporate purpose rather than the progenitor of one.

Indeed, some companies with strong cause-based purposes don’t focus on them in advertising because they recognize the risk of trivializing or overhyping something central and sacred to the organization. Starbucks defines its purpose as “to inspire and nurture the human spirit—one person, one cup, and one neighborhood at a time,” but its advertising highlights the quality and novelty of its products. Likewise, JetBlue’s advertising largely focuses on what drives ticket sales rather than on its mission “to inspire humanity—both in the air and on the ground.”

Companies that can’t credibly claim to produce external benefits or to promote a social cause should accept that satisfying the functional and emotional needs of consumers can be a sufficient foundation for a business. Consider soda and snacks. Consuming

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them is bad for people from a nutritional point of view. But satisfying “sensorial needs” (to borrow from the doublespeak used by BAT in its purpose video) is a legitimate commercial goal, and companies should be content to acknowledge that they aspire to produce the most delicious ice cream or cookies or potato chips or soda. McDonald’s is right to define its mission as “to be our customers’ favorite place and way to eat and drink.” Nordstrom aims simply “to give customers the most compelling shopping experience possible.” This is not to say that McDonald’s shouldn’t take steps to enhance the nutritional value of its menu or to improve the environmental footprint of its suppliers. Doing so could be good for business in the long term if it reduced the risk of consumer or regulatory blowback. But those goals are manifestly not the *purpose* of its business, and any marketing campaign that positions them as such risks derision.

To avoid that risk, business leaders need a clear understanding of how their corporate purpose extends beyond the objectives of their brands and their advertising. A purpose is about the essence of the company. Its goal is to achieve buy-in from a broad range of stakeholders—whereas the function of brands is to persuade consumers to buy the company’s products and services.

That distinction was well made by Business Roundtable in 2019 when it described the purpose of a corporation as promoting “an economy that serves all Americans” by meeting the needs of five groups of stakeholders: customers, employees, suppliers, communities, and shareholders. This clearly articulated the need for companies to think beyond the immediate interests of those who provide their funding and to whom they sell.

What Companies Typically Get Wrong About Purpose

The goal of any company is to attract and retain talent, satisfy customers, and conduct business in a manner that secures its license to operate in the eyes of the community and regulators—all while earning an appealing return on capital. Defining your corporate purpose is an opportunity to demonstrate how your company can satisfy those requirements simultaneously. But, as is always the case with strategy, corporate purpose requires clarity about the trade-offs being made and should result in something that is internally coherent.

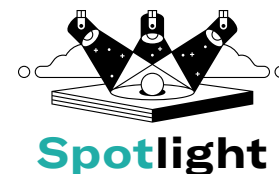
Many of the challenges that companies encounter with purpose stem from a perceived lack of alignment between

how they behave and what they say they stand for. It is tempting to claim being “purpose driven” because of the appeal to employees and consumers—but that works only if you demonstrate authenticity and coherence.

The competence-cause gap. This lack of alignment occurs when the connection between the nature of your business and your espoused cause is not obvious—a danger for even highly successful companies. For instance, a difficulty currently facing the platforms Facebook and Google is that their advertising-driven business models are perceived to be increasingly at odds with their stated missions: “to build community and bring the world closer together” and “to organize the world’s information and make it universally accessible and useful,” respectively.

The competence-culture gap. This arises when a company is successful at creating value for customers but is less well regarded as an employer, a business partner, or a corporate citizen. Amazon and Walmart have historically enjoyed high levels of customer approval (reflecting their respective commitments to “be Earth’s most customer-centric company” and “saving people money so they can live better”) while regularly being criticized for their record as employers, their perceived reluctance to recognize workers’ rights, and their lack of transparency in the supply chain.

The culture-cause gap. If your company has a clearly stated, cause-related purpose yet your employee engagement scores are low, you have a culture-cause disconnect. This suggests a need for greater focus on culture and behaviors or a reevaluation of your purpose’s





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authenticity as currently defined. That is the challenge the new management at Uber faced in 2018 and the new executive team at Volkswagen is currently facing: how to reinvent a culture that turned a blind eye to toxic behavior (in Uber's case) and illegal behavior (in VW's case).

A Guide to Finding Your Purpose

We recommend a five-step process for ensuring that your corporate purpose fulfills its role as a key element of your strategy.

1. Identify the internal constituencies that have a stake in your purpose.

At most companies the leaders of multiple business functions will want to see that their interests are adequately considered. We've identified four main kinds of interests and their constituencies: *demand generation* (sales, marketing, channel management), *employee engagement* (HR, employee networks), *governance and sustainability* (legal, operations, corporate communications, investor relations, community relations), and *strategy and business valuation* (the CEO, the CFO, risk management). The first step in drafting a purpose is to establish a working team with representatives from each of these constituencies.

2. Remember that purpose can be defined in three ways. The working team's initial discussion should establish a common language around purpose and explore the various ways in which each of its three domains—competence, culture, and cause—is relevant to each of the constituencies represented. How might a culture-based

purpose be articulated with the interests of communities in mind? Or a cause-based purpose with the interests of investors in mind? These discussions should take as expansive a view as possible of the range of options for defining corporate purpose, making authenticity the binding constraint.

