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How to Lead with Purpose

Advice on
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mission, guiding
your team,
and creating
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value



Plus:
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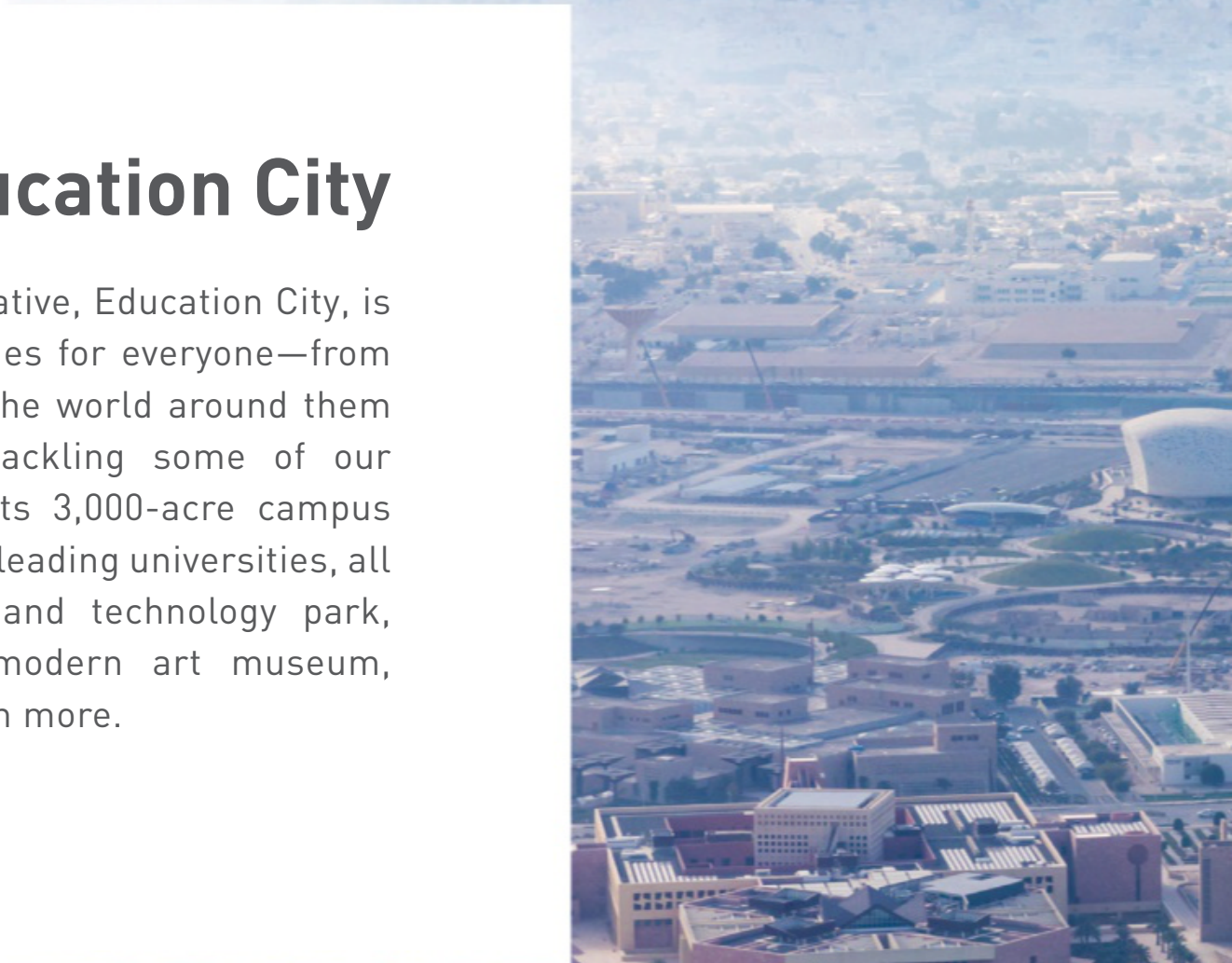
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Finding the Why in What You Do

WORK SHOULD FEEL meaningful. But how does a leader ensure that's true for every person in his or her organization? The collection of articles in this special issue can serve as a guide.

Whether you lead a large company or a small start-up, you will learn how to craft a corporate purpose that pushes people to work toward that common goal. In "Why Are We Here?" Sally Blount of Northwestern University's Kellogg School of Management and Paul Leinwand of PwC explain why that starts with a well-articulated purpose statement, followed by hiring practices, work priorities, and investment to back it up. It's not always easy to pinpoint the right purpose, they note, but the effort will pay dividends.


Increasingly, your purpose will need to center on not just your own employees, shareholders, and customers but also a greater social good. Michael E. Porter of Harvard Business School and Mark R. Kramer of HBS and FSG make this case in their game-changing article "Creating Shared Value," while their HBS colleagues Aaron K. Chatterji and Michael W. Toffel explain exactly what it takes to become one of "The New CEO Activists." (Spoiler: lots of careful

thought about which issues matter and how and when to weigh in.)

Remember, too, that everyone—especially you and your direct reports—should find a way to personalize and internalize the mission. In "From Purpose to Impact," Nick Craig of the Core Leadership Institute and HBS's Scott A. Snook offer a step-by-step guide for doing just that. And a host of other scholars and practitioners—from Morten Hansen of the University of California, Berkeley, to Tomas Chamorro-Premuzic of ManpowerGroup—add advice on how individuals and teams can use meaning to stay motivated, avoid burnout, enhance collaboration, and boost productivity, performance, and well-being.

At Harvard Business Publishing, we've tried to take all these lessons to heart. Our purpose is "to improve the practice of management and its impact in a changing world." From the boardroom to the mail room, we're united in that pursuit. And we hope that, after reading the pieces in the following pages, you'll be better equipped to join us.

– *The Editors*

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Contents



Culled by the editors of *Harvard Business Review* from the magazine's rich archives, these articles are written by some of the world's leading management scholars and practitioners. To help busy leaders apply the concepts, they are accompanied by "Idea in Brief" summaries.

Building Corporate Purpose

Why Are We Here? | 12

Sally Blount and Paul Leinwand

Put Purpose at the Core of Your Strategy | 18

Thomas W. Malnight, Ivy Buche, and Charles Dhanaraj

Creating a Purpose-Driven Organization | 26

Robert E. Quinn and Anjan V. Thakor

The Dual-Purpose Playbook | 34

Julie Battilana, Anne-Claire Pache, Metin Sengul, and Marissa Kimsey

Your Company's Purpose Is Not Its Vision, Mission, or Values | 42

Graham Kenny

Your Corporate Purpose Will Ring Hollow If the Company's Actions Don't Back It Up | 43

Graham Kenny

How to Instill Purpose | 45

John Baldoni

Four Hard Questions to Ask About Your Company's Purpose | 46

Dominic Houlder and Nandu Nandkishore

Purpose Is Good—Shared Purpose Is Better | 48

Mark Bonchek

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Building Corporate Purpose
continued

Successful Startups Don't Make Money Their Primary Mission | 50

Kevin Laws

Too Many Pivots, Too Little Passion | 51

Daniel McGinn

Serving Society

Creating Shared Value | 54

Michael E. Porter and Mark R. Kramer

Competing on Social Purpose | 70

Omar Rodríguez Vilá and Sundar Bharadwaj

The New CEO Activists | 80

Aaron K. Chatterji and Michael W. Toffel

Finding Your Own Purpose

From Purpose to Impact | 90

Nick Craig and Scott Snook

How Senior Executives Stay Passionate About Their Work | 98

Jacob Morgan



You Don't Find Your Purpose—You Build It | 100

John Coleman

How to Find Meaning in a Job That Isn't Your True Calling | 101

Emily Esfahani Smith

Finding Meaning at Work, Even When Your Job Is Dull | 103

Morten Hansen and Dacher Keltner

What to Do When Your Heart Isn't in Your Work Anymore | 105

Andy Molinsky

You're Never Done Finding Purpose at Work | 106

Dan Pontefract

When Passion Leads to Burnout | 108

Jennifer Moss

Leading a Purposeful Team

The Power of Small Wins | 110

Teresa M. Amabile and Steven J. Kramer

How to Make Work More Meaningful for Your Team | 120

Lewis Garrad and Tomas Chamorro-Premuzic

Five Questions to Help Your Employees Find Their Inner Purpose | 122

Kristi Hedges

How to Motivate Employees to Go Beyond Their Jobs | 123

Mark C. Bolino and Anthony C. Klotz

Every Generation Wants Meaningful Work—but Thinks Other Age Groups Are in It for the Money | 125

Kelly Pledger Weeks

Executive Summaries | 128

KIKI LUNG, FOLIO ART

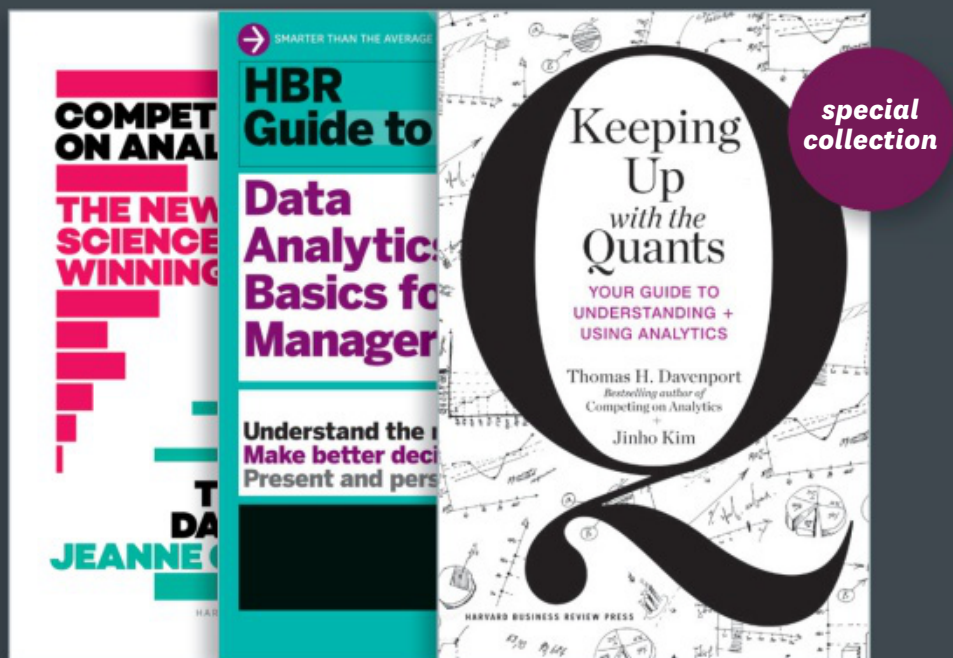


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Why Are We Here?

If you want employees who are more engaged and productive, give them a purpose—one concretely tied to your customers and your strategy.

→ by SALLY BLOUNT and PAUL LEINWAND

OVER THE PAST DECADE, “purpose” has become a management watchword. Since 2010 it has appeared in the titles of more than 400 new business and leadership books and thousands of articles. And no wonder: Many people—not just Millennials—want to work for organizations whose missions and business philosophies resonate with them intellectually and emotionally.

Yet many enterprises struggle to define, much less live, their purpose. Read a typical purpose statement and you may find generic goals such as “being the company of choice” and “maximizing shareholder value.” Statements like those miss the heart of what drives a successful business. They don’t speak to what the firm actually does or who its customers are. Other statements include high-minded but vague aspirations—for example, “inspiring people to put their best selves forward every day” and “spreading the power of optimism.” These, too, fail to answer the questions *What is your reason for existing? What*

value are you giving your customers? and Why is your firm uniquely capable of providing it?

A truly powerful purpose statement is one that achieves two objectives: clearly articulating strategic goals and motivating your workforce. These objectives are important individually and synergistically. When your employees understand and embrace your organization’s purpose, they’re inspired to do work that not only is good—and sometimes great—but also delivers on your stated aims.

Indeed, it’s hard to imagine how your employees can perform if they don’t understand your company’s purpose. How can they come to work every day ready to further the business if they don’t know what your organization is trying to accomplish and how their jobs support those goals? Yet in a recent survey of more than 540 employees worldwide conducted by PwC’s strategy consulting business, Strategy&, only 28% of respondents reported feeling fully connected to their company’s purpose. Just 39%

said they could clearly see the value they create, a mere 22% agreed that their jobs allow them to fully leverage their strengths, and only 34% thought they strongly contribute to their company’s success. More than half weren’t even “somewhat” motivated, passionate, or excited about their jobs.

All this adds up to a crisis of purpose: Workers feel lost. And over time, a lack of direction saps motivation; people begin backing away from the challenges required to achieve the firm’s articulated goals.

The good news is that purpose holds great potential to inspire. In the survey just cited, employees considered it to be more than twice as important, on average, as traditional motivators such as compensation and career advancement. At companies that have clearly defined and communicated how they create value, 63% of employees say they’re motivated, versus 31% at other companies; 65% say they’re passionate about their work, versus 32% at other companies. And these purpose-driven organizations reap substantial benefits: More than 90% of them deliver growth and profits at or above the industry average, according to Strategy& research and analyses.

To ensure that your firm’s purpose can create strategic clarity and motivate employees, you must ask this fundamental question: Does it speak to your unique value? From there, you’ll need to ensure that your structure, systems, and resourcing equip your employees to bring it to life.

In our work as consultants, educators, advisers, and board members, we’ve encountered numerous companies wrestling with how to effectively articulate





their purpose. In many cases either their efforts are disconnected from the two key objectives or they target just one—they seek to motivate employees *or* translate strategy for external audiences. We often ask senior leaders: Can employees three, four, and five layers away from the C-suite say what your company does that adds unique value? Can they explain how that relates to what they do? Some of the most successful private-equity investors we know pursue those questions in the hallways and on the shop floor as part of their due diligence when considering whether to buy a firm. As they’ve found, and as we’ve observed ourselves, the lack of clarity can be striking.

In what follows, we explore the elements of a well-articulated purpose and the actions needed to deliver on it.

Your Purpose Is Your Promise to Customers

In an ideal world, every organization would create, communicate, and live a purpose firmly grounded in its customers. Businesses are born and survive past start-up because they uniquely meet some set of customer needs. They succeed and grow when their purpose remains fresh and when they connect it to their employees’ work.

One of the challenges that many companies face in distilling their purpose for their employees is the variety of “statements” that they issue (see the sidebar “The Statement Debate”). In our view, the fewer statements the better. Leaders need to clearly communicate why the company exists (what value it creates and for whom) in a manner that is easy

for employees to find, understand, and reference at work.

In evaluating whether your firm has effectively articulated its reason for being, you will want to consider the following questions:

- Is our stated purpose *relevant* to a set of customers or users with the potential to buy our products or services? Is it clear whose lives or businesses we are improving in some way, large or small?
- Is our purpose *unique*? What hole would be left in the marketplace if we disappeared?
- Are we the *rightful owner* of our purpose? Do we have or can we build the capabilities to excel at it? Can we fulfill it more effectively and efficiently than our competitors?

Let’s examine how some companies have addressed those questions in purpose statements that fuel their success.

IKEA, the world’s largest furniture manufacturer and retailer, has a clear message about the value it offers. It promises “to create a better everyday life for the many people”—as distinct from the affluent few—by “offering a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.” The company makes good on that promise by developing keen insights into the ways customers live, translating those insights into products, designing attractive furniture that ships and sells in flat boxes, and using a highly efficient, scalable manufacturing and supply chain.

IKEA’s purpose has long been evident: Founder Ingvar Kamprad got into the home-furnishings business expressly to serve people of limited means whose

only way to acquire furniture was to make or inherit it. He stayed true to that aim even when early competitors, upset about IKEA’s low prices, organized a suppliers’ boycott of the company. Rather than charge his customers more, Kamprad added the necessary capabilities, bringing design in-house and turning to new sources—Eastern European countries—for manufacturing.

Henry Schein, a global provider of products and services for medical and dental practitioners, has a similarly well-defined purpose: “to provide innovative, integrated health care products and services, and to be trusted advisors and consultants to our customers—enabling them to deliver the best quality patient care and enhance their practice management efficiency and profitability.” To that end, the company focuses on building “relationships deeply rooted in trust and reliability.” It made an explicit choice to go beyond selling products and offer solutions to customers, thereby carving out a valuable and unique position. This meant not only matching competitors’ abilities to provide and service large equipment but adding practice-management software and digital technologies that help clients improve their operations. Additionally, the firm trains its salespeople in educating and advising practitioners on equipment financing, marketing and communications tools, regulatory compliance, and other matters.

Lego, the world’s largest toy company, doesn’t just sell toys; it strives for “the development of children’s creativity through play and learning.” To fulfill that promise, it designs compelling sets of blocks that can be assembled in

myriad ways. Just as critically, it fosters online and in-person communities of enthusiasts of all ages, in order to inspire ongoing engagement, learning, creativity, and innovation. It does this through initiatives such as the Ambassador Network, a communication and support platform for adult fans; Lego Ideas, a website that lets users submit ideas for new Lego sets; galleries featuring users' creations; and Lego Life, a social media network for kids. Over the past 20 years the number of known Lego user groups has blossomed from 11 to 328, with active members totaling in the hundreds of thousands. These users have uploaded photos, drawings, and instructions for more than 450,000 of their own Lego creations. All this fan activity represents a vast library of ideas available free to anyone, and it's an invaluable component in Lego's fulfillment of its purpose.

Building an Organization That Delivers on Your Purpose

Clearly articulating your purpose is only the beginning, of course. A great purpose statement is of limited use—and might be counterproductive—if your organization cannot execute on it. Employees who see a powerful purpose statement but face organizational roadblocks will be unable to achieve the priorities you've laid out. When that happens, your purpose statement will only generate frustration and cynicism and decrease motivation among your workforce. And your customers will ultimately take notice.

To ensure execution of your purpose, you must:

Be a magnet for the right talent.

You will need the right people, in the right roles, to achieve your organizational goals and competitive distinctiveness. Current models of talent development often aspire to build greatness everywhere. Frankly, that's unrealistic. Companies need to make choices in the war for talent. No organization can afford

to hire top people across the board—and even if one could, it would struggle to attract and retain individuals whose skills do not align with the company's purpose and who will therefore not be motivated by the environment and the available career options.

What are the few capabilities at which your organization must excel to fulfill its purpose? Those will involve highly specific skills and should drive decisions about which jobs require top talent. Don't fall into the trap of hoping that functional generalists will bring expertise in the areas that are critical for your purpose. Also take into account the key technologies you use; your people must mesh with your information and operating systems. And remember that less-vital roles, and roles for which your firm doesn't need year-round support, may be better filled by high-quality outside contractors than by in-house personnel.

Consider Apple, which grew to prominence by distinguishing itself through pathbreaking, user-friendly design. To achieve that, former CEO Steve Jobs elevated the entire design team, bringing in superior talent to help shape a wide array of products and services, including its electronic devices, software user interfaces, and the retail store experience. Apple even created a seat at the management table for a chief design officer—quite unusual for a technology company. In doing so, it underscored for all employees the value and interconnectedness of the design team's activities. The company was able to attract and retain not only world-class product designers but also top designers from fashion and retail because Jobs understood and signaled the vital role design played in carrying out Apple's purpose.

Connect with intention across boundaries. Once you have the right people with the right skills, you should configure your organization to allow them to accomplish everything your purpose demands. Nearly every important



Idea in Brief

THE PROBLEM

Many employees feel disconnected from their organization's purpose. In a recent survey, just 39% said they could clearly see the value they create. More than half weren't even "somewhat" motivated, passionate, or excited about their jobs.

THE SOLUTION

Organizations need a clearly articulated purpose statement that answers these questions: What is your reason for existing? What value are you giving your customers? Why is your firm uniquely capable of providing it?

HOW TO IMPLEMENT IT

Companies must attract the right people, in the right roles; break down silos to facilitate cross-functional collaboration; invest behind the firm's purpose; and make sure leaders personify that purpose through their words and actions.

initiative, whether it's revenue growth, cost reduction, or new-product innovation, requires insights and actions from across the organization. So you need to break down your silos, be they functional, geographic, or customer-based.

The most popular "human technology" for gathering an organization's best thinking and expertise on a complex topic is the cross-functional team. But most organizations' experience with such teams has been checkered at best. Too often the teams get inadequate time and involvement from their members or fail to receive the financial resources and senior-management attention needed to excel.

The Statement Debate

Within companies, people may disagree about the differences between purpose statements, mission statements, vision statements, and the like. If you examine corporate websites, you'll find little uniformity regarding which of the various terms are used, and how. The multiplicity of constructs only adds to the challenge of writing a strong purpose statement. We've seen too many discussions about purpose devolve into semantic arguments or result in a proliferation of disparate messages. Rather than endlessly debate labels or the need for different types of statements, you should provide your employees, customers, and investors with clarity on three things:

1. Why does your organization exist?

This is the place to start, and it boils down to a simple issue: Whose needs are you here to meet, and how are you uniquely equipped to do that? For firms, that means asking "What value do we bring to customers that motivates them to pay us?" For nonprofits, the question is "What social value do we provide that entitles us to receive donations or tax dollars or both?"

2. How does your organization do business, and what principles guide its decisions?

It's important to consider all your core stakeholders, whether or not they are identified in your purpose statement. These might include the local community in which you operate, state regulators, and suppliers, to name just a few. Given these stakeholders, what values should guide your employees? What type of work environment, customer experiences, and other interactions do you seek to create as you do business each day, and how do you help your employees understand the ways those connect to and further your purpose?

3. Where does your company aspire to be in X years?

As you work hard today, what are you striving to create in the long term? To keep growing in scale and impact, strong leaders help their firms articulate and aim for something more. In our experience, the best firms are very specific about future performance goals, the time frame for achieving them, and the metrics with which they will be judged.

