



Activating organizational purpose

Leaders can take four steps to build a purpose-driven organization that leads to better business outcomes.

Having an engaging organizational purpose—standing for something bigger than profits—has now become so central to the public dialogue that few corporate leadership teams question the need for one. Companies have been, and continue to be, on a journey to both understand and connect to a higher-order purpose in a way that adds value for all stakeholders. And both the COVID-19 pandemic and the recent increase in pressure to address longstanding racial and ethnic inequalities around the world have put all companies under the spotlight, highlighting the ones living their purpose and those that are not quite there. The actions companies take or don't take now will be a significant factor in their ability to preserve the trust of their stakeholders going forward.

Our own research¹ on organizational acceleration shows that companies where employees feel that they have clarity about a company's fundamental purpose score higher across all areas we were assessing and, ultimately, on performance.² And our *Board of the Future* report points to a significant rise of purpose on the European boardroom agenda.³ While the directors we surveyed think that many traditional focus areas will remain unchanged in the next five years, most say that embedding a purpose-driven culture will jump on their agenda and that they will spend significantly more time on it in the boardroom. But what does it actually take for a greater purpose to deliver real value?

There is a big difference in impact between *having* an organizational purpose and *activating* it. Most companies produce internal and external statements of their purpose and vision and promote them extensively. The harder part for organizations is figuring out how to make their purpose more than just words on a poster. Activation of the purpose is the missing ingredient in allowing organizations to realize its value.

¹ Colin Price and Sharon Toye, *Accelerating Performance: How Organizations Can Mobilize, Execute, and Transform with Agility*, Hoboken, NJ: Wiley & Sons, 2017.

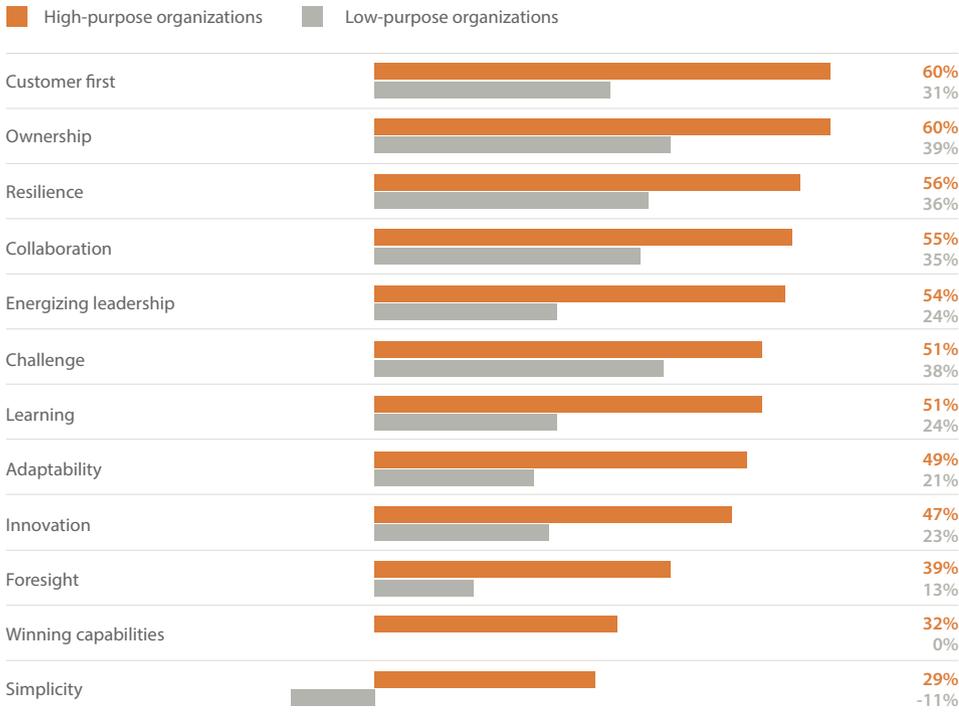
² Alice Breeden, Becky Hogan, and TA Mitchell, "Bringing your organization up to speed," Heidrick & Struggles, September 12, 2019, heidrick.com.

³ Jamie Page, *Board of the Future: Moving toward a more diverse, more in tune European board*, Heidrick & Struggles, March 2, 2020, heidrick.com.