This approach acknowledges that each type of purpose has advantages. A competence-focused purpose presents a clear value proposition for both customers and employees. A culture-focused purpose creates internal alignment and collaboration with key partners. A cause-focused purpose aligns customers, employees, and communities around the societal benefits that the company generates. There will be points of overlap with the ESG agenda, but the purpose effort should go further than simply seeking to address negative external effects.

3. Link purpose to strategy. The third step is to view all the possible ideas for purpose in light of the factors that will have the greatest impact on the company's success over the next decade. Is the key business driver talent acquisition and retention—or is it product innovation? The ability to sustain a premium price? International expansion?

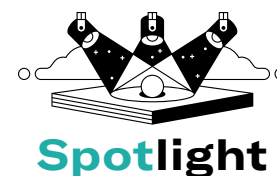
The point is to develop a clear sense of the business objective that the purpose will support. How can it enhance the relevance and sustainability of your value proposition to customers and other stakeholders and strengthen the company's relative advantage? This step typically produces a short list of three to five key ideas for defining your purpose in a way that aligns strongly with the strategy of the business.

4. Transcend siloed thinking. At this point the working team needs to recognize that purpose cannot be authentic if it is motivated only by self-interest and opportunism. The next step is to find an idea that acknowledges but transcends the vested interest of each constituency. The following questions can help in reaching a consensus on the most effective definition of the company's purpose.

- *Is the usefulness of what we provide so self-evident that we need say nothing more?* If so, then a competence-based purpose such as Apple's "bringing the best user experience to its customers through its innovative hardware, software, and services" might be a good fit.

- *Does the nature of our business make it credible for us to assert that we're out to do good?* If, for example, the focus of your business is improving health, then either a cause-based purpose (such as Roche's "doing now what patients need next") or a competence-based one is probably best.

- *Does our leaders' behavior support the idea that we're in the business to make the world a better place, even if that's not our core focus?* A fervent CEO and a cause-based purpose can confer a halo on what is otherwise a rather mundane business. The Salesforce CEO Marc Benioff's public activism on social issues has undoubtedly given credence to the company's claim that its CRM services are intended to "unify people to help business and communities pursue their loftiest goals." The Patagonia founder Yvon Chouinard's values and leadership make the clothing company's assertion that it is "in business to save our home planet" credible.



Where Purpose Affects Your Organization

Purpose can have an impact on four business agendas. To determine what that is, ask yourself these questions.

DEMAND GENERATION

How can purpose increase consumers' preference for our products and services?

EMPLOYEE ENGAGEMENT

How can purpose strengthen the connection that employees feel to the work and to one another?

GOVERNANCE & SUSTAINABILITY

How can purpose help reinforce our reputation as a good corporate citizen and a strong ESG performer?

STRATEGY & BUSINESS VALUATION

How can purpose enhance our opportunities for profitable growth and reduce business risk?

• *Do we deliver value to customers while also being an attractive employer, partner, and corporate citizen?* If so, then a culture-based purpose might be most appropriate. Zachry Group, a provider of engineering, procurement, and construction services, focuses its purpose on what it wants to be (“a principle-based enterprise that combines the best in people and technology to create a special business experience, seeking always to make a difference”) rather than what it actually *does* (design and build industrial facilities). (Disclosure: One of us, Jonathan, has had a paid advisory relationship with Zachry Group in the past.)

• *Does how we do business create value for society in ways unusual for our industry?* Companies that make their IP open source (as Allbirds did with the technology for creating shoe soles that require no hydrocarbons) or that offer “You buy one, we donate one,” as Warby Parker does, enjoy significant credibility when positioning themselves as “leading the way for socially conscious business,” in the words of the eyewear manufacturer.

We recommend that during deliberations each member of the working team have discussions with other stakeholders—employees, suppliers, business partners, community leaders—to get their input on the ideas under consideration. That will help ensure that the eventual purpose statement is authentic, relevant, and practical.

5. Embed purpose in behavior.

The final step of the process is without doubt the hardest—as anyone who has been involved in change management will attest. New modes of behavior that bring a purpose to life need to be modeled by senior leaders and reflected in performance reviews and promotions, recruitment, business decisions, and the culture more broadly.


It is important to recognize that only executives experience purpose as a top-down phenomenon. Most other stakeholders experience it from the bottom up—through their interactions with products and services, employees, physical locations, and communications. From a top-down perspective, it seems logical to begin an exploration

of corporate purpose by asking, How would the world be worse off if we did not exist? But from a bottom-up perspective, it is more important that purpose increase the sense of authenticity, coherence, and engagement derived from the day-to-day experiences of customers, employees, partners, and the communities in which the company operates. The ultimate test of your purpose is whether it improves the way the business actually operates.

THIS DECADE PROMISES to be remembered as the era of stakeholder capitalism, corporate purpose, and the business lexicon's adoption of the terms “empathy,” “equity,” “diversity,” and “inclusion.” We suggest two further important elements: *pragmatism* and *authenticity*.

The full potential of purpose is achieved only when it's aligned with a company's value proposition and creates shared aspirations both internally and externally. At its best, it's the most powerful mechanism for generating buy-in across stakeholders. If enacted poorly or manipulatively, it produces the opposite effect. With so much at stake, getting your purpose right should be one of your most pressing decisions. ☺

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