To avoid those pitfalls, you can go in one of two ways. You can improve the mechanisms that help cross-functional teams work effectively. That means freeing members from some duties in their "home" departments and assigning a team's work product to a senior executive whose performance metrics are designed to ensure its success. Or you can change your organizational structure, assembling people with diverse functional skills into permanent cross-functional units. For example, innovation teams often include individuals from research, engineering, marketing, and finance.

Here, too, IKEA is a case in point. In many companies, products are designed by people who have no direct responsibility for managing expenses. Once created, the designs go to the supply chain team or the finance team or both for cost estimates, and a marketing or sales team then determines pricing. The process generally involves many iterative rounds to revisit design assumptions. Things work differently at IKEA: Employees from design, finance, manufacturing, and the broader supply chain work together to create products that are optimized for cost from the beginning. For example, designers continually work on packaging to shave down materials, maximize the pieces that can fit in a container, and keep packages to a manageable weight and size for customers to carry home. This cross-functional integration gives the firm advanced design capabilities at a highly competitive cost—key factors in differentiating the company and enabling it to achieve its purpose.

Invest behind your purpose. Nothing is more demotivating for employees than working on something that has been identified as critical but is not receiving adequate time, attention, or funding. In areas that matter most to your purpose, your goal should not be to achieve functional excellence or even to meet external marketplace benchmarks on items such as staffing and market spend, but to invest more than your competitors

so that you can deliver the value you promise. You can be thrifty elsewhere.

Just as acquiring the right talent involves difficult choices, budgeting for purpose means making hard decisions about allocations. If you aren't investing disproportionately in the capabilities your purpose requires, your purpose statement is what economists call "cheap talk."

CEMEX, the Mexico-based cement and concrete company, set a goal of becoming its customers' core partner on building projects from start to finish, providing support and advice on everything from selecting optimal sites to procuring permits to managing large construction jobs. To that end, it has invested heavily in its sales force, whose members are charged with developing strong relationships with senior officials at municipal clients. The company also began hiring a new kind of executive, recruiting individuals who meet with community leaders and, throughout the construction process, share their input with others in the organization, enabling it to prepare highly differentiated solutions for customers. To afford those investments, CEMEX doubled down on operational efficiency and instituted a companywide program to reduce expenses—for example, by using alternative energy sources such as municipal waste.

Make sure your leaders model your purpose. Strong leaders personify their organization's purpose every day through their words and actions, whether that involves communicating priorities to the workforce or visibly spending time with employees and customers.

Take Danaher, a global science and technology innovator. To fulfill its commitment to developing technologies that solve customers' most complex challenges, it relies on the Danaher Business System, which drives continuous improvement across product and company boundaries. The top 20 Danaher executives routinely get together to discuss

WHAT IS AVAXHOME?

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useful tools and techniques, learning everything they can from one another. Former CEO Larry Culp instituted a biannual *kaizen* activity in which he and each of his direct reports would spend a week working at a struggling plant. All senior executives regularly offer instruction on the tools in which they are certified, often in parts of the company that don't report directly to them; having leaders spend time facilitating teams outside their own group sends a powerful message.

Your workforce will closely attend to whether leaders follow through on the tough decisions required to bring your purpose to life. Will they shed a business that is not in line with the company's reason for existing, as Philips did with the 2013 divestment of its consumer electronics division, and as Novartis recently did in spinning off Alcon eye care?

In a 2014 interview in which he discussed Lego's troubles some years earlier, then-CEO Jørgen Vig Knudstorp acknowledged that the toy company had "lost its way in terms of understanding its own self-identity." He described how he made it go back to basics, starting with "that fundamental question: why do you exist?" and moving to "only doing the things where we had unique advantage." To restore its position in the industry, the company embarked on a significant turnaround program, which included divesting or discontinuing products that were not in sync with its core purpose. For example, it sold four theme parks and its video-game development division.

RETHINKING PURPOSE CAN be immeasurably beneficial for the synergistic goals of strategic clarity and employee

motivation. A company's board has an increasingly important role to play in holding management accountable for that effort. In fact, with CEO tenure averaging only about five years, boards have not only more longitudinal power but, some would argue, a fiduciary responsibility to attend to a company's purpose and its ability to live it. Board members should be asking the management team tough questions, which might include:

- If we were to put our purpose statement alongside a competitor's, could our employees identify which one was ours?
- If we polled employees, how many could say what our purpose is?
- Do our employees have the resources required to deliver on our promises to customers?

Although those questions are quite intuitive, we know from experience that many senior executives are not adequately addressing them—either because they don't fully appreciate the importance of purpose in strategic planning, because they are too focused on short-term financial performance, or because addressing these questions shines a light on fundamental corporate vulnerabilities. Boards, therefore, must play a pivotal role in keeping management attuned to their organization's *raison d'être*.

In "The Error at the Heart of Corporate Leadership" (HBR, May–June 2017), Joseph Bower and Lynn Paine wrote, "A company's health—not its shareholders' wealth—should be the primary concern of those who manage corporations." We would suggest that your company's long-term health rests on a firm understanding of who your customers are and

how you provide unique value to them. Defining, communicating, and fulfilling that purpose is the job of an organization's leaders—and worthy of board oversight, as the Business Roundtable's new "Statement on the Purpose of a Corporation" makes clear.

As much as you may try to motivate employees with slogans or extrinsic rewards, you won't achieve excellence if your people don't know why they are coming to work every day *at your firm*. The clearer you can be about what value your company creates and for whom, the greater your ability to inspire your workers. And the more you align the right talent, operating model, and financial resources to support your purpose, the better able employees will be to deliver on it.

Purpose is the key to motivation—and motivated employees are the key to realizing your purpose. Get this symbiotic relationship right, and your organization will thrive. ☺

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BUILDING CORPORATE PURPOSE

ORIGINALLY PUBLISHED SEPTEMBER–OCTOBER 2019

Put Purpose at the Core of Your Strategy

It's how successful companies
redefine their businesses

→ by THOMAS W. MALNIGHT, IVY BUCHE
and CHARLES DHANARAJ

EIGHT YEARS AGO we launched a global study of high growth in companies, investigating the importance of three strategies known to drive it: creating new markets, serving broader stakeholder needs, and changing the rules of the game. What we found surprised us. Although each of those approaches did boost growth at the organizations we studied, there was a fourth driver we hadn't considered at all: purpose.

Companies have long been encouraged to build purpose into what they do. But usually it's talked about as an add-on—a way to create shared value, improve employee morale and







commitment, give back to the community, and help the environment. But as we worked with the high-growth companies in our study and beyond, we began to recognize that many of them had moved purpose from the periphery of their strategy to its core—where, with committed leadership and financial investment, they had used it to generate sustained profitable growth, stay relevant in a rapidly changing world, and deepen ties with their stakeholders.

Two Critical Roles

In the course of our research, we talked to scores of C-level executives. They worked at 28 companies—in the United States, Europe, and India—that had had an average compound annual growth rate of 30% or more in the previous five years. What we learned from those conversations was that purpose played two important strategic roles: It helped companies *redefine the playing field*, and it allowed them to *reshape the value proposition*. And that, in turn, enabled them to overcome the challenges of slowing growth and declining profitability.

ROLE 1

Redefining the playing field.

What's a key difference between low-growth and high-growth companies? The former spend most of their time fighting for market share on one playing field, which naturally restricts their growth potential. And because most aggressive battles take place in industries that are slowing down, gains in market share come at a high cost, often eroding profits

and competitive advantage as offerings become commoditized.

High-growth companies, by contrast, don't feel limited to their current playing field. Instead, they think about whole ecosystems, where connected interests and relationships among multiple stakeholders create more opportunities. But these firms don't approach ecosystems haphazardly. They let purpose be their guide.

Consider the different strategies adopted by the two leading companies in the pet-food industry: Nestlé Purina PetCare, the largest player in North America; and Mars Petcare, the global leader. The companies have defined very similar purposes for themselves—"Better with pets" (Purina) and "A better world for pets" (Mars Petcare)—and both want to develop new products that will help customers improve their pets' health. But Purina has continued to focus on the pet-food playing field and is applying purpose in some inspiring social initiatives, whereas Mars Petcare is using purpose to propel its expansion in the broader field of pet health.

Mars Petcare, which had established a foothold in pet health with the acquisition of Banfield Pet Hospital in 2007, decided to build its presence in that arena by buying two other veterinary services: BluePearl in 2015 and VCA in 2017. Then in 2018 Mars Petcare entered the European veterinary market, buying the Swedish company AniCura, which has operations in seven European countries, and the British company Linnaeus. Those acquisitions helped Mars Petcare become Mars Inc.'s largest and fastest-growing business division.

In moving deeper into this larger ecosystem, Mars Petcare did more than just capitalize on a burgeoning industry. It also shifted its orientation beyond products to services, a radical change for an asset-heavy company that for 75 years had relied on the production and sale of goods. To succeed, the company had to build completely different core competencies and devise a new organizational structure. Many companies in this dangerously open-ended situation might have flailed, but Mars Petcare did not. It was able to pull off a transformation because it ensured that every move it made was aligned with the same core purpose. And it's not done yet: The company is now bringing that sense of purpose to efforts to expand into pet-activity monitoring with "smart" collars.

Another company that has used purpose to redefine the playing field, this time in the industrial sector, is the Finnish oil-refining firm Neste. For more than six decades Neste, founded in 1948, operated a business focused almost entirely on crude oil, but by 2009 it was struggling. The market was glutted, oil prices had dropped sharply, margins were falling, and the EU had passed new carbon-emissions legislation. During the previous two years the company's market value had shrunk by 50%.

Fighting those headwinds, the executive team, led by Neste's new CEO, Matti Lievonon, realized that the company could no longer survive on its traditional playing field. It would have to look for new opportunities in the larger ecosystem. Renewable energy could be a key driver of growth, they realized. Their purpose, they decided, should be to develop sustainable sources of

energy that would help reduce emissions, and everything they did would be guided by a simple idea: “Creating responsible choices every day.”

It’s common for major oil companies to nod to sustainability in some way, but Lievonen quickly proved that Neste meant business, launching a bold transformation that would become a seven-year journey. Employees, customers, and investors all initially resisted the change, but Lievonen and his team were undaunted. They made major investments in infrastructure, innovated renewable technologies, focused on converting customers to green energy solutions, and, most important, engineered a fundamental change in the company’s culture.

The process wasn’t easy. When Lievonen was just three months into his tenure, a leading economic magazine in Finland published an article saying that he should be fired. He soldiered on, however, and by 2015 Neste had established itself as the world’s largest producer of renewable fuels derived from waste and residues. A year later its comparable operating profits from renewables would surpass those of its oil-products business. In 2017 the company took yet another step by actively researching and promoting the use of waste feedstock from new sources such as algae oil, microbial oil, and tall oil pitch.

ROLE 2

Reshaping the value proposition. When confronted with eroding margins in a rapidly commodifying world, companies often enhance their value propositions by innovating products,

services, or business models. That can bring some quick wins, but it’s a transactional approach geared toward prevailing in the current arena. Because a purpose-driven approach facilitates growth in new ecosystems, it allows companies to broaden their mission, create a holistic value proposition, and deliver lifetime benefits to customers.

Companies can make this shift in three main ways: by responding to trends, building on trust, and focusing on pain points.

Responding to trends. In line with its purpose of “contributing to a safer society,” Sweden’s Securitas AB, a security company with 370,000 employees, has traditionally offered physical guarding services. But in the early 2010s its CEO at the time, Alf Göransson, saw that globalization, urbanization, and the increasingly networked business landscape were all changing the nature of risk—for people, operations, and business continuity. At the same time, labor was becoming more expensive, and new technologies were becoming cheaper. Given those developments, Göransson decided that Securitas could no longer “simply sell man-hours.” Instead, the company had to explore new ways of using electronics to provide security. This shift, Göransson understood, was not a threat to the existing business but an opportunity to grow—as indeed it has proved to be.

In 2018 the company decided to go a step further and reshape its value proposition from reactive to predictive security, a plan that once again built on the company’s core purpose. Under the leadership of Göransson’s successor, Magnus Ahlqvist, the firm strengthened



Idea in Brief

THE CHALLENGE

Companies pursuing high growth tend to follow three well-known strategies: creating new markets, serving broader stakeholder needs, and changing the rules of the game. But there’s another critical growth driver: purpose.

THE INSIGHT

Many companies consider purpose merely an add-on to their strategy, but the most successful companies put it at the core, using it to redefine the playing field and reshape their value propositions.

THE BENEFITS

A purpose-driven strategy helps companies overcome the challenges of slowing growth and declining profits. It also helps with the soft side of management: the people-related aspects of running a business, which so often prove to be the undoing of leaders.

■ The focus of the discovery process is internal: Where have we come from? What makes us unique? Where does our DNA open up future opportunities we believe in?

its electronic security business by acquiring a number of companies, investing heavily in modernizing and integrating back-office systems, and training its guards in remote surveillance, digital reporting, and efficient response. That allowed Securitas to offer bundled, customized security solutions—encompassing physical guarding, electronic security, and risk management—that provided a much-enhanced level of protection at an optimized cost. By expanding its value proposition in this way, Securitas has been able to strengthen client relationships and significantly increase its margins for the solutions business. From 2012 to 2018 the company’s sales of security solutions and electronic security also increased, from 6% of total revenue to 20%.

Building on trust. When Mahindra Finance, the financial services arm of the Mahindra Group, a \$20 billion Indian conglomerate, wanted to define its value proposition, it looked to its parent company’s longtime purpose-driven strategy of improving customers’ lives—encapsulated in 2010 by the simple motto “Rise.” It’s a word that the company’s third-generation leader, Anand Mahindra, expects will inspire employees to accept no limits, think alternatively, and drive positive change.

In keeping with that strategy, Mahindra Finance decided to target its core offering, vehicle financing, to rural areas, where it could—as Rajeev Dubey, the group head of HR, put it to us—“address the unmet needs of underserved customers in an underpenetrated market.”

That meant that the company had to figure out how to determine the creditworthiness of customers who were

mostly poor, illiterate, and unbanked, with no identity documents, no collateral, and cash flows that were often impacted by monsoons. To do that, the company had to develop completely new ways to handle loan design, repayment terms, customer approval, branch locations, and disbursement and collection in cash. Not only that, but it had to figure out how to recruit workers who could speak local dialects, assess local situations, and operate under a decentralized model of decision making.

Remarkably, the company managed to do all those things and established a preliminary level of trust with its customers. It then stretched its value proposition to help farmers and other customers obtain insurance for their tractors, lives, and health. In a country where insurance penetration is abysmally low (about 3.5%), this was no small feat, especially since rural residents didn’t easily part with any minuscule monthly surplus they had, even if it was to secure their livelihood.

Then Mahindra Finance extended its purpose-driven efforts to housing finance, another arena in which it recognized that it could help its rural customers rise above their circumstances. For most of those people, securing loans for housing was difficult in the extreme. Banks offered loans at an interest rate of about 10% but demanded documentation most rural residents couldn’t provide. Moneylenders offered instant financing but charged interest rates of about 40%. Recognizing an opportunity, Mahindra Finance decided to play at the intermediate level, offering customized home loans at rates of about 14%, an option that appealed to its growing

base of customers. And when some of those customers developed successful small agribusinesses, they began looking for working-capital loans, equipment loans, project finance, and so on—more unmet needs that Mahindra Finance could address. So it extended its value proposition again, into the small-to-medium-enterprise arena, offering finance and asset-management services.

Throughout its expansion, Mahindra Finance was guided by its goal of helping rural citizens improve their lives. The company identified and committed itself to value propositions that allowed it to deepen its relationship with its customers, which in turn created additional streams of revenue and profits. Today Mahindra Finance is India’s largest rural nonbanking financial company, serving 50% of villages and 6 million customers.

Focusing on pain points. We’ve already seen how Mars Petcare’s health care value proposition led to direct connections with pet owners at multiple touchpoints. Having established them, the company looked for other ways to create “a better world for pets.” How could it come up with a value proposition that would make pet ownership a seamless, convenient, and attractive experience?

The answer was by investing in technology to help address one of the biggest concerns of pet owners: *preventing* health problems. In 2016 the company acquired Whistle, the San Francisco-based maker of a connected collar for activity monitoring and location tracking—a kind of Fitbit for dogs. Teaming the device up with its Banfield Pet Hospital unit, the company launched the Pet Insight Project, a three-year longitudi-



nal study that aims to enroll 200,000 dogs in the United States. By combining machine learning, data science, and deep veterinary expertise, the project seeks to understand when behavior may signal a change in a pet's health and how owners can partner with their veterinarians on individualized diagnostics and treatments for their pets.

Developing a Purpose

Leaders and companies that have effectively defined corporate purpose typically have done so with one of two approaches: *retrospective* or *prospective*.

The retrospective approach builds on a firm's existing reason for being. It requires that you look back, codify organizational and cultural DNA, and make sense of the firm's past. The focus of the discovery process is internal. Where have we come from? How did we get here? What makes us unique to all stakeholders? Where does our DNA open up future opportunities we believe in? These are the kinds of questions leaders have to ask.

Anand Mahindra very successfully employed this tactic at the Mahindra Group. First he looked back at his 30 years at the company and at the values that had guided him as its leader. Then he delved into the psyche of the organization by conducting internal surveys of managers at all levels. He also did ethnographic research in seven countries to identify themes that resonated with his company's multinational, cross-cultural employee base. The process took three years, but ultimately Mahindra arrived at "Rise," which, he realized, had been

fundamental to the company from its inception. "'Rise' is not a clever tagline," he has said. "We were already living and operating this way."

The prospective approach, on the other hand, reshapes your reason for being. It requires you to look forward, take stock of the broader ecosystem in which you want to work, and assess your potential for impact in it. The idea is to make sense of the future and then start gearing your organization for it. The focus is external, and leaders have to ask a different set of questions: Where can we go? Which trends affect our business? What new needs, opportunities, and challenges lie ahead? What role can we play that will open up future opportunities for ourselves that we believe in?

The prospective approach can be particularly useful for new CEOs. In 2018, when Magnus Ahlqvist took charge at Securitas, he spearheaded a "purpose workstream" to capture aspirations for the company from the ground up. He asked all his business-unit leaders to run "listening workshops" (with groups of employees from diverse functions, levels, age groups, genders, and backgrounds), which were held over six months. At the end of that period, the findings were collated and analyzed. Among the discoveries: Employees had a vision of transforming the company from a *service provider* to a *trusted adviser*. That shift would require anticipating and responding to security issues instead of relying on the legacy methods of observing and reporting. So employee input helped executives refine the firm's predictive-security strategy.

Implementing a Purpose-Driven Strategy

Our research shows that a compelling purpose clarifies what a company stands for, provides an impetus for action, and is aspirational. But some purpose statements are so generic that they could apply to any company (like Nissan's, "Enriching people's lives"), while others provide only a narrow description of the company's existing businesses (like Well Fargo's, "We want to satisfy our customers' financial needs and help them succeed financially"). Even if organizations do manage to define their purpose well, they often don't properly translate it into action—or do anything at all to fulfill it. In those cases the purpose becomes nothing more than nice-sounding words on a wall.

Leaders need to think hard about how to make purpose central to their strategy. The two best tactics for doing that are to *transform the leadership agenda* and to *disseminate purpose throughout the organization*.

Consider Mars Petcare again. In 2015 its president, Poul Weihrauch, significantly altered the composition and focus of the leadership team. Its new collective agenda, he declared, would go beyond the performance of individual businesses; it would include generating "multiplier effects" among the businesses (such as between pet food and pet health) and increasing their contributions to creating a better world for pets.

In keeping with that principle, Weihrauch had the company adopt an "outside-in" approach to meeting stakeholder needs. As part of this effort, in 2018 Mars Petcare launched two new programs to support start-ups innovating



Is Purpose at the Core of Your Strategy?

Not unless you answer yes to all five questions below.

	Y	N
1 Does purpose contribute to increasing your company's growth and profitability today?	<input type="radio"/>	<input type="radio"/>
2 Does purpose significantly influence your strategic decisions and investment choices?	<input type="radio"/>	<input type="radio"/>
3 Does purpose shape your core value proposition?	<input type="radio"/>	<input type="radio"/>
4 Does purpose affect how you build and manage your organizational capabilities?	<input type="radio"/>	<input type="radio"/>
5 Is purpose on the agenda of your leadership team every time you meet?	<input type="radio"/>	<input type="radio"/>

in pet care: Leap Venture Studio, a business accelerator formed in partnership with Michelson Found Animals and R/GA; and Companion Fund, a \$100 million venture-capital fund in partnership with Digitalis Ventures. In announcing these initiatives the company declared that its ambition was “to become a partner of choice for everyone willing to change the rules of the game in pet care.”

Revising a leadership agenda and restructuring an organization are arguably easier at a privately held company like Mars Petcare than at a publicly held one. But Finland's Neste is public, with a major stake held by the government, and it has managed to do both things very effectively.

Neste faced an uphill battle when it decided to move into renewables. The company had to build new capabilities while confronting strong opposition from many employees who didn't buy into the change in direction. About 10% of them left during the first year of the strategy's implementation. Painful as it was, it proved to be a positive development, since the company could not have forged ahead with people who didn't believe in its new purpose.

And forge ahead it did. Neste put in place a new top management team, mobilized its 1,500 R&D engineers, innovated patented renewable technology, and invested €2 billion in building new refineries.