Purpose and the organization

An organization’s ability to activate its purpose is strengthened when everyone understands the impact and benefits that will come with it. Our research found that employees in high-purpose companies rate their organizations higher across all factors included in our study than those in low-purpose organizations. At the top of that list sits the customer-first driver, which is directly correlated to bottom-line results. The differences are also significant in a number of areas that are related to engagement and productivity: ownership, innovation, challenge, collaboration, adaptability, resilience, and learning.

The impact of clarity of purpose on organizational acceleration drivers

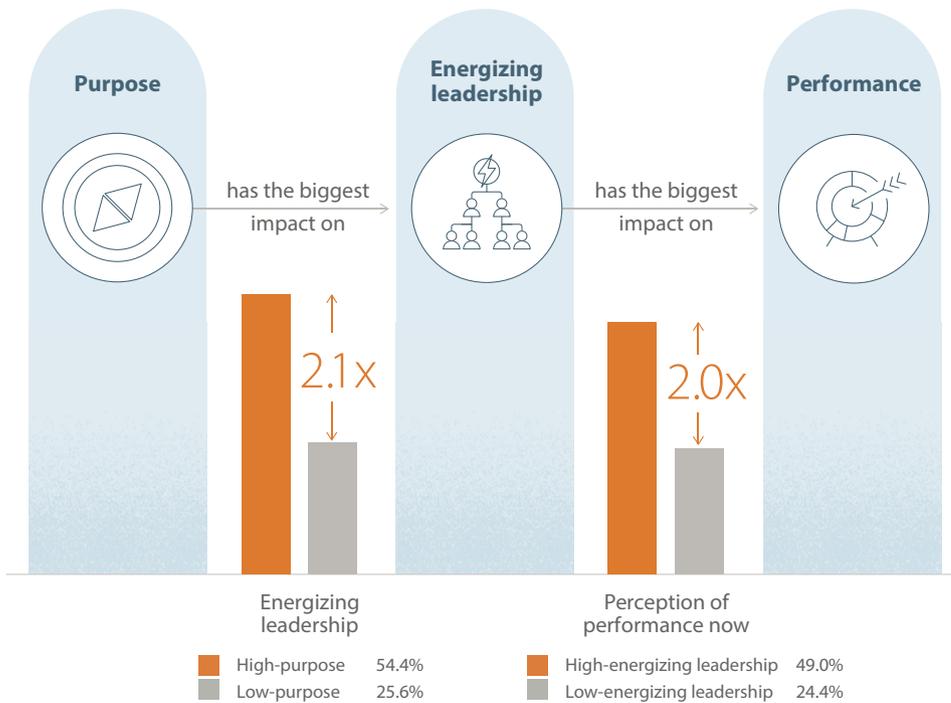


Our research found that employees in high-purpose companies rate their organizations higher across all factors included in our study than those in low-purpose organizations.

Source: Analysis of Heidrick & Struggles’ proprietary data covering 45,000 people at 41 organizations.

A striking finding is the impact of purpose on performance. Purpose energizes leaders by providing them with the opportunity to inspire employees and make everyone feel as if they’re working toward some greater good. At the same time, energizing leadership has a clear, positive impact on organizational performance. We found that companies that score high on energizing leadership have two times the performance ratings of organizations with low acceleration scores.

Clarity of purpose creates energized leaders who drive performance



Source: Analysis of Heidrick & Struggles' proprietary data covering 45,500 people at 41 organizations.

Companies that put purpose at the core of their strategy can be rewarded through significantly outperforming their competitors in the marketplace. Feike Sijbesma, the former CEO and current honorary chairman of DSM, a global science-based company in nutrition, health, and sustainable living based in the Netherlands, took the company through a major purpose-led business transformation that cemented the company's reputation as a leader in sustainability. After 13 years under Sijbesma's leadership, DSM's share price has grown threefold and has outperformed the Euronext Amsterdam by a factor of four.⁴