The shift also raised a big question for Neste. How could it change its organizational mindset from *volume* to *value* selling—which entailed convincing customers that its clean fuels would be better for them in the long run? That shift meant going beyond wholesalers

to work directly with the distributors and even the distributors' customers. The new leadership team realized that a much higher level of collaboration among business segments and functions was imperative. Winning deals was no longer the sole responsibility of the sales department. The expertise of the whole organization—product knowledge, marketing, finance, taxation—would be required to understand the specific needs of customers like airlines and bus fleets. So Neste engineered a major reorganization and created a matrix structure, in the process rotating about 25% of senior managers and about 50% of upper professionals into new positions. Targets and incentive plans became cross-functional, designed to build capabilities both within and across businesses. And at every step, purpose helped everybody in the company understand the “why” (the business environment's increasing emphasis on sustainability), the “what” (value-creation programs offering renewable solutions to customers, which in turn generated higher margins for Neste), and the “how” (changing from a sales organization to a key-account management model with dedicated people responsible for strategic customers).

The process worked. Neste is now a leader in the renewables industry, and the world is starting to pay attention. In 2015, for example, Google and UPS began partnering with the company to reduce their carbon emissions, as did several cities in California, among them San Francisco and Oakland. In 2018, *Forbes* ranked Neste second on its Global 100 list of the world's most-sustainable companies.

Benefits on the Soft Side

Purpose can also help with the soft side of management—the people-related aspects of running a business, which so often prove to be the undoing of leaders. By putting purpose at the core of strategy, firms can realize three specific benefits: more-unified organizations, more-motivated stakeholders, and a broader positive impact on society.

Unifying the organization. When companies pursue dramatic change and move into larger ecosystems, as both Mars Petcare and Securitas have done, it's unsettling for employees. Why does a pet-food company need to develop a platform to support technology start-ups? Why does an on-site guarding company want to provide electronic security services that could, over time, make the physical presence of guards redundant? Purpose helps employees understand the whys and get on board with the new direction.

Motivating stakeholders. According to the Edelman trust barometer, distrust of government, businesses, the media, and NGOs is now pervasive. At the same time, more than ever, employees, especially Millennials, want to work for organizations that can be trusted to contribute to a higher cause. And when customers, suppliers, and other stakeholders see that a company has a strong higher purpose, they are more likely to trust it and more motivated to interact with it.

Broadening impact. Strategy involves exploring some fundamental questions. Why are we in this business? What value can we bring? What role does my unit play within the bigger portfolio? Purpose creates a basis for answering

those questions and defining how each unit will contribute to the organization and to society as a whole. This focus on collective objectives, in turn, opens up many more opportunities to improve growth and profitability today and in the future.

THE APPROACH TO purpose that we're recommending cannot be a one-off effort. Leaders need to constantly assess how purpose can guide strategy, and they need to be willing to adjust or redefine this relationship as conditions change. That demands a new kind of sustained focus, but the advantages it can confer are legion. ☺

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Creating a Purpose-Driven Organization

How to get employees to bring their smarts and energy to work

→ by ROBERT E. QUINN and ANJAN V. THAKOR

WHEN GERRY ANDERSON first became the president of DTE Energy, he did not believe in the power of higher organizational purpose.

We're not talking about having a clear mission that focuses largely on how a business will generate economic value. DTE had one that set out the goal of creating long-term gains for shareholders, and Anderson understood its importance.

A higher purpose is not about economic exchanges. It reflects something more aspirational. It explains how the people involved with an organization are

making a difference, gives them a sense of meaning, and draws their support. But like many of the leaders we've interviewed in our research, Anderson started his tenure as president skeptical about how much it mattered. The concept of higher purpose didn't fit into his mostly economic understanding of the firm.

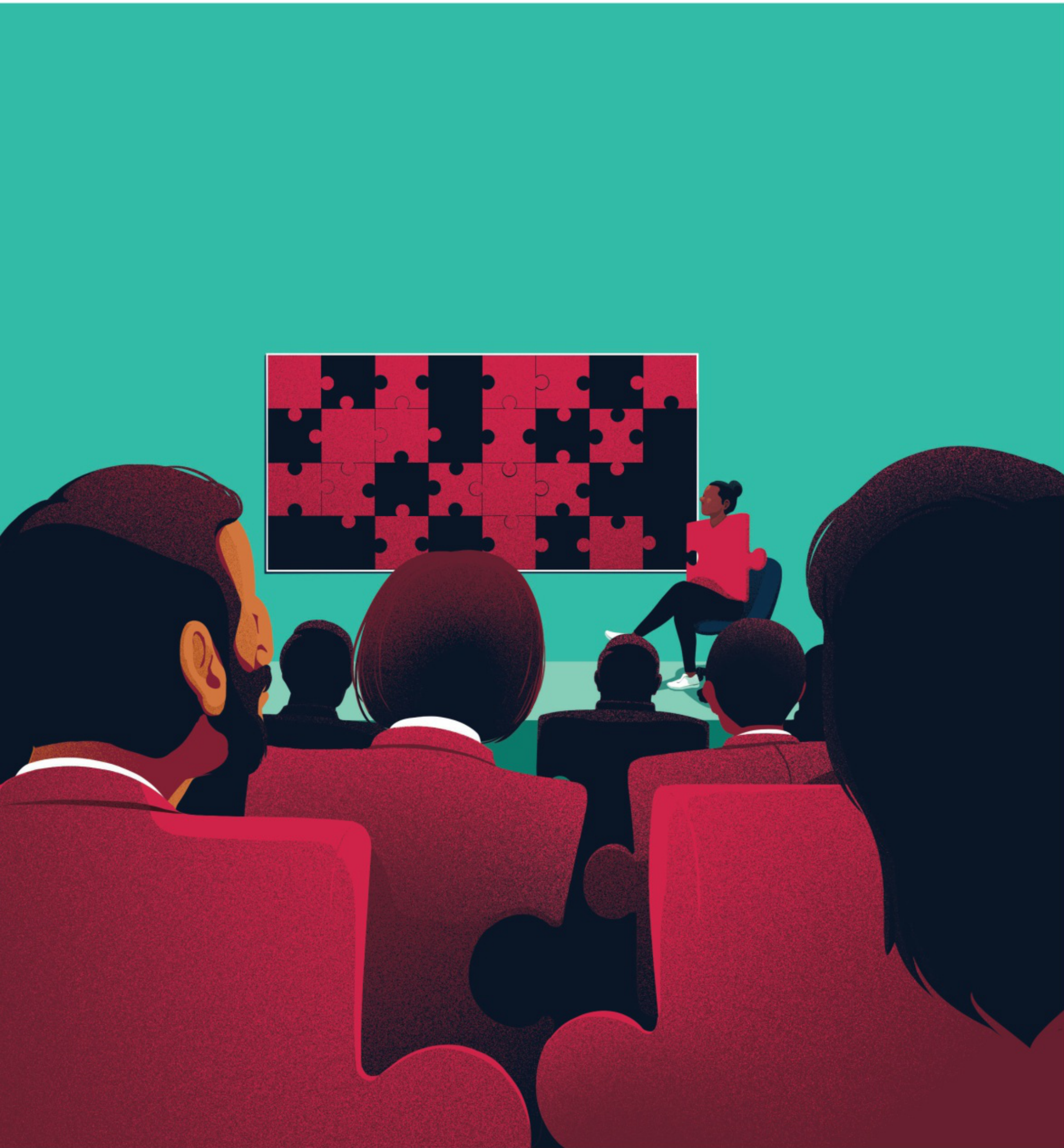
But then the Great Recession of 2008 hit, and he knew he had to get his people to devote more of themselves to work. Even before the financial crisis, surveys had demonstrated that DTE employees were not very engaged. It was a classic quandary: Employees couldn't seem to

break free of old, tired behaviors. They weren't bringing their smarts and creativity to their jobs. They weren't performing up to their potential. Anderson knew that he needed a more committed workforce but did not know how to get one.

That was when retired army major general Joe Robles, then the CEO of USAA and a DTE board member, invited Anderson to visit some USAA call centers. Familiar with the culture of most call centers, Anderson expected to see people going through the motions. Instead he watched positive, fully engaged employees collaborate and go the extra mile for customers. When Anderson asked how this could be, Robles answered that a leader's most important job is "to connect the people to their purpose."

At USAA, he explained, every employee underwent an immersive four-day cultural orientation and made a promise to provide extraordinary service to people who had done the same for their country—members of the military and their families. That training was no small investment, since the company had more than 20,000 employees. Its lessons were continually reinforced through town hall meetings and other forums where people at all levels asked questions and shared ideas about how to fulfill their purpose.

Before the recession, Anderson would have rejected Robles's statement about purpose as empty, simplistic rhetoric. But having run into a dead end in figuring out how to make his own organization thrive, Anderson was reexamining some of his basic assumptions about management, and he was open to what Robles was saying.





Idea in Brief

THE PROBLEM

You've surely seen this happen more than once: Employees get stuck in a rut, disengage from their work, and stop performing to their potential. So managers respond with tighter oversight and control, yet nothing improves.

THE REASON

Most management practices and incentives are based on conventional economic logic, which assumes that employees are self-interested agents. And that assumption becomes a self-fulfilling prophecy.

THE SOLUTION

By connecting people with a sense of higher purpose, leaders can inspire them to bring more energy and creativity to their jobs. When employees feel that their work has meaning, they become more committed and engaged. They take risks, learn, and raise their game.

When Anderson returned to DTE's Detroit headquarters, he made a video that articulated his employees' higher purpose. (He got that idea from Robles, too.) It showed DTE's truck drivers, plant operators, corporate leaders, and many others on the job and described the impact of their work on the well-being of the community—the factory workers, teachers, and doctors who needed the energy DTE generated. The first group of professional employees to see the video gave it a standing ovation. When union members viewed it, some were moved to tears. Never before had their work been framed as a meaningful contri-

bution to the greater good. The video brought to life DTE's new statement of purpose: "We serve with our energy, the lifeblood of communities and the engine of progress."

What happened next was even more important: The company's leaders dedicated themselves to supporting that purpose and wove it into onboarding and training programs, corporate meetings, and culture-building activities such as film festivals and sing-alongs. As people judged the purpose to be authentic, a transformation began to take place. Engagement scores climbed. The company received a Gallup Great Workplace Award for five years in a row. And financial performance responded in kind: DTE's stock price more than tripled from the end of 2008 to the end of 2017.

Why did purpose work so well after other interventions had failed? Anderson had previously tried to shake things up by providing training, altering incentives, and increasing managerial oversight, with disappointing results. It turned out that his approach was to blame—not his people.

That's a hard truth to recognize. If, like many executives, you're applying conventional economic logic, you view your employees as self-interested agents and design your organizational practices and culture accordingly, and that hasn't paid off as you'd hoped.

So you now face a choice: You can double down on that approach, on the assumption that you just need more or stricter controls to achieve the desired impact. Or you can align the organization with an authentic higher purpose that intersects with your business interests and helps guide your decisions. If you

succeed in doing the latter, your people will try new things, move into deep learning, take risks, and make surprising contributions.

Many executives avoid working on their firms' purpose. Why? Because it defies what they have learned in business school and, perhaps, in subsequent experience: that work is fundamentally contractual, and employees will seek to minimize personal costs and effort.

Those are not necessarily faulty assumptions—indeed, they describe the behavior in many environments reasonably well. However, they also amount to a self-fulfilling prophecy. When managers view employees this way, they create the very problems they expect. Employees choose to respond primarily to the incentives outlined in their contracts and the controls imposed on them. Consequently, they not only fail to see opportunities but also experience conflict, resist feedback, underperform, and personally stagnate. So managers, believing that their assumptions about employees have been validated, exert still more control and rely even more heavily on extrinsic incentives. Employees then narrowly focus on achieving those rewards, typically at the expense of activities that are hard to measure and often ignored, such as mentoring subordinates and sharing best practices. Overarching values and goals become empty words. People do only what they have to do. Results again fall short of expectations, and managers clamp down further.

In this article we provide a framework that can help managers break out of this vicious cycle. In our consulting work with hundreds of organizations and in our research—which includes exten-



sive interviews with dozens of leaders and the development of a theoretical model—we have come to see that when an authentic purpose permeates business strategy and decision making, the personal good and the collective good become one. Positive peer pressure kicks in, and employees are reenergized. Collaboration increases, learning accelerates, and performance climbs. We'll look at how you can set off a similar chain of events in your organization, drawing on examples from a range of companies.

How to Do It

When organizations embrace purpose, it's often because a crisis forces leaders to challenge their assumptions about motivation and performance and to experiment with new approaches. But you don't need to wait for a dire situation. The framework we've developed can help you build a purpose-driven organization when you're *not* backed into a corner. It enables you to overcome the largest barrier to embracing purpose—the cynical “transactional” view of employee motivation—by following eight essential steps.

1 Envision an Inspired Workforce

According to economists, every employer faces the “principal-agent problem,” which is the standard economic model for describing an organization's relationships with its workers. Here's the basic idea: The principal (the employer) and the agent (the employee) form a work contract. The agent is effort-averse.

For a certain amount of money, he or she will deliver a certain amount of labor, and no more. Since effort is personally costly, the agent underperforms in providing it unless the principal puts contractual incentives and control systems in place to counter that tendency.

This model precludes the notion of a fully engaged workforce. According to its logic, what Anderson saw at USAA is not possible; it would be foolish to aspire to such an outcome.

One way to change that perception is to expose leaders to positive exceptions to the rule. Consider this July 2015 blog post by Mike Rowe, host of the Discovery Channel show *Dirty Jobs*, about an experience he had at a Hampton Inn:

I left my hotel room this morning to jump out of a perfectly good airplane, and saw part of a man standing in the hallway. His feet were on a ladder. The rest of him was somewhere in the ceiling.

I introduced myself, and asked what he was doing. Along with satisfying my natural curiosity, it seemed a good way to delay my appointment with gravity, which I was in no hurry to keep. His name is Corey Mundle.... We quickly got to talking.

“Well, Mike, here's the problem,” he said. “My pipe has a crack in it, and now my hot water is leaking into my laundry room. I've got to turn off my water, replace my old pipe, and get my new one installed before my customers notice there's a problem.”

I asked if he needed a hand, and he told me the job wasn't dirty enough. We laughed, and Corey asked if he

could have a quick photo. I said sure, assuming he'd return the favor. He asked why I wanted a photo of him, and I said it was because I liked his choice of pronouns.

“I like the way you talk about your work,” I said. “It's not ‘the’ hot water, it's ‘MY’ hot water. It's not ‘the’ laundry room, it's ‘MY’ laundry room. It's not ‘a’ new pipe, it's ‘MY’ new pipe. Most people don't talk like that about their work. Most people don't own it.”

Corey shrugged and said, “This is not ‘a’ job; this is ‘MY’ job. I'm glad to have it, and I take pride in everything I do.”

He didn't know it, but Corey's words made my job a little easier that day. Because three hours later, when I was trying to work up the courage to leap out of a perfectly good airplane, I wasn't thinking about pulling the ripcord on the parachute—I was thinking about pulling MY ripcord. On MY parachute.

Corey Mundle is a purpose-driven employee. Instead of minimizing effort as a typical “agent” would, he takes ownership. The fact that people like him exist is important. When coaching executives on how to do purpose work in their organizations, we often tell them, “If it is real, it is possible.” If you can find one positive example—a person, a team, a unit that exceeds the norms—you can inspire others. Look for excellence, examine the purpose that drives the excellence, and then imagine it imbuing your entire workforce.



2 Discover the Purpose

At a global oil company, we once met with members of a task force asked by the CEO to work on defining the organization's purpose. They handed us a document representing months of work; it articulated a purpose, a mission, and a set of values. We told them it had no power—their analysis and debate had produced only platitudes.

The members of the task force had used only their heads to invent a higher purpose intended to capture employees' hearts. But you do not invent a higher purpose; it already exists. You can discover it through empathy—by feeling and understanding the deepest common needs of your workforce. That involves asking provocative questions, listening, and reflecting.

Deborah Ball, a former dean of the School of Education at the University of Michigan, provides a good example. Like most companies, professional schools experience “mission drift.” As a new dean, Ball wanted to clarify her organization's purpose so that she could increase employees' focus, commitment, and collaboration.

To “learn and unlearn the organization,” as she put it, she interviewed every faculty member. She expected to find much diversity of opinion—and she did. But she also found surprising commonality, what she called “an emerging story” about the faculty's strong desire to have a positive impact on society. Ball wrote up what she heard and shared it with the people she interviewed. She listened to their reactions and continued to refine their story.

This was not just a listening tour. It was an extended, disciplined, iterative process. Ball says, “You identify gold nuggets, work with them, clarify them, integrate them, and continually feed them back.” She refers to the process as “collective creation,” borrowing a phrase from agile and design-thinking methodologies.

As that work continued, it became clear that the school had strengths it could use for social good. For example, it had the capacity to influence how other institutions around the world trained teachers, addressed issues of educational affordability, and served under-represented populations. Ball concluded that these foci had the greatest potential to integrate faculty members' efforts, draw impressive new hires, and attract funding for research. So she highlighted them as crucial elements of the school's collective identity.

3 Recognize the Need for Authenticity

Purpose has become a popular topic. Even leaders who don't believe in it face pressure from board members, investors, employees, and other stakeholders to articulate a higher purpose. This sometimes leads to statements like the one produced by the task force at the oil company. When a company announces its purpose and values but the words don't govern the behavior of senior leadership, they ring hollow. Everyone recognizes the hypocrisy, and employees become more cynical. The process does harm.

Some CEOs intuitively understand this danger. One actually told his senior

leadership team that he didn't want to do purpose work, because organizations are political systems and hypocrisy is inevitable. His statement illustrates an important point: The assumption that people act only out of self-interest also gets applied to leaders, who are often seen as disingenuous if they claim other motivations.

A member of the team responded, “Why don't we change that? Let's identify a purpose and a set of values, and live them with integrity.” That earnest comment punctured the existing skepticism, and the team moved ahead.

For an illustration of a purpose that does shape behavior, let's look at Sandler O'Neill and Partners, a midsize investment bank that helps financial institutions raise capital. The company was successful in its niche and focused on the usual goal of maximizing shareholder value. However, on September 11, 2001, disaster struck. Located in the Twin Towers in New York, the company felt the full brunt of the terrorist attack. Jimmy Dunne, soon to lead the firm's executive team, learned that over one-third of Sandler's people, including its top two executives, were dead, and the company's physical infrastructure was devastated. Many of its computers and customer records were gone.

As the crisis unfolded, despite the exceptionally heavy demands of attending to business, Dunne made the decision that a Sandler partner would attend the funeral of every fallen employee, which meant that he attended many funerals. As a result of witnessing so much suffering, he began to realize that the purpose of his firm was not only to satisfy customers and create shareholder value

■ An organization often discovers its purpose when things are going badly. Its true nature is revealed by what its leaders do in difficult times.

but also to treat employees like valued human beings.

That led to some sharp departures from protocol. For example, he asked his CFO to pay the families of all the dead employees their salaries and bonuses through December 31, 2001—and then asked if the company could do the same for all of 2002. The CFO said the firm could survive, but doing this would be inconsistent with its fiduciary responsibility to the partners. So the firm offered to buy out the ownership stake of any partner at par. Not one accepted.

If your purpose is authentic, people know, because it drives every decision and you do things other companies would not, like paying the families of dead employees. Dunne told us that often an organization discovers its purpose and values when things are going badly—and that its true nature is revealed by what its leaders do in difficult times. He said, “You judge people not by how much they give but by how much they have left after they give.”

4 Turn the Authentic Message into a Constant Message

When we spoke with the CEO of a global professional services company about how to build a purpose-driven organization, his first question was “When will I be done?”

We responded by telling a story about another CEO, who had been trying to transform his construction company for a year. He showed us his plan and asked our opinion. We told him he deserved an A-. Why wasn't it an A? After giving

speeches for a year, he thought he was finished—but his people were just beginning to hear his message. He needed to keep clarifying the organization's purpose for as long as he was CEO. When we told him that, he sank into his chair.

In contrast, Tony Meola, the recently retired head of U.S. consumer operations at Bank of America, is a leader who understands the ongoing nature of purpose work. He says one thing that makes it relentlessly difficult is that it involves getting institutions to shift direction—and existing cultures tend to impede movement. As extensions of the culture, managers, too, end up resisting the change. Other impediments are organizational complexity and competing demands.

Meola overcame those obstacles by clarifying the purpose of his division: treating operational excellence as a destination and allowing no other pressures to distract from it. He emphasized operational skills and leadership in employee training and development, and he brought that focus to every conversation, every decision, every problem his team faced, always asking, “Will this make us better operators?” He says, “When you hold it constant like that, when you never waver, an amazing thing happens. The purpose sinks into the collective conscience. The culture changes, and the organization begins to perform at a higher level. Processes become simpler and easier to execute and sustain. People start looking for permanent solutions rather than stop-gap measures that create more inefficiencies through process variations.”

Embracing this mindset meant saying no to anything that didn't reflect it. In the

division's call center, for example, there had been a proposal to invest additional resources in technology and people so that the group could solve customers' problems faster and better. But the project was rejected because when managers and employees used their stated purpose as a filter and asked themselves whether that investment would make them better operators, the answer was no. What the company really needed to do, they determined, was examine how the operations themselves could be improved to eliminate failures that produced call center inquiries in the first place.

When a leader communicates the purpose with authenticity and constancy, as Meola did, employees recognize his or her commitment, begin to believe in the purpose themselves, and reorient. The change is signaled from the top, and then it unfolds from the bottom.

5 Stimulate Individual Learning

Conventional economic logic tends to rely on external motivators. As leaders embrace higher purpose, however, they recognize that learning and development are powerful incentives. Employees actually want to think, learn, and grow.