Similarly, during her tenure as the CEO of PepsiCo, Indra Nooyi built a sustainability focus through the company's Performance with Purpose (PwP) initiative, which balances superior financial returns, making its products healthier, limiting environmental impact, and providing new types of support for women and families both within the organization and in its local communities. The net revenue over the years after PwP was implemented grew by 80%, and PepsiCo outperformed both the S&P 500 and the Consumer Staples Select Index between 2009 and 2019.⁵ PepsiCo has also overtly linked diverse representation to growth in its diversity report, making explicit that the company's ability to innovate is rooted in its diversity. Somos Pepsi, described as a value chain that respects and celebrates Hispanic culture, is built to meet the preferences of Hispanic customers in an authentic way, from the way products are developed to the way they are presented in stores. The company attributed to Somos Pepsi a two-percentage-point swing in liquid refreshment beverage sales in a \$31 billion market.⁶

So if an activated corporate purpose can deliver superior performance, what are the characteristics of a great purpose and how can leaders activate it? We recommend the following four steps for organizations to develop and activate their purpose.

Companies that put purpose at the core of their strategy can be rewarded through significantly outperforming their competitors in the marketplace.

⁴ DSM, "DSM celebrates 30 years as a listed company," February 6, 2019, dsm.com.

⁵ Indra K. Nooyi and Vijay Govindarajan, "Becoming a better corporate citizen," *Harvard Business Review*, March-April 2020, hbr.org.

⁶ Krishnan Rajagopalan and Lyndon A. Taylor, *Meeting the Inclusion Imperative: How leaders can link diversity, inclusion, and accelerated performance*, Heidrick & Struggles, April 30, 2020, heidrick.com.

Step 1: Discover and articulate

Some companies already live a great purpose every day. Their leaders, employees, and stakeholders all know what their companies stand for. But for those organizations that need to define or refresh their purpose, there are a number of steps they can take. They should start by looking at the company's customer promise, leadership intent, heritage, and future impact they want, by way of workshops, data analysis of competitive intelligence, employee feedback, customer experience among others, scenario planning, and an ongoing dialogue between leaders and company stakeholders. The exploration has to follow the tenets of a purpose-driven culture and take a two-prong approach:

- **Look from the outside-in:** What does your brand represent to customers? What is your employee promise? The answers to these questions must align with the articulation of your purpose in order for it to be effective and ring true to the public and your workforce.
- **Look from the inside-out:** What do your leaders authentically believe? A purpose should reflect their core values and intent so that they can role-model it throughout the organization. Our experience and studies on culture point to a powerful phenomenon, the shadow of the leader, in which where over time organizations take on the characteristics of their leaders,⁷ and which makes leaders' belief in the purpose vital to activation across the organization.

An important point to keep in mind is that purpose isn't static; it's a living and breathing organism that needs to evolve along with the organization. For example, a merger or acquisition or other large transformation might require creating a whole new purpose as companies combine their histories and map out new strategic goals.

The strength of a company's reputation relies to a large extent in the ability to tell a strong, coherent story in multiple ways and to stay true to the messages it communicates externally. That's why articulating the purpose through storytelling is essential in bringing their purpose to life. And while the tone is set at the top, everyone in the organization has to tell the same story through the entire arsenal of internal and external communication channels available. Microsoft, for instance, has employed a number of tactics to communicate a strong narrative around its brand, from a popular LinkedIn account of its CEO, Satya Nadella, to a Stories webpage that looks at news from the angle of how the company's purpose and values come to life, to a Story Labs page⁸ for some of Microsoft's newest innovations. It also has a Chief Storyteller, who is also the head of the Innovation, Culture & Stories team, making clear the company's belief that storytelling is essential in the way it communicates externally and making it easier to create a shared narrative.

Step 2: Provide clarity for decision making, aligning purpose with leadership behaviors

Authentic leadership, when leaders live and breathe the company's values, is central to the organization's proficiency in purpose activation. Leaders need to consistently assess their actions against the expectations raised by the company's purpose and values.⁹ That may mean, for example, making tough decisions such as letting go of high performers who perhaps don't believe in what the company stands for.

Leaders should also create an inclusive environment where employees feel comfortable challenging them and bringing in checks and balances. One simple but practical leadership behavior is to begin important communications with reference to the organization's purpose, vision, and strategy. By starting with the "why," employees consistently see the link between corporate purpose and the day-to-day decisions taken by leadership. This, in turn, gives employees permission to make their own decisions in support of the organization's higher goals.

An important point to keep in mind is that purpose isn't static; it's a living and breathing organism that needs to evolve along with the organization.

Stating your purpose

Purpose has to be clear and concise, easy to grasp, and easily translatable into everyday behaviors. Simple beats clever here, and plain but penetrating language that everyone can understand is better than jargon. Most important, a purpose statement that can be activated has a clear call to action, defining choices and creating parameters for fast decision making. Following are some examples of purpose we have seen put into powerful action:

- Doing now what patients need next (Roche)
- Making sustainable living commonplace (Unilever)
- Democratizing the skies (Southwest Airlines)
- Bring inspiration and innovation to every athlete in the world (Nike)
- Enabling Americans to perform extraordinary acts in the face of emergencies (American Red Cross)

⁷ Larry Senn and Jim Hart, "What leadership shadow do you cast?" Heidrick & Struggles, June 23, 2015, heidrick.com.

⁸ Microsoft, "Story Labs," news.microsoft.com/stories.

⁹ Rose Gailey, "Leading through the crisis by counting on purpose and values," Heidrick & Struggles, March 31, 2020, heidrick.com.

The hallmarks of a great purpose

Our work shows that a purpose that permeates all organizational layers and resonates with a wide range of stakeholders should include four main characteristics.

Purpose needs to be authentic. At the very heart of purpose lies authenticity. The organization's purpose has to be translated consistently into actions. Companies that commit, for example, to improving the lives of women in the developing world, yet fail to achieve gender pay parity in their own C-suite, should expect to be called out publicly. An inauthentic purpose is worse than not having one at all.

During the COVID-19 pandemic, many organizations have done amazing things to help humanity through this international emergency. One such example is French luxury-goods powerhouse LVMH, which owns Louis Vuitton, Bulgari, TAG Heuer, Tiffany & Co., Dom Pérignon, and many other high-end brands. To help fight COVID-19, the organization has ventured into the hand sanitizer business, repurposing some of its factories that usually produce perfume and makeup for brands such as Christian Dior and Givenchy to instead make disinfectant.

The actions of LVMH are typical in spirit of the actions hundreds of organizations worldwide are taking during the crisis. These amazing acts of altruism are also a perfect example of providing immediate visibility into the impact of your work in helping others. Thousands of employees from thousands of companies are working longer and harder than ever before, driven by a purpose that transcends the drive for profit and immediate benefits, with many saying the work is the most meaningful thing they have ever done.

Purpose has to be contemporary, timely, or timeless. A powerful purpose should be future facing but built on truths from an organization's past, such as a strong origin story, to build trust and inspire multiple generations of employees, consumers, and investors. Unilever is a company long recognized for its strong purpose and commitment to sustainable living, and it has consistently lived its goals and values. In response to the COVID-19 crisis, the company has drawn on its strengths and is working with the United Kingdom's Department for International Development to target a billion people around the world with a handwashing campaign, vital in protecting against the virus, and provide more than 20 million hygiene products in areas where they are scarce.¹⁰

Purpose needs to be personal and owned by everyone. An organization's purpose is not a formal announcement; it's the outcome and distillation of what the entire organization believes in and does every day to promote that purpose. Leading organizational psychologists Neel Doshi and Lindsay McGregor define the feeling of purpose at work as when the direct output of your work fits with your identity. Essentially, you work because you value the impact that the work has on others (customers, colleagues, society).¹¹ A willingness to take ownership for a company's success is not only critical to the bottom line but also a clear indication of a happy and high-functioning workforce. Indeed, our research shows that 60% of employees who say they work at a "purpose-driven" company feel a sense of ownership, compared to just 39% of those where the organizational purpose isn't clear.

Purpose has to be recognizable and visible to all stakeholders: lived from within, demonstrated outward. Employees aren't the only beneficiaries of a purpose-driven business. Organizations that rate high on purpose are nearly twice as likely (60% versus 31%) to have a positive impact on customer engagement compared to those that rate lower, according to our survey respondents. It's easy to understand why. Even before the COVID-19 crisis, research had revealed that consumers were more likely to change their shopping behaviors to reduce their environmental footprint,¹² which means shopping more from businesses that prioritize sustainability. The ways in which companies have responded to the crisis, both positive and negative, have had a correspondent effect on consumer shopping behavior. Multiple recent examples show that customers and other stakeholders are quick to mobilize against companies that fail to live up to their purpose.