At the St. Louis-based not-for-profit The Mission Continues, whose purpose is to rehabilitate and reintegrate into society wounded and disabled war veterans, new hires are assigned a large amount of work. The underlying philosophy is that when a leader gives someone a difficult challenge, it shows faith in that person's potential. The job



becomes an incubator for learning and development, and along the way the employee gains confidence and becomes more committed to the organization and the higher purpose that drives it.

By helping employees understand the relationship between the higher purpose and the learning process, leaders can strengthen it. People at The Mission Continues are required to reflect on that relationship often. Every two weeks they produce a written document describing their purpose, their strengths, and their development. The exercise is not repetitive, because the experiences change, as do the lessons learned. This practice is consistent with research on effective leadership development approaches. In modern organizations, new experiences tend to come easily, but reflection does not.

At The Mission Continues, the employees have become adaptive and proactive. There is less need for managerial control, because they know the purpose and see how it has changed them for the better. You can liken this clear sense of direction to “commander’s intent” in the military. If soldiers know and internalize a commander’s strategic purpose, they can carry out the mission even when the commander isn’t there. This means, of course, that the leader must communicate the organization’s higher purpose with utter clarity so that employees can make use of their local information and take initiative. Research by business school professors Claudine Gartenberg, Andrea Prat, and George Serafeim shows how critical this is in corporations, too—it is not unique to nonprofits.

6 Turn Midlevel Managers into Purpose-Driven Leaders

To build an inspired, committed workforce, you’ll need middle managers who not only know the organization’s purpose but also deeply connect with it and lead with moral power. That goes way beyond what most companies ask of their midlevel people.

Consider KPMG, a Big Four accounting cooperative with thousands of partners. For decades those partners approached leadership like accounting. They were careful in their observations, exact in their assessments, and cautious about their decisions, because that was the cultural tone set at the top. Senior leaders were not inclined to get emotional about ideals, and neither were the partners. As a result, employees at all levels tended to make only safe, incremental improvements.

But then KPMG went through a transformation. The company began to explore the notion of purpose. Searching its history, its leaders were surprised to find that it had made many significant contributions to major world events. After conducting and analyzing hundreds of employee interviews, they concluded that KPMG’s purpose was to help clients “inspire confidence and empower change.”

These five words evoked a sense of awe in the firm, but KPMG’s top executives avoided the temptation to turn them into a marketing slogan. Instead, they set out to connect every leader and manager to the purpose. They began by

talking openly about their own sense of purpose and meaning. When this had an impact, they recognized that the partners needed to do the same with their teams. When senior management shared these expectations, the partners were open to them but did not feel equipped to meet them. So the accounting firm invested in a new kind of training, in which the partners learned how to tell compelling stories that conveyed their sense of personal identity and professional purpose.

Though applying that training was difficult—it was a real stretch for experts in investment, real estate, tax, risk consulting, and so on—the culture did change. Today the partners communicate their personal purpose to their teams and discuss how it links to their professional lives and the organization’s reason for being. In doing so, they are modeling a vulnerability and authenticity that no one had previously expected to see at the middle levels of this accounting firm.

7 Connect the People to the Purpose

Once leaders at the top and in the middle have internalized the organization’s purpose, they must help frontline employees see how it connects with their day-to-day tasks. But a top-down mandate does not work. Employees need to help drive this process, because then the purpose is more likely to permeate the culture, shaping behavior even when managers aren’t right there to watch how people are handling things.

Our best illustration again comes from KPMG, where employees were

■ ■ **Every organization has a pool of change agents that usually goes untapped. Once enlisted, they can assist with every step of the cultural change.**

encouraged to share their own accounts of how they were making a difference. This evolved into a remarkable program called the 10,000 Stories Challenge. It gave employees access to a user-friendly design program and invited them to create posters that would answer the question “What do you do at KPMG?” while capturing their passion and connecting it to the organization’s purpose.

Each participating employee created a purpose-driven headline, such as “I Combat Terrorism,” and under it wrote a clarifying statement, such as “KPMG helps scores of financial institutions prevent money laundering, keeping financial resources out of the hands of terrorists and criminals.” Beneath the statement, the employee would insert his or her picture. Each poster carried the tagline “Inspire Confidence. Empower Change.”

In June company leaders announced that if the staff could create 10,000 posters by Thanksgiving, two extra days would be added to the holiday break. Employees hit that benchmark within a month. But then the process went viral—after the reward had already been earned. Twenty-seven thousand people produced 42,000 posters (some individuals made multiple submissions, and teams produced them as well). KPMG had found a brilliant way to help employees personally identify with its collective purpose.

Once the firm’s overall transformation had taken root, surveys showed that employees’ pride in their work had increased, and engagement scores reached record levels. The firm eventually climbed 31 places, to the number 12 spot, on *Fortune*’s 100 Best Compa-

nies to Work For list, making it the highest ranked of the Big Four. Recruiting improved, and as turnover decreased, costs dropped.

8 Unleash the Positive Energizers

Every organization has a pool of change agents that usually goes untapped. We refer to this pool as the network of positive energizers. Spread randomly throughout the organization are mature, purpose-driven people with an optimistic orientation, people like Corey Mundle at Hampton Inn. They naturally inspire others. They’re open and willing to take initiative. Once enlisted, they can assist with every step of the cultural change. These people are easy to identify, and others trust them.

We have helped launch such networks in numerous organizations, including Prudential Retirement, Kelly Services, and DTE Energy. Typically, at an initial meeting, senior leaders invite network members to become involved in the design and execution of the change process. Within minutes, there is buy-in. Regular meetings are scheduled. The energizers go out, share ideas, and return with feedback and new ideas. They’re willing to tell the truth and openly challenge assumptions.

There is often another benefit, as the experience of one human resources director illustrates. After establishing a network of positive energizers in a major professional services firm, she called us to report that she felt overwhelmed—in a good way—by the interest and commitment of the people she had assembled.

They were an amazing resource that, until now, had gone completely unrecognized. They cared as deeply as she did about the organization’s purpose and getting colleagues to embrace it. She said, “I no longer feel alone.”

ALTHOUGH A HIGHER purpose does not guarantee economic benefits, we have seen impressive results in many organizations. And other research—particularly the Gartenberg study, which included 500,000 people across 429 firms and involved 917 firm-year observations from 2006 to 2011—suggests a positive impact on both operating financial performance (return on assets) and forward-looking measures of performance (Tobin’s Q and stock returns) when the purpose is communicated with clarity.

So purpose is not just a lofty ideal; it has practical implications for your company’s financial health and competitiveness. People who find meaning in their work don’t hoard their energy and dedication. They give them freely, defying conventional economic assumptions about self-interest. They grow rather than stagnate. They do more—and they do it better.

By tapping into that power, you can transform an entire organization. ☺

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The Dual-Purpose Playbook

What it takes to do well and do good at the same time

→ by JULIE BATTILANA, ANNE-CLAIRE PACHE,
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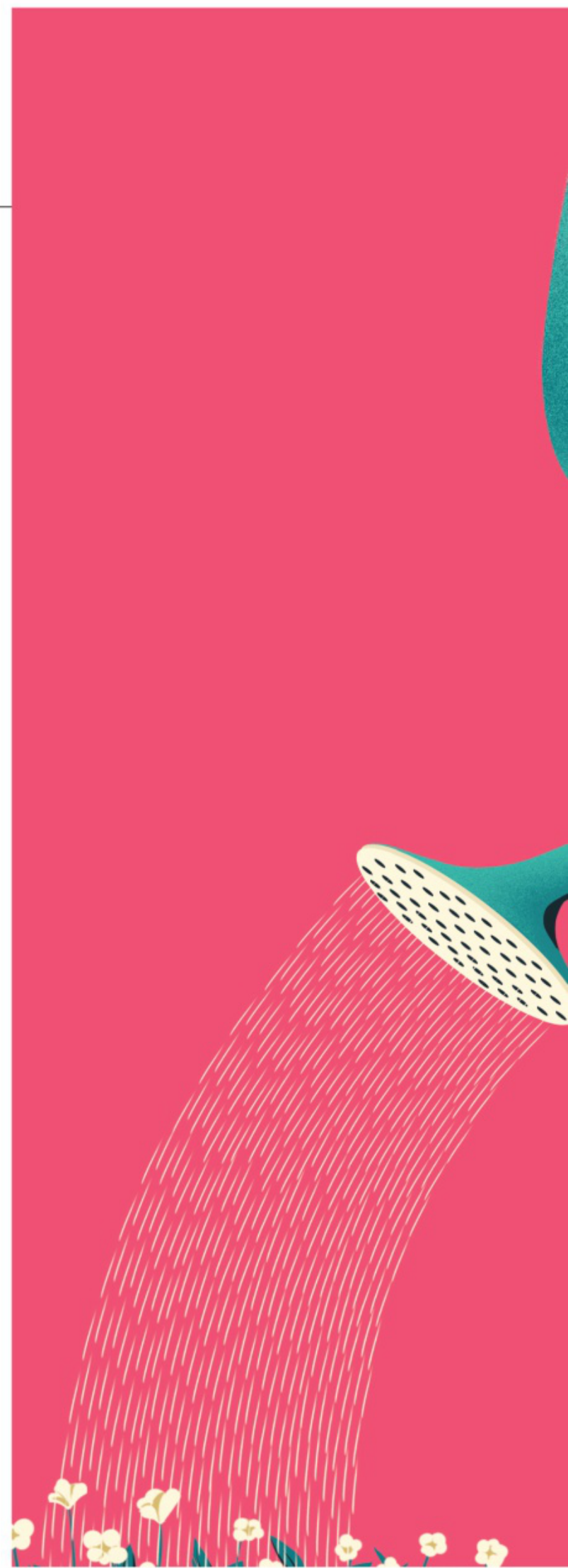
CORPORATIONS ARE BEING pushed to change—to dial down their single-minded pursuit of financial gain and pay closer attention to their impact on employees, customers, communities, and the environment. Corporate social responsibility from the sidelines is no longer enough, and the pressure comes from various directions: rising and untenable levels of inequality, increasing evidence that the effects of climate change will be devastating, investors' realization that short-term profitability and long-term sustainability are sometimes in conflict. For reasons like these, a growing number of business leaders now understand that they must embrace both financial and social goals.

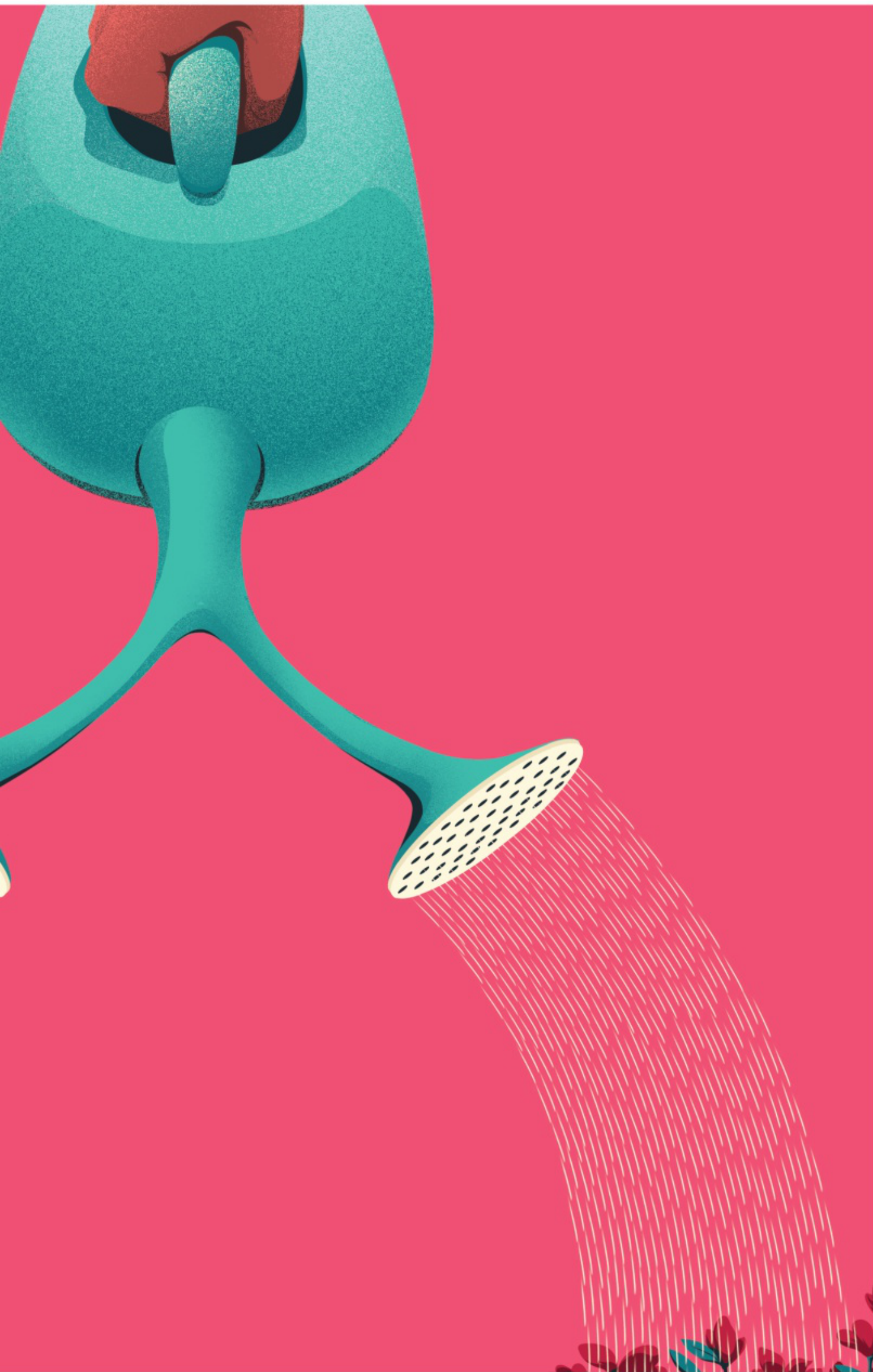
However, changing an organization's DNA is extraordinarily difficult. How can a company that has always focused on profit balance the two aims? It takes upending the existing business model. Not surprisingly, researchers have con-

sistently found that companies are quick to abandon social goals in the quest for profitability.

Yet some enterprises successfully pursue both. The U.S. outdoor-clothing company Patagonia, for example, which initially prioritized financial goals, has come to pursue social good more seriously over time. Others began with social goals but must earn revenue to survive. Grameen Bank, the Nobel Prize-winning microlender in Bangladesh, is an iconic example. We've spent a decade studying how socially driven businesses succeed, and what we've learned from in-depth qualitative studies and quantitative analyses may prove useful to traditional companies that want to adopt a dual purpose.

Our research reveals that successful dual-purpose companies have this in common: They take an approach we call *hybrid organizing*, which involves four levers: setting and monitoring social goals





alongside financial ones; structuring the organization to support both socially and financially oriented activities; hiring and socializing employees to embrace both; and practicing dual-minded leadership. Taken together, these levers can help companies cultivate and maintain a hybrid culture while giving leaders the tools to productively manage conflicts between social and financial goals when they emerge, making the endeavor more likely to succeed.

Setting Goals, Monitoring Progress

Dual-purpose companies need to set goals along both financial and social dimensions and monitor performance on an ongoing basis.

Setting goals. Well-constructed goals are an essential management tool. They communicate what matters and can highlight what's working and what's not. These goals should go beyond mere aspirations to clarify a company's dual purpose for employees, customers, suppliers, investors, and regulators. Companies may need to experiment their way to a goal-setting model that works for them—something Grameen Veolia Water has managed by continually recalibrating its activities around explicit aims.

The company, which provides safe water in Bangladesh, started in 2008 as a joint venture between Grameen Bank and the water services provider Veolia. Veolia, which traditionally works under government contracts, recognized that no local authorities were responsible for providing drinking water to rural areas at that time. The partnership aimed to fill this gap. Its board set two goals for the



new business at the outset: to provide safe, affordable drinking water to the inhabitants of the rural villages of Goal-mari and Padua over the long term, and to sustain operations from sales without relying on grants.

These two goals came into conflict. When managers realized how difficult it would be to break even if they sold water only to poor rural households at a very low price, they designed a new revenue-generating activity: selling water in jars to schools and businesses in nearby urban areas. At this point it might have been tempting to focus attention and resources on the profitable new market segment at the expense of the original one. But leadership did not drift. The venture's clearly stated social goal reminded board members and managers that urban sales were meant to subsidize village sales. Ultimately the former amounted to half the company's revenues, helping Grameen Veolia Water pursue its social goal.

No single playbook exists for setting social goals. But our studies point to two rules of thumb. First, *do the research*. Often leaders try to set goals without developing a deep understanding of the specific social needs they aim to address—or of how they may have contributed in the past to the buildup of problems. Just as they conduct market research to identify opportunities for profit, they should study those social needs. Their research should involve the intended beneficiaries along with other stakeholders and experts.

Prior to launching operations, Grameen Veolia Water conducted major research to understand water issues in Bangladesh, interviewing public officials and health and water experts along with

community organizations. Managers discovered that some rural populations suffered not only from drinking surface water contaminated with bacteria (the researchers' initial assumption) but also from drinking water from wells built in the 1980s. Some well water, although clear and tasteless, was naturally contaminated by arsenic and was a major source of cancers in adults and cognitive impairment in children. This information led the business to focus its activity in Goal-mari and Padua, which suffered from both sources of contamination. The company thus defined its goal as providing permanent access to clean water for everyone in those villages.

Second, *set goals that are explicit and enduring* (though they may have to be updated in light of a changing environment). Impact would be limited if the village residents consumed clean water for just a few years; to achieve a significant positive change in their health, they would need access to clean water over decades.

Monitoring progress. Just as important as setting goals is identifying and adapting key performance indicators (KPIs) in order to measure the achievement of specific targets, be they financial or social. While we know how to measure sales, revenue growth, and return on assets, no widely accepted metrics currently exist for many social goals (although more progress has been made on measuring environmental impact). Nonetheless, it is possible to set both financial and social KPIs successfully. Our research has found that companies succeed by dedicating substantial time and effort to developing a manageable number of trackable metrics during the goal-setting process and revisiting them

regularly to assess their continuing relevance and adequacy.

At Grameen Veolia Water, managers consulted with members of the rural communities they sought to serve and with academic experts before formalizing four KPIs: the company's self-financing ratio (its ability to fund planned investments from its own resources), the number of villagers with access to its services, the rate of rural penetration, and the rate of rural regular consumption (which captures both financial and social performance). The four numbers are updated monthly to monitor operations, and the board discusses them quarterly to guide strategic decision making.

A learning mindset is essential for developing and using KPIs. A willingness to experiment and change on the basis of experience, whether their own or others', helps businesses better understand social problems and how to address them. Dimagi's approach to setting social performance metrics exemplifies this mindset. Founded in 2002 and led by Jonathan Jackson, one of its cofounders, Dimagi provides software that NGOs and governments can use to develop mobile apps for frontline health-care workers in developing countries. At first Dimagi's primary social metric was the number of active users, which was meant to indicate how many people the technology positively affected. Jackson hoped to improve this metric, because it failed to distinguish between those who actually used the data to improve service delivery to patients and those who collected but did nothing with it.

The company formed a dedicated impact team to refine the social KPI. After

exploration, the team created a metric—“worker activity months”—to measure the number of health care providers who were actually applying Dimagi’s technology, and it implemented internal data systems to track the metric across all projects. But Jackson soon realized that this, too, was flawed, because the outcome was beyond Dimagi’s control: How workers used the software depended more on the actions of Dimagi’s clients—NGOs and governments—than on its own.

After reaching out to other social enterprises for advice, Jackson reverted to the number of active users as the company’s primary social barometer, yet combined it with a new entity—an impact review team—that focused on qualitative quarterly analyses and discussions about the impact of all projects. These reviews ensure that a team doesn’t focus unduly on the quantifiable aspects of a project (revenue, costs, completion dates) but also explores the effectiveness of its service delivery and how that could be improved to better support frontline health-care workers. The team discusses indirect forms of impact as well, such as helping organizations assess their readiness for digitization.

Other successful businesses also complement KPIs with in-depth qualitative assessments of their social performance. For example, the Brazilian impact investing firm Vox Capital hired Jéssica Silva Rios, an executive dedicated to understanding and measuring its impact, and recently made her a full partner. Some companies also incorporate external social indicators developed by independent NGOs such as the Global Reporting Initiative, the Sustainability Accounting Standards Board, and B Lab. For example, Vox Capital mon-

itors whether its rating from the Global Impact Investing Rating System is above average in comparison with other funds in developing markets and adjusts the fees it charges investors accordingly.

Structuring the Organization

It’s virtually impossible to succeed on financial and social fronts over the long run if the company isn’t designed to support both. Achieving an effective design requires that you think about which organizational activities create economic value and which create social value, how those activities relate to one another, and how you’ll try to balance them.

Aligning activities and structure. Some activities create social and economic value at the same time. Others create predominantly one kind of value. For activities that create both kinds, an integrated organizational structure usually makes sense. Otherwise the activities are often best managed separately.

Revolution Foods, founded in 2006 by Kristin Richmond and Kirsten Tobey, provides nutritious lunches to low-income students in the United States. Richmond and Tobey created the company to serve a social purpose, having witnessed how poor food options hold kids back in underfunded schools. Every time they sell a healthful meal to a school, two things happen: They enhance a child’s health, and they make money. Their core activity thus creates both kinds of value. As a result, they opted for an integrated structure, with a single manager in charge of operational efficiency, business growth, and the promotion of child well-being. Account



Idea in Brief

THE PROBLEM

Corporations are being pushed to dial down their single-minded pursuit of financial gain and pay closer attention to their impact on society. But how can a company balance the two?