10 Unilever, "Covid-19 handwashing campaign to target a billion people worldwide," April 2, 2020, unilever.com.

11 Lindsay McGregor and Neel Doshi, "How company culture shapes employee motivation," *Harvard Business Review*, November 25, 2015, hbr.org.

12 Nielsen, "A 'natural' rise in sustainability around the world," January 10, 2019, nielsen.com.

Step 3: Make the impact of work visible

Allied Irish Bank (AIB) has a strong purpose to “back [its] customers to achieve their dreams and ambitions.” Part of the bank is focused on supporting small businesses, providing access to capital and business banking services. One mechanism AIB uses to provide visibility to employees of the impact of its work is to present employees with gifts that have been produced by the bank’s business customers, along with a personal story from the business about how the bank has been helping it achieve its ambition.

Organizations need to systematically and creatively find ways to get employees to interact with their customers on a more human level. Whether that is by spending a day in their call center operations, bringing customers into team meetings, sharing inspiring customer stories, or engineering company trips to see their products or services in action, this needs to become a key strategic imperative.

Tracking such initiatives is one metric that can help companies measure the effectiveness of a company’s purpose. Experience, both for employees and the company’s customers, is a key metric to gauge. Employees’ identification with their company’s purpose can be tracked through a number of tools, such as engagement surveys, learning and development curricula, and employee experience initiatives. But, ultimately, the best measure of success is when they see their staff put more of their hearts and heads into the work they are doing, offering less resistance and more ideas.

Customer feedback and loyalty tracked over time are other obvious metrics that can measure whether a company is staying true to its purpose. The Twittersphere these days is pretty quick to hold a mirror to any company that preaches one thing and practices another. That makes it really important for any declaration of purpose to be preceded by a clear assessment of where the company stands on a particular issue. For instance, it would be counterproductive to broadcast a purpose linked to climate change and sustainability if a company’s pension schemes are heavily reliant on fossil fuels.

Ultimately, the best measure of success is when they see their staff put more of their hearts and heads into the work they are doing, offering less resistance and more ideas.

Step 4: Help people use their best selves in service of the purpose

As workers striving to help others through the COVID-19 crisis have shown, purpose activation becomes supercharged when employees get the chance to link their own passions and strengths—things they love doing, absorb themselves in, and seek out opportunities to do—with delivery of the organizational purpose. The work then becomes closely entwined with their own identity. As Mary O’Hara, CHRO and head of internal communications at Blue Shield of California reflected in a recent interview: “It took me a while to realize just how much energy it gives you and how extraordinary your talents can become when you feel like your purpose and your values align to the work and the environment that you’re in and the people who you’re with. If you’re going to bring your energy [and a significant amount of your time] into work, make it matter. It’s an extraordinary gift to you as much as it is to everybody else whom you’re working with.”¹³

A global asset management firm went through an exercise to craft its organizational purpose to reflect its changing role in society and to speak to multiple stakeholders. In order for leaders to personalize this purpose and make it meaningful to employees, they realized that it could not be addressed in isolation. To supercharge the effort, they integrated their employees’ unique strengths as part of their new purpose rollout. Leaders asked employees to explore their personal motivations and passions through a series of simple exercises that touched on what they loved to talk about, learn about, and teach others about—both inside and outside the organization. Leaders shared their own dreams and aspirations, and all people involved examined their signature strengths by reflecting on what people most appreciate about them, identified patterns and themes, and then shared their insights with mentors and trusted friends. Then, leaders encouraged employees to identify ways they could use their strengths more often in service of the company’s purpose.

¹³ Heidrick & Struggles, “Leading by example to transform healthcare: The leadership journeys of Blue Shield’s CEO and CHRO,” February 11, 2020, heidrick.com.

Keeping purpose active

Considering the ongoing volatility of the business ecosystem, even established companies have had to revisit their purpose to see if it has stood the test of time and remains relevant enough to engage new generations of stakeholders. For example, Apple reframed its purpose through innovation, starting with the iPod. It dropped “computer” from its name, signaling a shift to a broader purpose of changing people’s lives for the better.¹⁴ And the growing corporate focus on environmental, social, and governance (ESG) and wider sustainability issues has had a strong impact across sectors but is particularly visible in the energy sector, where renewable energy has grown into its own: in 2017, the global renewable energy market was valued at \$928 billion and is expected to grow to \$1,512 billion by 2025.¹⁵ Traditional energy players have started to factor sustainability into their purpose and strategy: for example, Equinor, a Norwegian-based international company, changed its name from Statoil to reflect its reframed purpose (“Turning natural resources into energy for people and progress for society”).¹⁶

Such reconsiderations are worth the investment of leaders’ time and attention. Organizations that cling to profitability alone cannot expect to reset for resilience without experiencing high levels of customer churn and employee attrition. Purpose, combined with profitability, is critical to guiding businesses to outcomes that are fueled by a sense of urgency among employees to make the world a better place and built on cultures that value integrity and commitment. The public at large is paying close attention to how companies around the world are managing today, how they treat their customers and employees, and if and how they step up to support their communities. In the long run, these actions—when truly aligned with a meaningful organizational purpose—will have an outsize impact on every organization’s ability to build and enhance the trust society has invested in them.

Considering the ongoing volatility of the business ecosystem, even established companies have had to revisit their purpose to see if it has stood the test of time and remains relevant enough to engage new generations of stakeholders.

¹⁴ Todd Hewlin and Scott Snyder, *Goliath’s Revenge*, Hoboken, NJ: John Wiley & Sons, 2019.

¹⁵ Allied Market Research, “Renewable energy market,” May 2019, alliedmarketresearch.com.

¹⁶ Equinor, “About our name change,” equinor.com.

About the authors

Alice Breeden

is the leader of Heidrick Consulting’s Center of Excellence in CEO & Board and Team Acceleration; she is based in Heidrick & Struggles’ London office.

abreeden@heidrick.com

Rose Gailey

is the leader of Heidrick Consulting’s Center of Excellence in Organization Acceleration and Culture Shaping; she is based in the Costa Mesa office.

rgailey@heidrick.com

Duncan Wardley

is a partner in the London office and a member of Heidrick Consulting.

dwardley@heidrick.com

Heidrick Consulting

We work across practices and offices to address our clients' most pressing challenges, bringing together our expertise in:

- Leadership assessment, development, and coaching
- CEO, board, and team acceleration
- Organization acceleration and culture shaping
- Digital acceleration and innovation

Our breakthrough analytical tools use data and technology to bring science to the art of human capital development and organizational design. Paired with our groundbreaking approach to culture shaping and digital transformation, our clients can shift their mindsets to deliver measurable, lasting changes in performance and thrive in the new era of digital disruption.

As one united team, we acquire a deep understanding of the threats and opportunities our clients face and then bring together a customized configuration of tools, approaches, and experts needed to address them. The result: great leaders, effective teams, and powerful, adaptive cultures that can accelerate performance, effect transformative change, and boldly create the future you envision.

Leaders of Heidrick Consulting

Global	Andrew LeSueur New York alesueur@heidrick.com
--------	---

Europe and Africa	Dustin Seale London dseale@heidrick.com
-------------------	---

Asia Pacific	Ian Johnston Singapore ijohnston@heidrick.com
--------------	---

Middle East and Emerging Markets	Markus Wiesner Dubai mwiesner@heidrick.com
----------------------------------	--

Heidrick Consulting's Centers of Excellence leaders

CEO & Board and Team Acceleration	Alice Breeden London abreeden@heidrick.com
-----------------------------------	--

Organization Acceleration and Culture Shaping	Rose Gailey Costa Mesa rgailey@heidrick.com
---	---

Leadership Assessment, Development, and Coaching	Sharon Sands London ssands@heidrick.com
--	---

Digital Acceleration and Innovation	Scott Snyder Philadelphia ssnyder@heidrick.com
-------------------------------------	--

WE HELP OUR CLIENTS CHANGE THE WORLD,
ONE LEADERSHIP TEAM AT A TIME®

Copyright © 2020 Heidrick & Struggles International, Inc. All rights reserved. Reproduction without permission is prohibited. Trademarks and logos are copyrights of their respective owners.