THE RESEARCH

The authors have studied companies around the globe that pursue financial and social goals simultaneously. They find that the successful ones build a commitment to both economic and social value into their core organizational activities.

THE SOLUTION

Companies that want to do well and do good should focus on four key management practices: setting and monitoring dual goals; structuring the organization to support both goals; hiring and socializing employees to embrace them; and practicing dual-minded leadership.

managers often engage students in nutrition education (either directly or through community organizations), introducing them to new foods and collecting their feedback on taste. The exposure to healthful foods enhances the long-term wellness of students and supports sales at the same time.

In contrast, the French company ENVIE learned over time that it needed to decouple the two kinds of activities. Launched in 1984, it had the goal of reintegrating long-term unemployed people into the job market by hiring

■ Grameen Veolia Water's board set two goals at the outset: to provide safe, affordable drinking water to rural inhabitants and to sustain operations from sales without relying on grants. These two goals came into conflict.

them on two-year contracts to collect and repair used appliances for sale in secondhand shops. The company also provides support and training in how to repair appliances, how to look for a job, how to write a CV, and how to interview. The resale of appliances is what creates economic value. The training to enhance individuals' ability to find jobs outside ENVIE creates social value, but it doesn't make the company more profitable—in fact, it increases costs.

In the early years, staff members were asked to do two jobs: give beneficiaries technical guidance on how to repair or dismantle appliances (economic value) and provide them with social support (social value). However, it was difficult to find supervisors with both social and technical expertise. Even when they had both, the supervisors struggled to balance the two dimensions of their jobs. ENVIE's founders accordingly decided to set up separate organizational units, one for social support and one for repair, to be overseen by social workers and technical experts respectively. This increased the company's effectiveness in generating both kinds of value.

Creating spaces of negotiation.

The rub is that tensions inevitably arise—particularly in differentiated structures. Left unattended, they can bring an organization to a halt. The Bolivian micro-lender Banco Solidario provides a cautionary example. In the 1990s constant resentment and fighting between bankers (concerned with fees and efficiency) and social workers (concerned with the affordability of loans and the livelihoods of microentrepreneurs) essentially froze the company. Loan officers quit left and right, the number of active borrowers

plummeted, and the profit margin dropped. We've found that successful dual-purpose companies avoid such paralysis by supplementing traditional organizational structures with mechanisms for surfacing and working through tensions. These mechanisms don't make the tensions disappear—rather, they bring them into the open by letting employees actively discuss trade-offs between creating economic value and creating social value. Such deliberation provides a powerful safety valve and can speed up effective resolution.

Consider Vivractif, another French work-integration company. Founded in 1993, it hires and trains the long-term unemployed at recycling facilities. Those responsible for achieving one kind of goal or the other at the company often did not see eye to eye. While production supervisors managed workers to meet recycling targets, social workers were eager to take them away from the floor for mentorship and job-search training. The company set up quarterly meetings between the two groups so that they could discuss each beneficiary's progress and bring up coordination issues. Joint work planning allowed both to share important deadlines (such as for commercial deliveries or social trainings) and to find joint solutions to scheduling conflicts. This improved productivity and furthered the company's social goals.

Spaces of negotiation can be successful in large companies as well. In one multinational cooperative bank headquartered in Europe, decision makers representing each of the local branches collectively make strategic decisions only after iterative debate, during which

different groups of employees are responsible for championing either the social or the financial objectives of the organization. When individuals speak up about issues, their assigned roles prevent tensions from becoming personal.

Hiring and Socializing Employees

Embedding a dual-purpose focus in an organization's DNA requires a workforce with shared values, behaviors, and processes. Hiring and socialization are crucial to getting that right.

Hiring. Employees in a company that pursues dual goals tend to be successful when they understand and connect with both the business and the social mission. We've seen companies mobilize such people by recruiting three types of profiles: hybrid, specialized, and “blank slate.”

Hybrid individuals arrive equipped with training or experience in both business and social-value fields, such as environmental science, medicine, social work, and so forth. Such people are able to understand issues in both camps and can connect with employees and other stakeholders of either orientation.

Jean-François Connan is a good example. He was recruited in the late 1980s by Adecco, one of the largest temp work groups in the world, because he had training in industrial maintenance and human resources and experience as a teacher and a mentor for at-risk youth. The company hired him to help address a long-standing problem: A large number of its temp workers lacked strong qualifications. Connan played a leading role in building a dual-purpose subsidiary for Adecco that helps the long-term unem-



ployed reenter the job market by hiring them for temp jobs. His background lets him interact seamlessly with Adecco leaders and corporate clients as well as with local partners (such as nonprofits dedicated to youth mentorship) and those whom they seek to serve. Now he is the company's head of responsibility and social innovation.

But hybrid employees aren't always available and may not always be the best fit. Dual-purpose corporations often hire *specialized* talent, which allows them to tap into deep expertise and networks in each area. The main weakness of this approach is that it is more likely to result in conflict between groups, which may not understand each other's norms, vocabularies, and constraints—especially if the organization separates economic activities from social ones. As a result, tensions and turnover in these companies tend to be higher than in those with an integrated structure, producing a negative effect on the bottom line.

To mitigate this at Dimagi, Jackson explains the primacy of the organization's social purpose on his very first recruitment call with a technical expert (such as a software developer). After hiring, he creates opportunities for the expert to learn about the social business through formal talks, informal office interactions, and even face-to-face fieldwork in the underserved communities with which Dimagi works. Vox Capital, too, has hired managers with technical capabilities (such as fund management) and no experience in a social-mission-driven environment. Yet it systematically screens applicants for their ability to embrace and thus adapt to the company's hybrid culture.

When companies recruit *blank slate* individuals, who have experience in neither business nor the social sector, they put them in entry-level jobs and help them acquire dual values and skills. The Bolivian microcredit lender Los Andes S.A. Caja de Ahorro y Préstamo, founded in 1995, took this approach, hiring university graduates with hardly any professional experience to become loan officers. The sense was that they would embrace a hybrid organizational culture more readily than experienced employees might. Of course, this approach has limitations. Taking inexperienced staffers into an organization may lower productivity. It also requires a considerable investment in training.

Although recruitment strategies obviously must be adapted to specific HR needs, we have observed that hybrid employees tend to be particularly well-suited for managerial and coordination positions; specialists can contribute useful expertise as middle managers in differentiated structures; and blank slates do best in entry-level jobs, where training won't be too challenging.

Socialization. Once people are on board, socializing them can be daunting. Every employee needs to understand, value, and become capable of contributing to both financial and social goals in some form.

Formal approaches to socialization may include companywide events such as annual general assemblies and retreats where dual goals and values are explained, discussed, assessed, and put into perspective. Dedicated trainings can remind employees—particularly those who specialize in just one sector—of the interconnectedness of revenue-

generating and social-value-creating activities. Job-shadowing programs and other forms of experiential training can also purposefully bring different groups together. At Vivractif social workers spend at least one day a year alongside recycling supervisors, and vice versa, so that each can learn and relearn about the company from the other perspective.

Another example comes from Oftalmología salauno, a Mexican company co-founded in 2011 by Javier Okhuysen and Carlos Orellana to provide high-quality, low-cost eye care to people who can't otherwise afford it. Although the pair saw economic goals and social goals as connected, they observed that some doctors focused only on patient care, and some managers considered only costs. So they formulated a set of core tenets and shared them at a daylong training for all employees, which clarified the interrelatedness of the company's financial and social aspects and gave employees a shared language for discussing tensions. Okhuysen and Orellana later instituted such sessions for new hires and continue to reinforce the training content in day-to-day interactions.

Spaces of negotiation can be valuable informal socialization opportunities, too. At Vox Capital a weekly time slot allows anyone to pose a question if he or she feels that the company's practices don't align with the organizational mission and values or is witnessing financial-social trade-offs. Employees haven't shied away from tough topics. Some have asked whether its investment portfolio sufficiently emphasizes the social missions of the businesses, while others have questioned whether the company's approach to raising capital is ethical.



Such conversations pushed cofounder Daniel Izzo to think critically about Vox's principles. "First I thought, It doesn't matter as long as [investors] don't have a say in what we do," he says. "But then someone asked, 'Would you take a drug lord as an investor?' Of course not. So there is a line. But where do we draw it? Do you take money from companies involved in corruption scandals in Brazil? Or from sons and daughters of top executives in those companies?"

Similarly, Bernardo Bonjean, who founded the Brazilian microfinance organization Avante in 2012, instituted a monthly breakfast where employees could come together and ask him questions. He also shares what's on his mind in letters to employees, discussing everything from the company's KPIs to his concerns about cash flow in the coming months. Okhuysen and Orellana put posters showing a matrix of Oftalmología salauno's four core tenets—commitment, service, reach, and value—in every meeting room. They can refer to these tenets when decision points arise, supporting a shared language among employees.

To encourage questions from employees, it's important to create an environment where people feel safe raising contentious issues. And when employees see changes in thinking and processes result from these discussions, they know that what they say is valued.

Events and conversations aren't the only ways to socialize employees. Promotion and compensation are also important. At the multinational cooperative bank mentioned above, being promoted to general director of a local branch requires excelling in business

development, cost reduction, and profit making while also demonstrating a clear adherence to the company's social goals and a willingness to work collaboratively. One candidate for promotion commented, "I have seen many brilliant people fail because they did not embrace our values enough."

Vox Capital, like several other companies we studied, bases individual bonuses on both financial and social performance. Furthermore, Izzo is clear that he does not want the economic inequality that Vox is trying to redress in Brazil reproduced inside the company itself, so the maximum difference between employees' highest and lowest salaries and bonuses is capped at a multiple of 10. (In the United States in 2017 the average ratio of CEO-to-worker compensation was 312:1, according to the Economic Policy Institute.) Other companies, such as Revolution Foods, use shared ownership to motivate employees and increase their commitment to dual performance. Any full-time employee can become a shareholder through stock options. Richmond and Tobey believe that sharing ownership with employees, many of whom live in the low-income communities the company serves, is integral to their social mission.

Practicing Dual-Minded Leadership

Leaders must manage the tensions that inevitably crop up on the path to achieving dual goals. These tensions often involve competition for resources and divergent views about how to reach those goals. Leaders must affirm, embody, and protect both the financial and the social side and address tensions proactively.

Making decisions. Strategic decisions should embody dual goals. Whereas goals reflect aspirations, decisions provide real evidence of leaders' commitment to achieving specific aims. The experience of François-Ghislain Morillon and Sébastien Kopp is a good example.

Morillon and Kopp created Veja in 2004 to sell sneakers made under fair trade and environmentally friendly conditions in small cooperatives in Brazil. When they realized that advertising accounted for 70% of the cost of a typical major brand's sneakers, they made the bold decision not to advertise at all. That allowed them to sell sneakers at a price comparable to what their bigger competitors asked despite having production costs five to seven times as high. To make up for the absence of traditional advertising, the company formed strategic partnerships with high-end fashion brands such as agnès b. and Madewell and stores such as the Galeries Lafayette to increase media exposure, grow sales, and become profitable.

At first Veja's clients—shoe retailers accustomed to the marketing of major sneaker brands—were skeptical. So Veja trained salespeople to educate them about the benefits of its product for people and the environment. Clients and the media now view the "zero ads" decision as evidence of the founders' commitment to their social goals, ultimately both giving the company social impact and making it profitable.

Morillon and Kopp also decided to temper the company's growth, despite increasing consumer demand in the United States. They refused to lower their fair trade and environmental standards

■ ■ Veja made the bold decision to do no advertising. That allowed it to sell sneakers at a price comparable to what its bigger competitors asked despite having production costs five to seven times as high.

to sell more shoes. Instead they decided to set production targets in keeping with the capacity of their fair trade partners while working closely with them to increase that capacity, ensuring a growth rate compatible with financial sustainability. That decision demonstrated, to employees in particular, the genuine commitment of Veja's leaders to their dual goals. In making bold decisions, the cofounders both emphasized the company's priorities and created the conditions for achieving them. They also showed that it's possible to avoid one of the most common pitfalls for dual-purpose companies: prioritizing profits over society when the pressure is on.

Profit allocation is another important area of strategic decision making. Dividends can be capped to ensure that financial goals don't overshadow social ones. When founding *Oftalmología salauno*, Okhuysen and Orellana pledged to reinvest 100% of their profits for at least seven years, so the investors they selected—a social impact fund, the World Bank, and a private wealth-management fund—knew that no dividends would be paid during that time. Okhuysen explains: “Our investors ultimately expect both financial and social returns on their capital. But the alignment between us around reinvesting profits to improve and grow our network of eye-care clinics has helped ensure that financial goals do not take precedence over our social purpose.”

Engaging the board. In successful hybrid companies, board members serve as guardians of the dual purpose. Thus they must collectively bring a combination of business and social expertise to the table. Diversity on the

board is important for drawing the organization's attention to both social and financial goals, yet it increases the risk of conflict, because members with different perspectives are more likely to differ as to the best course of action. We have seen some companies experience near-paralyzing governance crises when socially and commercially minded board members with similar levels of influence strongly disagree.

Yet other companies have managed to avoid such crises because a chair or an executive director systematically bridged gaps between the two groups. By fostering regular interactions and information sharing between them, such leaders enabled the groups to develop mutual understanding. Recall the subsidiary Jean-François Connan founded at Adecco. He invited representatives from prominent local nonprofits to join the board as minority shareholders, enabling the company to benefit from their social expertise, networks, and legitimacy and helping to protect the company's social mission. His hybrid experience put Connan in a good position to bridge the gap between the two groups of directors, fostering common ground by constantly reminding each of the importance of the other.

SOME MAJOR ROADBLOCKS to dual-purpose organizing are outside a company's control. Chief among them is that the business ecosystem is still set up to prioritize the creation of shareholder wealth. The Global Reporting Initiative, the Sustainability Accounting Standards Board, and B Lab, among others, have taken steps to overcome some of these barriers. Each of them has created metrics for tracking companies' impact on

the lives of employees and customers, the communities served, and the environment, providing organizations with benchmarks. What is at stake is ensuring that companies don't pick and choose areas of social focus on the basis of convenience.

Rating agencies are only one part of the ecosystem, however. Although more changes are under way—such as awarding legal status to public benefit corporations in the United States, community interest companies in the United Kingdom, and *società benefit* in Italy—the regulations, educational standards, investment models, and norms that govern the production of economic value and social value are still mostly distinct from one another. As an increasing number of companies engage in hybrid organizing, the systems that support business also need to change.

But changing organizations and the ecosystem that surrounds them is difficult. Companies must fight the inertia of inherited ways of thinking and behaving. Trade-offs and tensions are inevitable, and success is more likely when leaders address them head-on. The four levers we have outlined are meant to help. ☺

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BUILDING CORPORATE PURPOSE

Quick Takes



1. Your Company's Purpose Is Not Its Vision, Mission, or Values

→ by GRAHAM KENNY

WE HEAR MORE and more that organizations must have a compelling “purpose”—but what does that mean? Aren't there already a host of labels that describe organizational direction? Do we need yet another?

I think we do, and I've pulled together a typology

of sorts to help distinguish all these terms from one another.

A company's **vision** is what the organization wishes to be like in some years' time. A vision statement is usually drawn up by senior management to take the thinking beyond day-to-day activity

in a clear, memorable way. For instance, the Swedish company Ericsson (a global provider of communications equipment, software, and services) defines its vision as being “the prime driver in an all-communicating world.”

There's also the **mission**, which describes what business the organization is in (and what it isn't) both now and projecting into the future. Its aim is to provide focus for management and staff. A consulting firm might define its mission by the type of work it does, the clients it caters to, and the level of service it provides. For example: “We're in the business of providing high-standard assistance on performance assessment to middle and senior managers in medium-to-large firms in the finance industry.”

Values describe the desired culture. As Coca-Cola puts it, they serve as a behavioral compass. Coca-Cola's values include having the courage to shape a better future, leveraging collective genius, being real, and being accountable and committed.

If values provide the compass, **principles** give employees a set of directions. The global logistics and mail-service company TNT Express illustrates the difference in its use of both terms. TNT United Kingdom,

the European market leader, lists “customer care” among nine key principles, describing it as follows: “always listening to and building first-class relationships with our customers to help us provide excellent standards of service and client satisfaction.” TNT's Australian branch takes a different approach. Rather than outline detailed principles, it highlights four high-level “core values,” including: “We are passionate about our customers.” Note the lighter touch, the broader stroke.

So how does **purpose** differ from all the above, which emphasize how the organization should view and conduct itself?

Greg Ellis, former CEO and managing director of REA Group, says his company's purpose was “to make the property process simple, efficient, and stress-free for people buying and selling a property.” This outward focus does not just emphasize the importance of serving customers or understanding their needs but also puts managers and employees in *customers' shoes*. It says, “This is what we're doing for *someone else*.” And it's motivational, because it connects with the heart as well as the head. Indeed, Ellis called it the company's “philosophical heartbeat.”

COMSTOCK/GETTY IMAGES

■ A successful company purpose is motivational because it connects with the heart as well as the head.

For other examples of purpose, look at the financial services company ING (“empowering people to stay a step ahead in life and in business”), the Kellogg food company (“nourishing families so they can flourish and thrive”), and the insurance company IAG (“to help people manage risk and recover from the hardship of unexpected loss”).

If you’re crafting a purpose statement, my advice is this: To inspire your staff to do good work for you, find a way to express the organization’s impact on the lives of customers, clients, students, patients—whomever you’re trying to serve. Make them feel it.

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2. Your Corporate Purpose Will Ring Hollow If the Company’s Actions Don’t Back It Up

→ by GRAHAM KENNY

IT’S IMPOSSIBLE TO miss the simultaneous occurrence of two corporate trends: (1) the growing idea that to motivate employees, you need to supply them with a corporate purpose and (2) the astronomical rise in CEO and senior executive pay.

But can leaders credibly talk “purpose” in an organization that pays its chiefs a fortune and treats its staff or other stakeholders badly?

Let’s start with the meaning of purpose.

Most directional statements—like mission, vision,

and values—have the organization as their focus. Mission (what business are we in?), vision (where do we see ourselves in a few years’ time?), and values (what do we stand for?) are all about the organization and its inhabitants.

However, a description of corporate *purpose* turns an organization inside-out. Purpose looks at the organization from the outside to consider the difference that a business makes in people’s lives.

It’s conventional for a corporate purpose statement to focus on customers. Consider this one from IAG: “We make your world a safer place.” (IAG is the parent company of a general insurance group with

■ The goal of a purpose statement is to change an organization from a purely transactional system to a relationship.

operations in Australia, New Zealand, Thailand, Vietnam, and Indonesia.)

The goal of a purpose statement is to add another dimension to an organization, changing it from a purely transactional system to a relationship. It personalizes the products and services produced. You can see why, in some organizations, this might ignite staff passion and engage employees.

But to avoid a corporate-purpose exercise being viewed by employees as a cynical joke, a company must meet certain preconditions. The major ones are addressing excessive CEO and senior executive pay, and treating employees and other stakeholders fairly.

Take the announcement that the CEO of Australia's Domino's Pizza has become the country's highest-paid executive, receiving a whopping pay packet of \$AU36.84 million in 2017. This included base pay of \$AU4.7 million and profit from the sale of shares acquired as part of an incentive scheme. This is the same organization where some franchisees got caught systematically underpaying vulnerable staffers and charging for visa sponsorships to meet their financial goals. The head office was accused of turning a blind eye to the problem.

While Domino's Pizza details its mission, vision, and values on its website (one of its values is to "treat people as you'd like to be treated"), it stops short of a purpose statement for good reason. It would seem incongruous to espouse "purpose" in a situation where the law is allegedly being broken and there are accusations of fraud.

The pattern at Domino's Pizza has a precursor in 7-Eleven. A couple of years ago some of its franchisees were caught underpaying staff while its owner and then-board chairman was worth \$US750 million. The pattern has again been discovered at several expensive Australian restaurants operated by high-profile and well-off chefs. They've been caught shortchanging their employees.

It's pretty hard for senior management in these businesses to espouse "higher purpose" to improve customers' lives when the very people who make this happen are not meeting their "basic purpose." In the case of employees, this is receiving the wage they're entitled to—or with franchisees, operating within a viable franchise agreement.

It's also difficult to espouse corporate purpose if you're cheating customers.

In Australia, where I live, we have been watching a Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. This is a public inquiry with a retired high court judge presiding. What has astonished and appalled the Australian public is the way in which the staff at the "big four" banks—Commonwealth, Westpac, ANZ, and NAB—have behaved, putting customer interests well behind their own. Commonwealth Bank staff even knowingly charged clients for financial advice for years after the clients *had died*.

It's clear from the findings of the Commission that the banks have created a culture that has induced staff to view their dealings with their customers as purely transactional: "I'll sell you this, I'll get that as a bonus" (similar to the recent scandals at Wells Fargo and Volkswagen).

This kind of culture comes from the top. It works just fine for the bank CEOs, making them among Australia's highest-paid executives, but not so well for bank customers, as Australians have discovered. (The CEO of Commonwealth Bank, who recently stepped down, walked away with a handy \$AU12.3 million, and other senior executives were also paid in the millions.)

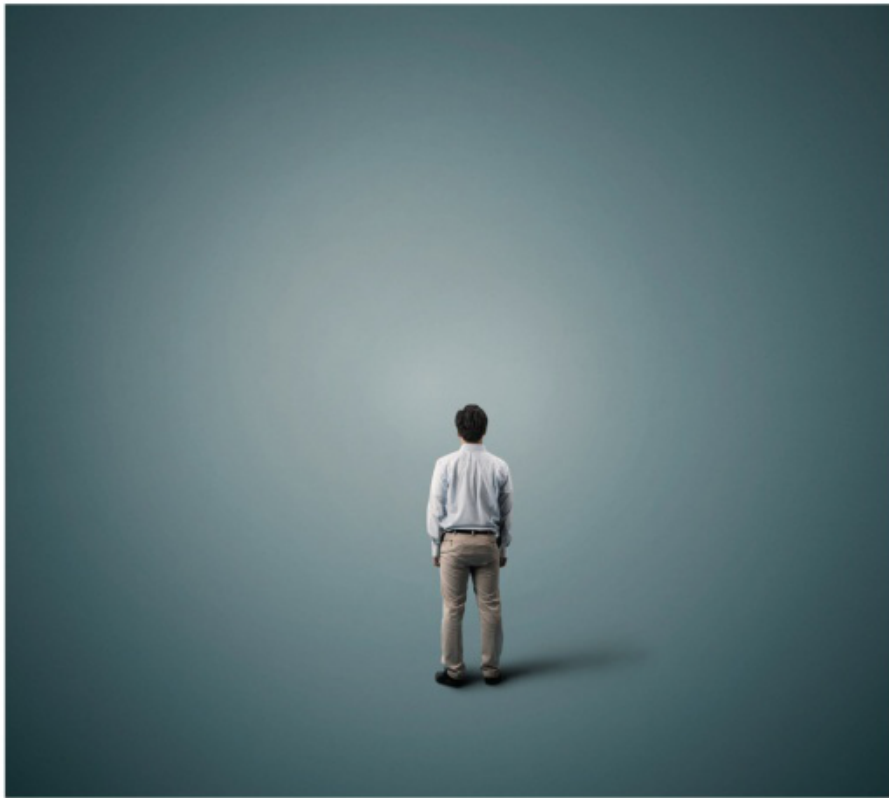
You can imagine the optics if any of these organizations were to begin a discussion of purpose with their staff while the existing transactional culture pervades. They would be greeted, at best, with eye rolls.

Articulating corporate purpose is a great idea. Knowing how a product or service impacts customers' lives is meaningful for staff. But here's my challenge to you—boards, CEOs, and senior executives: Before you launch your purpose campaign, put your house in order. Fairness-check your senior executive pay and employee wages and working conditions. Otherwise your efforts might just be met with a collective "you must be joking" response.

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3. How to Instill Purpose

→ by JOHN BALDONI

MANY COMPANIES INVEST a significant amount of money in trying to improve themselves. But often, they overlook something within their organization that, when tapped, can sharpen focus, tighten alignment, hone execution, and, in the process, deliver better results. It's called purpose.

Purpose, as savvy leaders know, is the foundation for creating a vision, executing on a mission, and abiding by

the values of an organization. Culture emerges from purposeful organizations because purpose shapes individuals' beliefs and organizational norms. That foundation opens the door for organizations to do four important things, which are all vital to success:

1. Instill purpose in employees. Employees may be good at compliance, but in today's global competitive mar-

ketplace, going through the motions is not good enough. Organizations need employees who are engaged; that is, they have a sense of purpose that comes from knowing that what they do matters to others. Engaged employees enjoy what they do and tend to be more productive.

2. Provide clarity. We live in uncertain times. In fact, uncertainty, or ambiguity, is becoming the norm, at least compared with previous generations. But, is it necessarily a bad thing? Fearing ambiguity leads to narrow thinking and reactionary behaviors, but leaders I spoke with talked about ways to make ambiguity an ally. Embracing it can allow employees to see possibilities they wouldn't have otherwise seen. Purpose then drives clarity because it "connects the dots" for employees. They know what is expected of them and why.

3. Stimulate innovation. Knowing what an organization stands for can lead the way to being purposeful, which enables employees to think of new ways of doing things for a reason—that is, to meet the mission of the organization.

4. Groom the next generation of leaders. Organiza-

tions that survive more than a generation typically have developed a leadership cadre who inherited the mission but have been shaped by core values. Purpose leads to intentional development. Leaders whom I interviewed were explicit about their commitment to employee development, so much so that they invested their own time in working with younger employees who would someday—sooner rather than later—run the company.

Leaders need to develop and nurture these four important factors. That can only occur when leaders at the top are sure of their own purpose. In my experience, such leaders know what they want and how to get it, but they may lack focus when it comes to driving purpose throughout the organization.

One meaningful way that leaders can instill purpose is to communicate it through their behaviors. When employees see their leaders doing for others—especially when it comes to the heavy lifting—any excuse they may have for not participating is negated.

Such leaders are engaged in the process of leadership. They spend time mixing in at all levels of the organization. They are passionate about what they do, and they



convey that passion through their words, as well as their actions.

Purpose should not be allowed to sit on a shelf to be admired. Rather, it can be a catalyst for stimulating creativity, engagement, and strategy in ways that drive results.

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4. Four Hard Questions to Ask About Your Company's Purpose

→ by DOMINIC HOULDER and NANDU NANDKISHORE

IN THE EARLY 1930s, cars in Europe were still a luxury for the rich. But in 1933 Dr. Ferdinand Porsche launched the People's Car: Volkswagen. Its purpose was to enhance people's lives through great engineering that offered everyone an accessible, high-quality car. This purpose resonated throughout the 20th century,

and Volkswagen grew and prospered.

Then, in 2007, something changed. The Volkswagen leadership set a new overarching goal for the company: to become the world's largest automaker by 2018. And although the company reached that goal three years early, no one can doubt now—in light

of the emissions scandal—that in losing its greater purpose, Volkswagen ended up losing much more than its way.

Too many leaders today focus on the practicalities of *what* and *how* rather than the more distant and abstract question of *why*. But there are costs to such shortsightedness, as Volkswagen's example makes clear.

How strong is your purpose? Is it solid enough to guide you through uncertain times? Stress-test it with these questions:

Is your purpose specific enough to defend? Statements of purpose often float upward into fluffy, generic moral injunctions or land heavily as marketing slogans and value propositions. In either case, a broad, vague purpose is too borderless to defend.

The sweet spot is where a definition of purpose brings value and values together. It must be a business purpose—that is, built around what the organization can deliver—but its roots must be moral and outward-looking and speak to consumers, society, and employees, not just shareholders. At Blue Circle Industries, a global construction materials business that is now part of LafargeHolcim, top management struggled to

■ Assuming that purpose is fixed for all time is a big mistake—only a generic purpose can be unchanging.

communicate a purpose that could resonate across all parts of its highly diversified portfolio. The search for common ground led to a very generic statement of purpose, one focused on delivering shareholder value, wrapped in the familiar moral grandstanding of prizing integrity, creativity, and so on. The statement of purpose was relevant only at the level of the holding company. It failed to register in the ears of those delivering customer value across the range of different contexts in the company.

Undoubtedly, a purpose specific enough to be worth defending brings dilemmas. For example, a company could set its core purpose as delivering nutritious, fresh food to enhance people's health. Would the acquisition of a fast-food burger business go beyond those boundaries? If the purpose is meaningful, consumers—and ultimately employees—will respond with anger or disengagement if top executives subvert it.

What's fixed and what's up for grabs? The stories employees tell one another about their history, especially foundation stories, are potent carriers of the purpose that is worth defending. Nestlé was founded to save the life of a baby. Soichiro Honda and

his business partner Takeo Fujisawa founded their auto company to restore Japanese pride in engineering rather than military achievement. Sam Walton, the founder of Walmart and Sam's Club, looked to bring value to out-of-the-way places. Or take SAP, the German business software company. The distillation of SAP's purpose is to "help the world run better." Taken alone, those words have little meaning. But behind them lie many stories of how SAP's software has brought order to chaos, helped customers reduce waste, made the most of scarce resources, and quietly transformed lives.

Purpose is often buried in an organization's history and the memories of its founders. And yet, as time moves on, a company's strategy can and will change. As your company navigates changes in strategy and portfolio composition, do not fail to reexamine your purpose. To what extent are you reaching its limits? Assuming that purpose is fixed for all time is a big mistake—only a generic purpose can be unchanging.

What's your plan for defending your purpose despite short-term temptations? Short-term pressures are inevitable. How

will you plan for them—and protect your organization's purpose despite them? One approach is to create watchdogs who will bark loudly when purpose is violated. The Hershey Foundation, for example, recruited John Scharffenberger to act as the company's guardian and ambassador to cocoa growers in West Africa. Scharffenberger had sold Hershey his eponymous ethical chocolate brand. In addition to the product, Hershey sought to retain this distinctive voice as a forceful reminder to the company of what it stood for. Similarly, the accounting firm PwC retains the firm's wisest elders after retirement on the firm's supervisory boards as custodians of purpose in the context of a partnering culture.

Is the organization's purpose connected to your own? As a leader, you are the channel for your organization's purpose; if it fails to connect with you, it can hardly connect with others. The corporate purpose answers the "why" for the organization, but what about for you? What is the link between your personal story and the story told about your company? One key to ensuring connection is to focus on your legacy. The legacy of purpose

bears your personal imprint as a leader. As you pass it on, it will change but retain its roots in what you contributed and in what earlier generations brought to you.

We know that executives today have to deal with all kinds of unpredictable short-term pressures. And yet we believe that as organizations face stronger crosswinds, purpose becomes even more important—not less so. That's because the "what" and "how" of business will need to change more frequently in a volatile world. This leaves purpose, the "why," as the primary compass for navigating key decisions.

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5. Purpose Is Good— Shared Purpose Is Better

→ by MARK BONCHEK

COMPANIES ARE TURNING to “purpose” and “authenticity” as a way to engage consumers and employees. But it’s hard enough to find a purpose in life if you’re an individual, let alone an entire company. And being authentic is a bit like being cool—sometimes the harder you try, the less you are.

So what’s a leader to do?

The first step is to recognize that there are different kinds of purpose. Sometimes purpose is about values—who you are and what you stand for. Other times it is about value—what you do and how it benefits others.

The ultimate goal would seem to be having your values and value aligned: Have what you do reflect who you are, have what you stand for guide what you make, and have your value to the community enhance your value to customers and shareholders.

This goal of aligning values and value is espoused by many eminent leaders, from Jim Stengel, the president and CEO of the Jim Stengel Company and former global marketing officer of Procter & Gamble, to Bill George, a management professor and Henry B. Arthur Fellow of Ethics at Harvard Business School. It’s a core tenet in the field of corporate social responsibility.

But in a social age, this kind of purpose isn’t enough. The problem comes down to a simple preposition. Most leaders think of purpose as a purpose *for*, but what is needed is a purpose *with*.

Customers are no longer just consumers; they’re co-creators. They aren’t just passive members of an audience; they are active members of a community. They want to be a part of something, to belong, to influence, to engage. It’s not enough that they feel good about your purpose. They want it to be their purpose, too. They don’t want to be at the other end of your *for*. They want to be right there *with* you. Purpose needs to be shared.

To understand the power of shared purpose, it’s useful to look at the mission statements of leading companies. To be clear, I’m not equating mission statements with company purpose. But they illustrate the point and in fact are remarkably representative of the differences among the companies. So with that caveat, let’s look at our first mission statements from Adidas and Nike:

ADIDAS: “To be the global leader in the sporting goods industry with brands built on a passion for sports and a sporting lifestyle”

D-BASE/GETTY IMAGES

■ Most leaders think of purpose as a purpose *for*, but what is needed is a purpose *with*.

NIKE: “To bring inspiration and innovation to every athlete* in the world. *If you have a body, you are an athlete.”

Notice how you respond to each statement. Which one do you feel more a part of, regardless of whether you are a customer or shareholder? Adidas puts the emphasis on value and values. But Nike goes further, addressing not only people’s interests but also their sense of who they are. Adidas is *for*, while Nike is *with*.

Let’s look at another example, this time between Dunkin’ Donuts and Starbucks.

DUNKIN’ DONUTS: “To make and serve the freshest, most delicious coffee and donuts quickly and courteously in modern, well-merchandised stores”

STARBUCKS: “To inspire and nurture the human spirit—one person, one cup, and one neighborhood at a time”

Dunkin’ Donuts’ purpose is clearly *for* customers, and it delivers on this purpose exceedingly well. But there is something different about Starbucks’s purpose. It is a purpose that is achieved *with* its customers.

Again, mission statements don’t always reflect a company’s true purpose. But in these cases they are fairly accurate representations of the company’s approach to the market, its engagement with customers, and its perception as an “authentic” brand.

The relationship of shared purpose to corporate social responsibility is worth exploring a bit further, this time by comparing Pepsi and Coca-Cola. Under the label “Performance with Purpose,” Pepsi has declared both a mission and a vision.

MISSION: “Our mission is to be the world’s premier consumer products company focused on convenient foods and beverages.”

VISION: “PepsiCo’s responsibility is to continually improve all aspects of the world in which we operate—environment, social, economic—creating a better tomorrow than today.”

This is a perfect example of a “values and value” approach to purpose. The vision covers values, and the mission covers value. But something is missing. There is no shared purpose here, nothing for people to participate in, belong to, engage with, co-create, or share with others that aligns the com-

mercial side of the business with social responsibility.

By contrast, Coca-Cola has declared as its mission:

“To refresh the world...

To inspire moments of optimism and happiness...

To create value and make a difference”

While the third line is a bit generic, the first two lay a stronger foundation for a shared purpose. It is perhaps no coincidence that Nike, Starbucks, and Coca-Cola all feature the words *inspire* and *inspiration* in their mission statements. You can’t inspire someone without their participation and engagement.

How can you create your own shared purpose? It’s simple, but not easy. The essential question is:

What is the shared purpose that...

- We and our customers can work on together?
- Is a natural expression of who we are and what we stand for?
- Connects how we make money with how we contribute to the world?

When you apply this lens to the brands we have covered here, you can see how Nike, Starbucks, and Coca-Cola pass the test. Nike to inspire the athlete in all of

us. Starbucks to nurture the human spirit. And Coca-Cola to refresh the world with moments of optimism and happiness.

As you formulate your shared purpose, don’t go for what you think it should be. Look for who you already are. How you already connect with your customers. What your fans already say about you.

Remember, this is not something you are going to do *to* them, or *for* them, but *with* them. It’s a journey you will be on together, hopefully for a very long time.

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■ The business model exists to serve the mission, not the other way around.



6. Successful Start-Ups Don't Make Money Their Primary Mission

→ by KEVIN LAWS

SOME PEOPLE LOOK at Silicon Valley and see a world filled with fortune seekers come to strike it rich.

Yes, the Valley has its share of mercenaries. But you've never heard of some of the companies they founded or ran, because those start-ups couldn't attract or retain good talent, win solid investment backing, or earn customers' good will.

What drives the most successful start-ups isn't the money—it's the mission. The founders who go on to create the greatest value for themselves and their investors are

those with a vision of changing the world in some way.

People outside Silicon Valley are often puzzled by the apparent contradiction between the idea of companies having missions and the goal of big returns for investors.

As former Netscape CEO Jim Barksdale put it, "Saying that the purpose of a company is to make money is like saying that your purpose in life is to breathe." Of course, if you're not breathing, it doesn't much matter what your purpose in life is. If you believe in your mission, then it's part of your moral im-

perative to attach a business model to it. There's no faster way to achieve your lofty goals. But that's the order for it: The business model exists to serve the mission, not the other way around. That's how Google managed to organize so much of the world's information in a few decades, and Facebook managed to connect the wired world in just one.

But for founders who are in it just for the money, there are too many reasons and ways to quit before the company becomes a massive success.

After all, starting a new institution from scratch is really, really hard. Sometimes people stop because there's no more money or customers don't like the product. The high-profile secret-sharing app Secret just shuttered its virtual doors and gave its remaining money back to investors when customers started leaving.

Other forms of quitting are less obvious. When a social-mission company sells out to a big corporation, the founders all get rich and sometimes the investors even make a little money. But that's quitting, too. No company ever changed the world by selling early. Often the acquiring company eventually shuts down the project and reassigns or lays off the employees.

The selling-early kind of quitting is actually more dangerous and represents a greater loss for investors than the giving-up-under-hardship kind. For a start-up investor, losing the entire investment is the expected outcome. For good investors the losses are more than covered by the few massive successes—but a company with fantastic potential can't become a massive success if it sells early.

Larry Page and Sergey Brin grew Google to its current dominance by sticking to their information-organizing mission. They believed in the mission enough to turn down an offer of \$1 billion for their company from Yahoo. Today Google is worth more than \$350 billion.

Yahoo also offered Mark Zuckerberg \$1 billion for Facebook while it was still an exclusive site that didn't let most people join. He turned the offer down (along with many larger offers, including from Google). His mission to connect everybody wasn't done yet. Today the company is worth more than \$200 billion.

Imagine if Google and Facebook had sold to Yahoo for \$1 billion each—a great outcome by any measure. But inside Yahoo, would Google have continued its crazy missionary projects, like scanning the world's libraries

RICHARD DRURY/GETTY IMAGES



or organizing all scholarly papers? Would Facebook have connected everybody with social news feeds and a constant flow of new mobile products?

In each case, the company's greater mission and its financial success were intertwined.

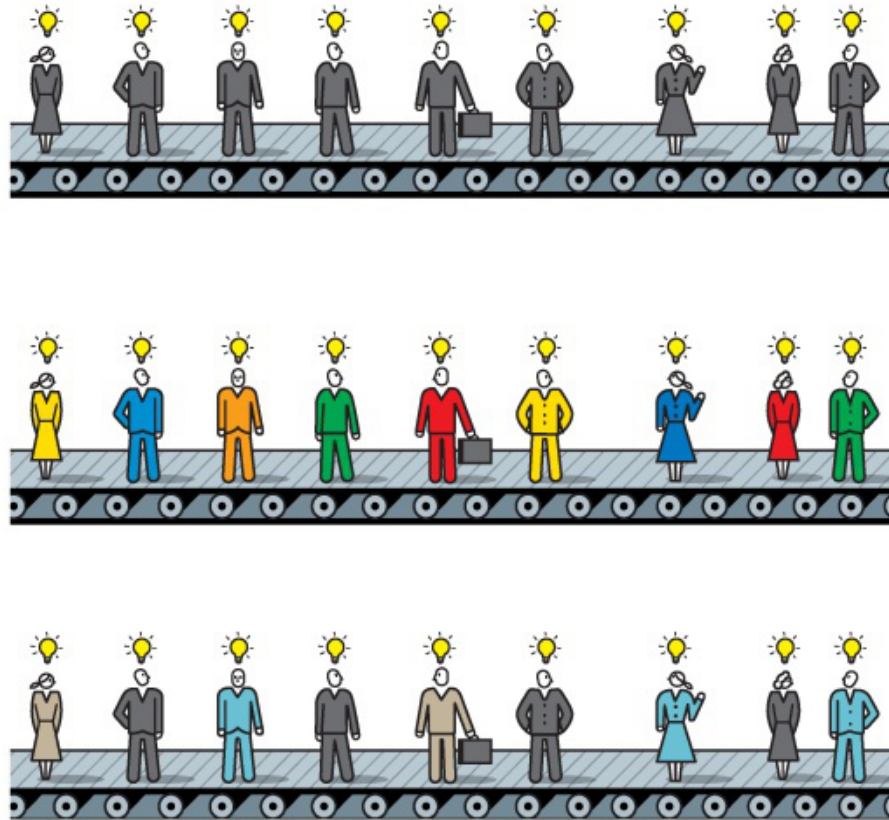
Employees also have to be inspired by the mission. If employees are just mercenaries, they will disappear as soon as a better offer comes along. For investments to have a chance of becoming unicorns—billion-dollar companies—they need management teams and talent that will persevere through the tough times and not sell out early in the good ones. Experienced investors know this—John Doerr at Kleiner Perkins often talks about looking for missionary founders rather than mercenary founders.

Of course, every company has the obligation to become a successful financial business, but the reason it exists is its mission. Lose sight of that, and you lose the company.

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7. Too Many Pivots, Too Little Passion

What's wrong with today's entrepreneurship

→ by DANIEL MCGINN

DURING THE SUMMER of 2011, Brandon Ballinger decided to launch a business. He had a lot going for him: a computer science degree, nearly five years of experience at Google, and a plum spot in the three-month program run by Y Combinator, a “business accelerator” in which experienced entrepreneurs mentor young entrepre-

neurs. Ordinarily, an aspiring company founder would also need an idea, a build-a-better-mousetrap concept he'd quietly nurtured for years. But at Y Combinator, Ballinger toggled among five of them. Maybe he'd create a smartphone app that highlights specials at nearby bars... or a scheduling program for medical residents... or a

spam detection service...or a subscription grocery-delivery business...or a social travel website. He and his partner debated “pivoting” from one nascent business to the next, even as the clock ticked toward the all-important “Demo Day,” when they were to present their ideas to investors.

Ballinger's story—featured in *The Launch Pad* (Portfolio, 2012), Randall Stross's fly-on-the-wall account of how 64 start-ups hacked their way through the Y Combinator residency—perfectly encapsulates the emerging wisdom about how to launch a successful business. Its tenets: Pick the right team, quickly cobble together a “minimum viable product,” and use customer feedback to improve or drop the product and shift to something else. Indeed, one of the most successful teams in Y Combinator's 2011 class ripped up its business plan eight weeks through the 12-week program, switched to a different industry, and wound up raising \$2.5 million in funding.

Y Combinator cofounder Paul Graham, who's the star of Stross's book, is one of the chief evangelists of this new process. But lately its most articulate spokesperson has been Eric Ries, author of the best-selling *The Lean Startup*



(Currency, 2011). Ries, just 32, is a veteran tech entrepreneur who recognized parallels between Toyota's lean production system and the continuous innovation ethos he believes small companies must master. In the book, he lays out his prescription for a disciplined regimen of "validated learning" and "build-measure-learn." Instead of relying on a Steve Jobs-style intuition for what customers want and a perfectionist product-development process that culminates in one big launch, founders should put mock-ups in front of customers, then tweak and test repeatedly, learning from failures and making incremental improvements until they've created something salable.

Just how quickly and cheaply can this be done? *Startup Weekend* (Wiley, 2011), by Marc Nager, Clint Nelsen, and Franck Nouyrigat, describes local events in which strangers convene on a Friday evening to pitch start-up ideas, form teams, and create a company by Sunday evening, a mere 54 hours later. (The book is basically just an advertisement for the events, but it's effective: It made me interested in attending.) In *The Ultralight Startup*, (Portfolio, 2012), Jason L. Baptiste—cofounder

with Andres Baretto of an iPad publishing technology called Onswipe—focuses his business-building suggestions on ideas that cost less than \$200, offering practical advice about issues such as finding cheap programming help to allow would-be entrepreneurs to develop an initial product within two weeks.

Although there's a persuasive consensus among these four books—they use the same buzzwords and refer to the same companies (primarily Dropbox, the cloud-based storage firm) as role models—the advice can be tough to swallow. Much of the strategy they offer doesn't transfer very well outside the world of tech start-ups: Daily testing and tweaking may work for a website or an app, which can be modified by coding changes, but not for traditional manufactured goods. None of the Y Combinator or *Lean Startup* companies seems destined to change the world (or, significantly, employ many people); instead of being "built to last," these firms seem "built to be acquired by Google." And rightly or wrongly, civilians also tend to view successful company builders as people who conceive and obsess over a brilliant insight and slog forward in the face of skepticism by staying

committed to a deeply held conviction that the world needs their product or service. In contrast, the people in these books seem most interested in simply starting a company—*any* company—and their willingness to hopscotch between wildly different ideas can seem flighty or promiscuous. Even Mark Zuckerberg expressed this view at a Y Combinator event, chiding the crowd: "You've decided you want to start a company, but you don't know what you're passionate about yet."

Still, any entrepreneur should appreciate the underlying logic of the lean approach and seek to incorporate some of its elements. For cautionary tales of those who don't, just tune in to ABC's *Shark Tank*. The show, a ratings hit since its third season, last spring, positions itself as a venture capital version of *American Idol*; five "self-made, filthy-rich investors" (including business magnate Mark Cuban and FUBU founder Daymond John) listen to business pitches and decide whether to invest, sometimes bidding against one another to buy in. As with *American Idol*'s tryout episodes, some of the pitches are absurdly bad: In the season-one pilot, one guy pitched a surgically implant-

able Bluetooth headset. But what's most striking is that even the professional-sounding entrepreneurs have often spent years (and many thousands of dollars) perfecting a product without ever showing it to a customer or trying to make a sale. If the Silicon Valley hackers' willingness to flit between ideas suggests a lack of passion, *Shark Tank* highlights the opposite extreme: blind and unswerving faith in a dream without seeking evidence of market demand. Whether you're selling an app or an energy drink, it's not a business until customers start buying.

As with most pursuits, the healthiest approach lies somewhere in the middle. The 25-year-old hackers mentored by Paul Graham have so many advantages that they can afford to shift business models every few weeks, but they're anomalous. For the rest of us, finding the right balance between passion, patience, and a practical respect for market feedback is probably a more realistic formula for start-up success. ☺

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Creating Shared Value

How to reinvent capitalism—and unleash a wave of innovation and growth

→ by MICHAEL E. PORTER and MARK R. KRAMER

THE CAPITALIST SYSTEM is under siege. In recent years business increasingly has been viewed as a major cause of social, environmental, and economic problems. Companies are widely perceived to be prospering at the expense of the broader community.

Even worse, the more business has begun to embrace corporate responsibility, the more it has been blamed for society's failures. The legitimacy of business has fallen to levels not seen in recent history. This diminished trust in business leads political leaders to set policies that undermine competitiveness and sap economic growth. Business is caught in a vicious circle.

A big part of the problem lies with companies themselves, which remain trapped in an outdated approach to value creation that has emerged over the past few decades. They continue to view value creation narrowly, optimizing short-term financial performance in a bubble while missing the most important customer needs and ignoring the broader influences that determine their longer-term success. How else could companies overlook the well-being of their customers,







the depletion of natural resources vital to their businesses, the viability of key suppliers, or the economic distress of the communities in which they produce and sell? How else could companies think that simply shifting activities to locations with ever lower wages was a sustainable “solution” to competitive challenges? Government and civil society have often exacerbated the problem by attempting to address social weaknesses at the expense of business. The presumed trade-offs between economic efficiency and social progress have been institutionalized in decades of policy choices.

Companies must take the lead in bringing business and society back together. The recognition is there among sophisticated business and thought leaders, and promising elements of a new model are emerging. Yet we still lack an overall framework for guiding these efforts, and most companies remain stuck in a “social responsibility” mindset in which societal issues are at the periphery, not the core.

The solution lies in the principle of shared value, which involves creating economic value in a way that *also* creates value for society by addressing its needs and challenges. Businesses must reconnect company success with social progress. Shared value is not social responsibility, philanthropy, or even sustainability, but a new way to achieve economic success. It is not on the margin of what companies do but at the center. We believe that it can give rise to the next major transformation of business thinking.

A growing number of companies known for their hard-nosed approach to

business—such as GE, Google, IBM, Intel, Johnson & Johnson, Nestlé, Unilever, and Walmart—have already embarked on important efforts to create shared value by reconceiving the intersection between society and corporate performance. Yet our recognition of the transformative power of shared value is still in its genesis. Realizing it will require leaders and managers to develop new skills and knowledge—such as a far deeper appreciation of societal needs, a greater understanding of the true bases of company productivity, and the ability to collaborate across profit/nonprofit boundaries. And government must learn how to regulate in ways that enable shared value rather than work against it.

Capitalism is an unparalleled vehicle for meeting human needs, improving efficiency, creating jobs, and building wealth. But a narrow conception of capitalism has prevented business from harnessing its full potential to meet society’s broader challenges. The opportunities have been there all along but have been overlooked. Businesses acting as businesses, not as charitable donors, are the most powerful force for addressing the pressing issues we face. The moment for a new conception of capitalism is now; society’s needs are large and growing, while customers, employees, and a new generation of young people are asking business to step up.

The purpose of the corporation must be redefined as creating shared value, not just profit per se. This will drive the next wave of innovation and productivity growth in the global economy. It will also reshape capitalism and its relationship to society. Perhaps most important of all, learning how to create shared

value is our best chance to legitimize business again.

Moving Beyond Trade-Offs

Business and society have been pitted against each other for too long. That is in part because economists have legitimized the idea that to provide societal benefits, companies must temper their economic success. In neoclassical thinking, a requirement for social improvement—such as safety or hiring the disabled—imposes a constraint on the corporation. Adding a constraint to a firm that is already maximizing profits, says the theory, will inevitably raise costs and reduce those profits.

A related concept, with the same conclusion, is the notion of externalities. Externalities arise when firms create social costs that they do not have to bear, such as pollution. Thus, society must impose taxes, regulations, and penalties so that firms “internalize” these externalities—a belief influencing many government policy decisions.

This perspective has also shaped the strategies of firms themselves, which have largely excluded social and environmental considerations from their economic thinking. Firms have taken the broader context in which they do business as a given and resisted regulatory standards as invariably contrary to their interests. Solving social problems has been ceded to governments and to NGOs. Corporate responsibility programs—a reaction to external pressure—have emerged largely to improve firms’ reputations and are treated as a necessary expense. Anything more is seen by many as an irresponsible use of

■ Societal needs, not just conventional economic needs, define markets, and social harms can create internal costs for firms.

shareholders' money. Governments, for their part, have often regulated in a way that makes shared value more difficult to achieve. Implicitly, each side has assumed that the other is an obstacle to pursuing its goals and acted accordingly.

The concept of shared value, in contrast, recognizes that societal needs, not just conventional economic needs, define markets. It also recognizes that social harms or weaknesses frequently create *internal* costs for firms—such as wasted energy or raw materials, costly accidents, and the need for remedial training to compensate for inadequacies in education. And addressing societal harms and constraints does not necessarily raise costs for firms, because they can innovate through using new technologies, operating methods, and management approaches—and as a result, increase their productivity and expand their markets.

Shared value, then, is not about personal values. Nor is it about “sharing” the value already created by firms—a redistribution approach. Instead, it is about expanding the total pool of economic and social value. A good example of this difference in perspective is the fair trade movement in purchasing. Fair trade aims to increase the proportion of revenue that goes to poor farmers by paying them higher prices for the same crops. Though this may be a noble sentiment, fair trade is mostly about redistribution rather than expanding the overall amount of value created. A shared value perspective, instead, focuses on improving growing techniques and strengthening the local cluster of supporting suppliers and other institutions in order to increase farmers' efficiency,

yields, product quality, and sustainability. This leads to a bigger pie of revenue and profits that benefits both farmers and the companies that buy from them. Early studies of cocoa farmers in the Côte d'Ivoire, for instance, suggest that while fair trade can increase farmers' incomes by 10% to 20%, shared value investments can raise their incomes by more than 300%. Initial investment and time may be required to implement new procurement practices and develop the supporting cluster, but the return will be greater economic value and broader strategic benefits for all participants.

The Roots of Shared Value

At a very basic level, the competitiveness of a company and the health of the communities around it are closely intertwined. A business needs a successful community, not only to create demand for its products but also to provide critical public assets and a supportive environment. A community needs successful businesses to provide jobs and wealth creation opportunities for its citizens. This interdependence means that public policies that undermine the productivity and competitiveness of businesses are self-defeating, especially in a global economy where facilities and jobs can easily move elsewhere. NGOs and governments have not always appreciated this connection.

In the old, narrow view of capitalism, business contributes to society by making a profit, which supports employment, wages, purchases, investments, and taxes. Conducting business as usual is sufficient social benefit. A firm is largely a self-contained entity, and social or community issues fall outside



Idea in Brief

The concept of shared value—which focuses on the connections between societal and economic progress—has the power to unleash the next wave of global growth.

An increasing number of companies known for their hard-nosed approach to business—such as Google, IBM, Intel, Johnson & Johnson, Nestlé, Unilever, and Walmart—have begun to embark on important shared value initiatives. But our understanding of the potential of shared value is just beginning.

There are three key ways that companies can create shared value opportunities:

- By reconceiving products and markets
- By redefining productivity in the value chain
- By enabling local cluster development

Every firm should look at decisions and opportunities through the lens of shared value. This will lead to new approaches that generate greater innovation and growth for companies—and also greater benefits for society.

■ By reducing its packaging and cutting 100 million miles from the delivery routes of its trucks, Walmart lowered carbon emissions and saved \$200 million in costs.

What Is “Shared Value”?

The concept of shared value can be defined as policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates. Shared value creation focuses on identifying and expanding the connections between societal and economic progress.

The concept rests on the premise that both economic and social progress must be addressed using value principles. “Value” is defined as benefits relative to costs, not just benefits alone. Value creation is an idea that has long been recognized in business, where profit is revenues earned from customers minus the costs incurred. However, businesses have rarely approached societal issues from a value perspective but have treated them as peripheral matters. This has obscured the connections between economic and social concerns.

In the social sector, thinking in value terms is even less common. Social organizations and government entities often see success solely in terms of the benefits achieved or the money expended. As governments and NGOs begin to think more in value terms, their interest in collaborating with business will inevitably grow.

its proper scope. (This is the argument advanced persuasively by Milton Friedman in his critique of the whole notion of corporate social responsibility.)

This perspective has permeated management thinking for the past two decades. Firms focused on enticing consumers to buy more and more of their products. Facing growing competition and shorter-term performance pressures from shareholders, managers resorted to waves of restructuring, personnel reductions, and relocation to lower-cost regions, while leveraging balance sheets to return capital to investors. The results were often commoditization, price competition, little true innovation, slow organic growth, and no clear competitive advantage.

In this kind of competition, the communities in which companies operate perceive little benefit even as profits rise. Instead, they perceive that profits come at their expense, an impression that has become even stronger in the current economic recovery, in which rising earnings have done little to offset high unemployment, local business distress, and severe pressures on community services.

It was not always this way. The best companies once took on a broad range of roles in meeting the needs of workers, communities, and supporting businesses. As other social institutions appeared on the scene, however, these roles fell away or were delegated. Shortening investor time horizons began to narrow thinking about appropriate investments. As the vertically integrated firm gave way to greater reliance on outside vendors, outsourcing and offshoring weakened the connection between firms and their communities. As firms moved

disparate activities to more and more locations, they often lost touch with any location. Indeed, many companies no longer recognize a home—but see themselves as “global” companies.

These transformations drove major progress in economic efficiency. However, something profoundly important was lost in the process, as more-fundamental opportunities for value creation were missed. The scope of strategic thinking contracted.

Strategy theory holds that to be successful, a company must create a distinctive value proposition that meets the needs of a chosen set of customers. The firm gains competitive advantage from how it configures the value chain, or the set of activities involved in creating, producing, selling, delivering, and supporting its products or services. For decades businesspeople have studied positioning and the best ways to design activities and integrate them. However, companies have overlooked opportunities to meet fundamental societal needs and misunderstood how societal harms and weaknesses affect value chains. Our field of vision has simply been too narrow.

In understanding the business environment, managers have focused most of their attention on the industry, or the particular business in which the firm competes. This is because industry structure has a decisive impact on a firm’s profitability. What has been missed, however, is the profound effect that location can have on productivity and innovation. Companies have failed to grasp the importance of the broader business environment surrounding their major operations.

How Shared Value Is Created

Companies can create economic value by creating societal value. There are three distinct ways to do this: by reconceiving products and markets, redefining productivity in the value chain, and building supportive industry clusters at the company's locations. Each of these is part of the virtuous circle of shared value; improving value in one area gives rise to opportunities in the others.

The concept of shared value resets the boundaries of capitalism. By better connecting companies' success with societal improvement, it opens up many ways to serve new needs, gain efficiency, create differentiation, and expand markets.

The ability to create shared value applies equally to advanced economies and developing countries, though the specific opportunities will differ. The opportunities will also differ markedly across industries and companies—but every company has them. And their range and scope is far broader than has been recognized. *[The idea of shared value was initially explored in a December 2006 HBR article by Michael E. Porter and Mark R. Kramer, "Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility."]*

Reconceiving Products and Markets

Society's needs are huge—health, better housing, improved nutrition, help for the aging, greater financial security, less environmental damage. Arguably, they are the greatest unmet needs in the global economy. In business we have spent decades learning how to parse and

manufacture demand while missing the most important demand of all. Too many companies have lost sight of that most basic of questions: Is our product good for our customers? Or for our customers' customers?

In advanced economies, demand for products and services that meet societal needs is rapidly growing. Food companies that traditionally concentrated on taste and quantity to drive more and more consumption are refocusing on the fundamental need for better nutrition. Intel and IBM are both devising ways to help utilities harness digital intelligence in order to economize on power usage. Wells Fargo has developed a line of products and tools that help customers budget, manage credit, and pay down debt. Sales of GE's Ecomagination products reached \$18 billion in 2009—the size of a *Fortune* 150 company. GE now predicts that revenues of Ecomagination products will grow at twice the rate of total company revenues over the next five years.

In these and many other ways, whole new avenues for innovation open up, and shared value is created. Society's gains are even greater, because businesses will often be far more effective than governments and nonprofits are at marketing that motivates customers to embrace products and services that create societal benefits, like healthier food or environmentally friendly products.

Equal or greater opportunities arise from serving disadvantaged communities and developing countries. Though societal needs are even more pressing there, these communities have not been recognized as viable markets. Today attention is riveted on India, China, and

Blurring the Profit/Nonprofit Boundary

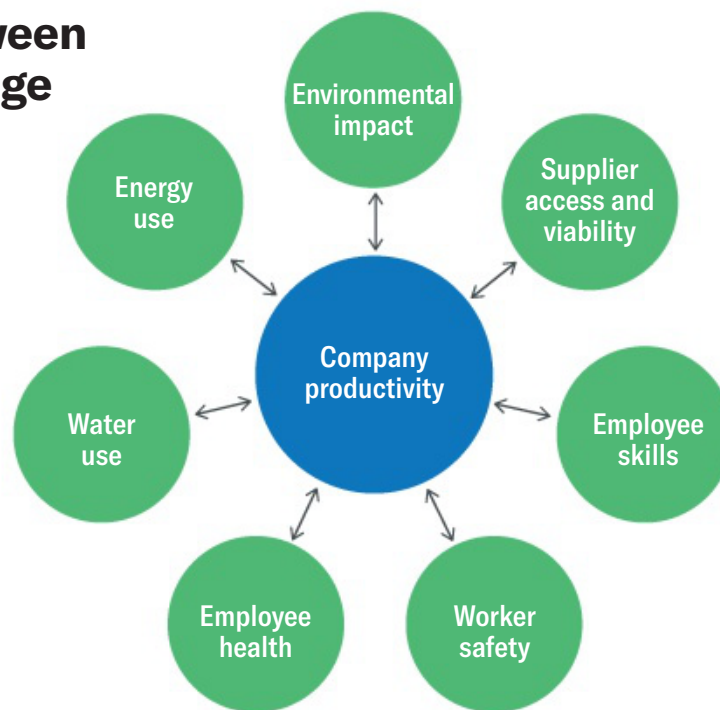
The concept of shared value blurs the line between for-profit and nonprofit organizations. New kinds of hybrid enterprises are rapidly appearing. For example, WaterHealth International, a fast-growing for-profit, uses innovative water purification techniques to distribute clean water at minimal cost to more than one million people in rural India, Ghana, and the Philippines. Its investors include not only the socially focused Acumen Fund and the International Finance Corporation of the World Bank but also Dow Chemical's venture fund. Revolution Foods, a four-year-old venture-capital-backed U.S. start-up, provides 60,000 fresh, healthful, and nutritious meals to students daily—and does so at a higher gross margin than traditional competitors. Waste Concern, a hybrid profit/nonprofit enterprise started in Bangladesh 15 years ago, has built the capacity to convert 700 tons of trash, collected daily from neighborhood slums, into organic fertilizer, thereby increasing crop yields and reducing CO₂ emissions. Seeded with capital from the Lions Club and the United Nations Development Programme, the company improves health conditions while earning a substantial gross margin through fertilizer sales and carbon credits.

The blurring of the boundary between successful for-profits and nonprofits is one of the strong signs that creating shared value is possible.



The Connection Between Competitive Advantage and Social Issues

There are numerous ways in which addressing societal concerns can yield productivity benefits to a firm. Consider, for example, what happens when a firm invests in a wellness program. Society benefits because employees and their families become healthier, and the firm minimizes employee absences and lost productivity. The graphic at right depicts some areas where the connections are strongest.



increasingly, Brazil, which offer firms the prospect of reaching billions of new customers at the bottom of the pyramid—a notion persuasively articulated by C.K. Prahalad. Yet these countries have always had huge needs, as do many developing countries.

Similar opportunities await in non-traditional communities in advanced countries. We have learned, for example, that poor urban areas are America's most underserved market; their substantial concentrated purchasing power has often been overlooked. (See the research of the Initiative for a Competitive Inner City, at icic.org.)

The societal benefits of providing appropriate products to lower-income and disadvantaged consumers can be profound, while the profits for companies can be substantial. For example, low-

priced cell phones that provide mobile banking services are helping the poor save money securely and transforming the ability of small farmers to produce and market their crops. In Kenya, Vodafone's M-PESA mobile banking service signed up 10 million customers in three years; the funds it handles now represent 11% of that country's GDP. In India, Thomson Reuters has developed a promising monthly service for farmers who earn an average of \$2,000 a year. For a fee of \$5 a quarter, it provides weather and crop-pricing information and agricultural advice. The service reaches an estimated 2 million farmers, and early research indicates that it has helped increase the incomes of more than 60% of them—in some cases even tripling incomes. As capitalism begins to work in poorer communities, new opportunities

for economic development and social progress increase exponentially.

For a company, the starting point for creating this kind of shared value is to identify all the societal needs, benefits, and harms that are or could be embodied in the firm's products. The opportunities are not static; they change constantly as technology evolves, economies develop, and societal priorities shift. An ongoing exploration of societal needs will lead companies to discover new opportunities for differentiation and repositioning in traditional markets, and to recognize the potential of new markets they previously overlooked.

Meeting needs in underserved markets often requires redesigned products or different distribution methods. These requirements can trigger fundamental innovations that also have application in traditional markets. Microfinance, for example, was invented to serve unmet financing needs in developing countries. Now it is growing rapidly in the United States, where it is filling an important gap that was unrecognized.

Redefining Productivity in the Value Chain

A company's value chain inevitably affects—and is affected by—numerous societal issues, such as natural resource and water use, health and safety, working conditions, and equal treatment in the workplace. Opportunities to create shared value arise because societal problems can create economic costs in the firm's value chain. Many so-called externalities actually inflict internal costs on the firm, even in the absence of regulation or resource taxes. Excess packaging

of products and greenhouse gases are not just costly to the environment but costly to the business. Walmart, for example, was able to address both issues by reducing its packaging and rerouting its trucks to cut 100 million miles from its delivery routes in 2009, saving \$200 million even as it shipped more products. Innovation in disposing of plastic used in stores has saved millions in lower disposal costs to landfills.

The new thinking reveals that the congruence between societal progress and productivity in the value chain is far greater than traditionally believed (see the exhibit “The Connection Between Competitive Advantage and Social Issues”). The synergy increases when firms approach societal issues from a shared value perspective and invent new ways of operating to address them. So far, however, few companies have reaped the full productivity benefits in areas such as health, safety, environmental performance, and employee retention and capability.

But there are unmistakable signs of change. Efforts to minimize pollution were once thought to inevitably increase business costs—and to occur only because of regulation and taxes. Today there is a growing consensus that major improvements in environmental performance can often be achieved with better technology at nominal incremental cost and can even yield net cost savings through enhanced resource utilization, process efficiency, and quality.

In each of the areas in the exhibit, a deeper understanding of productivity and a growing awareness of the fallacy of short-term cost reductions (which often actually lower productivity or make it

unsustainable) are giving rise to new approaches. The following are some of the most important ways in which shared value thinking is transforming the value chain, which are not independent but often mutually reinforcing. Efforts in these and other areas are still works in process, whose implications will be felt for years to come.

Energy use and logistics. The use of energy throughout the value chain is being reexamined, whether it be in processes, transportation, buildings, supply chains, distribution channels, or support services. Triggered by energy price spikes and a new awareness of opportunities for energy efficiency, this reexamination was under way even before carbon emissions became a global focus. The result has been striking improvements in energy utilization through better technology, recycling, cogeneration, and numerous other practices—all of which create shared value.

We are learning that shipping is expensive, not just because of energy costs and emissions but because it adds time, complexity, inventory costs, and management costs. Logistical systems are beginning to be redesigned to reduce shipping distances, streamline handling, improve vehicle routing, and the like. All of these steps create shared value. The British retailer Marks & Spencer’s ambitious overhaul of its supply chain, for example, which involves steps as simple as stopping the purchase of supplies from one hemisphere to ship to another, is expected to save the retailer £175 million annually by fiscal 2016, while hugely reducing carbon emissions. In the process of reexamining logistics, thinking about outsourcing

The Role of Social Entrepreneurs

Businesses are not the only players in finding profitable solutions to social problems. A whole generation of social entrepreneurs is pioneering new product concepts that meet social needs using viable business models. Because they are not locked into narrow traditional business thinking, social entrepreneurs are often well ahead of established corporations in discovering these opportunities. Social enterprises that create shared value can scale up far more rapidly than purely social programs, which often suffer from an inability to grow and become self-sustaining.

Real social entrepreneurship should be measured by its ability to create shared value, not just social benefit.

and location will also be revised (as we will discuss below).

Resource use. Heightened environmental awareness and advances in technology are catalyzing new approaches in areas such as utilization of water, raw materials, and packaging, as well as expanding recycling and reuse. The opportunities apply to all resources, not just those that have been identified by environmentalists. Better resource utilization—enabled by improving technology—will permeate all parts of the value chain and will spread to suppliers and channels. Landfills will fill more slowly.

For example, Coca-Cola has already reduced its worldwide water consumption by 9% from a 2004 baseline—nearly halfway to its goal of a 20% reduction by 2012. Dow Chemical managed to reduce



Creating Shared Value: Implications for Government and Civil Society

Governments and NGOs will be most effective if they think in value terms—considering benefits relative to costs—and focus on the results achieved rather than the funds and effort expended. Activists have tended to approach social improvement from an ideological or absolutist perspective, as if social benefits should be pursued at any cost. Governments and NGOs often assume that trade-offs between economic and social benefits are inevitable, exacerbating these trade-offs through their approaches. For example, much environmental regulation still takes the form of command-and-control mandates and enforcement actions designed to embarrass and punish companies. Regulators would accomplish much more by focusing on measuring environmental performance and introducing standards, phase-in periods, and support for technology that would promote innovation, improve the environment, and increase competitiveness simultaneously.

The principle of shared value creation cuts across the traditional divide between the responsibilities of business and those of government or civil society. From society's perspective, it does not matter what types of organizations created the value. What matters is that benefits are delivered by those organizations—or combinations of organizations—that are best positioned to achieve the most impact for the least cost. Finding ways to boost productivity is equally valuable whether in the service of commercial or societal objectives. In short, the principle of value creation should guide the use of resources across all areas of societal concern.

Fortunately, a new type of NGO has emerged that understands the importance of productivity and value creation. Such organizations have often had a remarkable impact. One example is TechnoServe, which has partnered with both regional and global corporations to promote the development of competitive agricultural clusters in more

than 30 countries. Root Capital accomplishes a similar objective by providing financing to farmers and businesses that are too large for microfinance but too small for normal bank financing. Since 2000, Root Capital has lent more than \$200 million to 282 businesses, through which it has reached 400,000 farmers and artisans. It has financed the cultivation of 1.4 million acres of organic agriculture in Latin America and Africa. Root Capital regularly works with corporations, utilizing future purchase orders as collateral for its loans to farmers and helping to strengthen corporate supply chains and improve the quality of purchased inputs.

Some private foundations have begun to see the power of working with businesses to create shared value. The Bill & Melinda Gates Foundation, for example, has formed partnerships with leading global corporations to foster agricultural clusters in developing countries. The foundation carefully focuses on commodities where climate and soil conditions

give a particular region a true competitive advantage. The partnerships bring in NGOs like TechnoServe and Root Capital, as well as government officials, to work on precompetitive issues that improve the cluster and upgrade the value chain for all participants. This approach recognizes that helping small farmers increase their yields will not create any lasting benefits unless there are ready buyers for their crops, other enterprises that can process the crops once they are harvested, and a local cluster that includes efficient logistical infrastructure, input availability, and the like. The active engagement of corporations is essential to mobilizing these elements.

Forward-thinking foundations can also serve as honest brokers and allay fears by mitigating power imbalances between small local enterprises, NGOs, governments, and companies. Such efforts will require a new assumption that shared value can come only as a result of effective collaboration among all parties.

■ By investing in employee wellness programs, Johnson & Johnson has saved \$250 million on health care costs.

consumption of fresh water at its largest production site by one billion gallons—enough water to supply nearly 40,000 people in the U.S. for a year—resulting in savings of \$4 million. The demand for water-saving technology has allowed India's Jain Irrigation, a leading global manufacturer of complete drip irrigation systems for water conservation, to achieve a 41% compound annual growth rate in revenue over the past five years.

Procurement. The traditional playbook calls for companies to commoditize and exert maximum bargaining power on suppliers to drive down prices—even when purchasing from small businesses or subsistence-level farmers. More recently, firms have been rapidly outsourcing to suppliers in lower-wage locations.

Today some companies are beginning to understand that marginalized suppliers cannot remain productive or sustain, much less improve, their quality. By increasing access to inputs, sharing technology, and providing financing, companies can improve supplier quality and productivity while ensuring access to growing volume. Improving productivity will often trump lower prices. As suppliers get stronger, their environmental impact often falls dramatically, which further improves their efficiency. Shared value is created.

A good example of such new procurement thinking can be found at Nespresso, one of Nestlé's fastest-growing divisions, which has enjoyed annual growth of 30% since 2000. Nespresso combines a sophisticated espresso machine with single-cup aluminum capsules containing ground coffees from around the world. Offering quality and

convenience, Nespresso has expanded the market for premium coffee.

Obtaining a reliable supply of specialized coffees is extremely challenging, however. Most coffees are grown by small farmers in impoverished rural areas of Africa and Latin America, who are trapped in a cycle of low productivity, poor quality, and environmental degradation that limits production volume. To address these issues, Nestlé redesigned procurement. It worked intensively with its growers, providing advice on farming practices, guaranteeing bank loans, and helping secure inputs such as plant stock, pesticides, and fertilizers. Nestlé established local facilities to measure the quality of the coffee at the point of purchase, which allowed it to pay a premium for better beans directly to the growers and thus improve their incentives. Greater yield per hectare and higher production quality increased growers' incomes, and the environmental impact of farms shrank. Meanwhile, Nestlé's reliable supply of good coffee grew significantly. Shared value was created.

Embedded in the Nestlé example is a far broader insight, which is the advantage of buying from capable local suppliers. Outsourcing to other locations and countries creates transaction costs and inefficiencies that can offset lower wage and input costs. Capable local suppliers help firms avoid these costs and can reduce cycle time, increase flexibility, foster faster learning, and enable innovation. Buying local includes not only local companies but also local units of national or international companies. When firms buy locally, their suppliers can get stronger, increase their

profits, hire more people, and pay better wages—all of which will benefit other businesses in the community. Shared value is created.

Distribution. Companies are beginning to reexamine distribution practices from a shared value perspective. As iTunes, Kindle, and Google Scholar (which offers texts of scholarly literature online) demonstrate, profitable new distribution models can also dramatically reduce paper and plastic usage. Similarly, microfinance has created a cost-efficient new model of distributing financial services to small businesses.

Opportunities for new distribution models can be even greater in nontraditional markets. For example, Hindustan Unilever is creating a new direct-to-home distribution system, run by underprivileged female entrepreneurs, in Indian villages of fewer than 2,000 people. Unilever provides microcredit and training and now has more than 45,000 entrepreneurs covering some 100,000 villages across 15 Indian states. Project Shakti, as this distribution system is called, benefits communities not only by giving women skills that often double their household income but also by reducing the spread of communicable diseases through increased access to hygiene products. This is a good example of how the unique ability of business to market to hard-to-reach consumers can benefit society by getting life-altering products into the hands of people that need them. Project Shakti now accounts for 5% of Unilever's total revenues in India and has extended the company's reach into rural areas and built its brand in media-dark regions, creating major economic value for the company.

■ Not all profit is equal. Profits involving a social purpose represent a higher form of capitalism, one that creates a positive cycle of company and community prosperity.

Employee productivity. The focus on holding down wage levels, reducing benefits, and offshoring is beginning to give way to an awareness of the positive effects that a living wage, safety, wellness, training, and opportunities for advancement for employees have on productivity. Many companies, for example, traditionally sought to minimize the cost of “expensive” employee health care coverage or even eliminate health coverage altogether. Today leading companies have learned that because of lost workdays and diminished employee productivity, poor health costs them more than health benefits do. Take Johnson & Johnson. By helping employees stop smoking (a two-thirds reduction in the past 15 years) and implementing numerous other wellness programs, the company has saved \$250 million on health care costs, a return of \$2.71 for every dollar spent on wellness from 2002 to 2008. Moreover, Johnson & Johnson has benefited from a more present and productive workforce. If labor unions focused more on shared value, too, these kinds of employee approaches would spread even faster.

Location. Business thinking has embraced the myth that location no longer matters, because logistics are inexpensive, information flows rapidly, and markets are global. The cheaper the location, then, the better. Concern about the local communities in which a company operates has faded.

That oversimplified thinking is now being challenged, partly by the rising costs of energy and carbon emissions but also by a greater recognition of the productivity cost of highly dispersed production systems and the hidden costs

of distant procurement discussed earlier. Walmart, for example, is increasingly sourcing produce for its food sections from local farms near its warehouses. It has discovered that the savings on transportation costs and the ability to restock in smaller quantities more than offset the lower prices of industrial farms farther away. Nestlé is establishing smaller plants closer to its markets and stepping up efforts to maximize the use of locally available materials.

The calculus of locating activities in developing countries is also changing. Olam International, a leading cashew producer, traditionally shipped its nuts from Africa to Asia for processing at facilities staffed by productive Asian workers. But by opening local processing plants and training workers in Tanzania, Mozambique, Nigeria, and Côte d’Ivoire, Olam has cut processing and shipping costs by as much as 25%—not to mention, greatly reduced carbon emissions. In making this move, Olam also built preferred relationships with local farmers. And it has provided direct employment to 17,000 people—95% of whom are women—and indirect employment to an equal number of people, in rural areas where jobs otherwise were not available.

These trends may well lead companies to remake their value chains by moving some activities closer to home and having fewer major production locations. Until now, many companies have thought that being global meant moving production to locations with the lowest labor costs and designing their supply chains to achieve the most immediate impact on expenses. In reality, the strongest international competitors will often

be those that can establish deeper roots in important communities. Companies that can embrace this new locational thinking will create shared value.

AS THESE EXAMPLES illustrate, reimagining value chains from the perspective of shared value will offer significant new ways to innovate and unlock new economic value that most businesses have missed.

Enabling Local Cluster Development

No company is self-contained. The success of every company is affected by the supporting companies and infrastructure around it. Productivity and innovation are strongly influenced by “clusters,” or geographic concentrations of firms, related businesses, suppliers, service providers, and logistical infrastructure in a particular field—such as IT in Silicon Valley, cut flowers in Kenya, and diamond cutting in Surat, India.

Clusters include not only businesses but institutions such as academic programs, trade associations, and standards organizations. They also draw on the broader public assets in the surrounding community, such as schools and universities, clean water, fair-competition laws, quality standards, and market transparency.

Clusters are prominent in all successful and growing regional economies and play a crucial role in driving productivity, innovation, and competitiveness. Capable local suppliers foster greater logistical efficiency and ease of collaboration, as we have discussed. Stronger



local capabilities in such areas as training, transportation services, and related industries also boost productivity. Without a supporting cluster, conversely, productivity suffers.

Deficiencies in the framework conditions surrounding the cluster also create internal costs for firms. Poor public education imposes productivity and remedial-training costs. Poor transportation infrastructure drives up the costs of logistics. Gender or racial discrimination reduces the pool of capable employees. Poverty limits the demand for products and leads to environmental degradation, unhealthy workers, and high security costs. As companies have increasingly become disconnected from their communities, however, their influence in solving these problems has waned even as their costs have grown.

Firms create shared value by building clusters to improve company productivity while addressing gaps or failures in the framework conditions surrounding the cluster. Efforts to develop or attract capable suppliers, for example, enable the procurement benefits we discussed earlier. A focus on clusters and location has been all but absent in management thinking. Cluster thinking has also been missing in many economic development initiatives, which have failed because they involved isolated interventions and overlooked critical complementary investments.

A key aspect of cluster building in developing and developed countries alike is the formation of open and transparent markets. In inefficient or monopolized markets where workers are exploited, where suppliers do not receive fair prices, and where price transparency is

Government Regulation and Shared Value

The right kind of government regulation can encourage companies to pursue shared value; the wrong kind works against it and even makes trade-offs between economic and social goals inevitable.

Regulation is necessary for well-functioning markets, something that became abundantly clear during the recent financial crisis. However, the ways in which regulations are designed and implemented determine whether they benefit society or work against it.

Regulations that enhance shared value set goals and stimulate innovation. They highlight a societal objective and create a level playing field to encourage companies to invest in shared value rather than maximize short-term profit. Such regulations have a number of characteristics:

First, they set clear and measurable social goals, whether they involve energy use, health matters, or safety. Where appropriate, they set prices for resources (such as water) that reflect true costs. Second, they set performance standards but do not prescribe the methods to achieve them—those are left to

companies. Third, they define phase-in periods for meeting standards, which reflect the investment or new-product cycle in the industry. Phase-in periods give companies time to develop and introduce new products and processes in a way consistent with the economics of their business. Fourth, they put in place universal measurement and performance-reporting systems, with government investing in infrastructure for collecting reliable benchmarking data (such as nutritional deficiencies in each community). This motivates and enables continual improvement beyond current targets. Finally, appropriate regulations require efficient and timely reporting of results, which can then be audited by the government as necessary, rather than impose detailed and expensive compliance processes on everyone.

Regulation that discourages shared value looks very different. It forces compliance with particular practices, rather than focusing on measurable social improvement. It mandates a particular

approach to meeting a standard—blocking innovation and almost always inflicting cost on companies. When governments fall into the trap of this sort of regulation, they undermine the very progress that they seek while triggering fierce resistance from business that slows progress further and blocks shared value that would improve competitiveness.

To be sure, companies locked into the old mindset will resist even well-constructed regulation. As shared value principles become more widely accepted, however, business and government will become more aligned on regulation in many areas. Companies will come to understand that the right kind of regulation can actually foster economic value creation.

Finally, regulation will be needed to limit the pursuit of exploitative, unfair, or deceptive practices in which companies benefit at the expense of society. Strict antitrust policy, for example, is essential to ensure that the benefits of company success flow to customers, suppliers, and workers.



How Shared Value Differs from Corporate Social Responsibility

Creating shared value (CSV) should supersede corporate social responsibility (CSR) in guiding the investments of companies in their communities. CSR programs focus mostly on reputation and have only a limited connection to the business, making them hard to justify and maintain over the long run. In contrast, CSV is integral to a company's profitability and competitive position. It leverages the unique resources and expertise of the company to create economic value by creating social value.

CSR		CSV
Value: doing good	→	Value: economic and societal benefits relative to cost
Citizenship, philanthropy, sustainability	→	Joint company and community value creation
Discretionary or in response to external pressure	→	Integral to competing
Separate from profit maximization	→	Integral to profit maximization
Agenda is determined by external reporting and personal preferences	→	Agenda is company specific and internally generated
Impact limited by corporate footprint and CSR budget	→	Realigns the entire company budget
Example: Fair trade purchasing	→	Example: Transforming procurement to increase quality and yield

In both cases, compliance with laws and ethical standards and reducing harm from corporate activities are assumed.

lacking, productivity suffers. Enabling fair and open markets, which is often best done in conjunction with partners, can allow a company to secure reliable supplies and give suppliers better incentives for quality and efficiency while also substantially improving the incomes and purchasing power of local citizens. A positive cycle of economic and social development results.

When a firm builds clusters in its key locations, it also amplifies the connection between its success and its communities' success. A firm's growth has multiplier effects, as jobs are created in supporting industries, new companies are seeded, and demand for ancillary services rises. A company's efforts to improve framework conditions for the cluster spill over to other participants and the local economy. Workforce development initiatives, for example, increase the supply of skilled employees for many other firms as well.

At Nespresso, Nestlé also worked to build clusters, which made its new procurement practices far more effective. It set out to build agricultural, technical, financial, and logistical firms and capabilities in each coffee region, to further support efficiency and high-quality local production. Nestlé led efforts to increase access to essential agricultural inputs such as plant stock, fertilizers, and irrigation equipment; strengthen regional farmer co-ops by helping them finance shared wet-milling facilities for producing higher-quality beans; and support an extension program to advise all farmers on growing techniques. It also worked in partnership with the Rainforest Alliance, a leading international

■ The opportunity to create economic value through creating societal value will be one of the most powerful forces driving growth in the global economy.

NGO, to teach farmers more-sustainable practices that make production volumes more reliable. In the process, Nestlé's productivity improved.

A good example of a company working to improve framework conditions in its cluster is Yara, the world's largest mineral fertilizer company. Yara realized that the lack of logistical infrastructure in many parts of Africa was preventing farmers from gaining efficient access to fertilizers and other essential agricultural inputs, and from transporting their crops efficiently to market. Yara is tackling this problem through a \$60 million investment in a program to improve ports and roads, which is designed to create agricultural growth corridors in Mozambique and Tanzania. The company is working on this initiative with local governments and support from the Norwegian government. In Mozambique alone, the corridor is expected to benefit more than 200,000 small farmers and create 350,000 new jobs. The improvements will help Yara grow its business but will support the whole agricultural cluster, creating huge multiplier effects.

The benefits of cluster building apply not only in emerging economies but also in advanced countries. North Carolina's Research Triangle is a notable example of public and private collaboration that has created shared value by developing clusters in such areas as information technology and life sciences. That region, which has benefited from continued investment from both the private sector and local government, has experienced huge growth in employment, incomes, and company performance, and has fared better than most during the downturn.

To support cluster development in the communities in which they operate, companies need to identify gaps and deficiencies in areas such as logistics, suppliers, distribution channels, training, market organization, and educational institutions. Then the task is to focus on the weaknesses that represent the greatest constraints to the company's own productivity and growth, and distinguish those areas that the company is best equipped to influence directly from those in which collaboration is more cost-effective. Here is where the shared value opportunities will be greatest. Initiatives that address cluster weaknesses that constrain companies will be much more effective than community-focused corporate social responsibility programs, which often have limited impact because they take on too many areas without focusing on value.

But efforts to enhance infrastructure and institutions in a region often require collective action, as the Nestlé, Yara, and Research Triangle examples show. Companies should try to enlist partners to share the cost, win support, and assemble the right skills. The most successful cluster development programs are ones that involve collaboration within the private sector, as well as trade associations, government agencies, and NGOs.

Creating Shared Value in Practice

Not all profit is equal—an idea that has been lost in the narrow, short-term focus of financial markets and in much management thinking. Profits involving a social purpose represent a higher form of

capitalism—one that will enable society to advance more rapidly while allowing companies to grow even more. The result is a positive cycle of company and community prosperity, which leads to profits that endure.

Creating shared value presumes compliance with the law and ethical standards, as well as mitigating any harm caused by the business, but goes far beyond that. The opportunity to create economic value through creating societal value will be one of the most powerful forces driving growth in the global economy. This thinking represents a new way of understanding customers, productivity, and the external influences on corporate success. It highlights the immense human needs to be met, the large new markets to serve, and the internal costs of social and community deficits—as well as the competitive advantages available from addressing them. Until recently, companies have simply not approached their businesses this way.

Creating shared value will be more effective and far more sustainable than the majority of today's corporate efforts in the social arena. Companies will make real strides on the environment, for example, when they treat it as a productivity driver rather than a feel-good response to external pressure. Or consider access to housing. A shared value approach would have led financial services companies to create innovative products that prudently increased access to home ownership. This was recognized by the Mexican construction company Urbi, which pioneered a mortgage-financing "rent-to-own" plan. Major U.S. banks, in contrast, promoted unsustainable financing vehicles that turned out



to be socially and economically devastating, while claiming they were socially responsible because they had charitable contribution programs.

Inevitably, the most fertile opportunities for creating shared value will be closely related to a company's particular business, and in areas most important to the business. Here a company can benefit the most economically and hence sustain its commitment over time. Here is also where a company brings the most resources to bear, and where its scale and market presence equip it to have a meaningful impact on a societal problem.

Ironically, many of the shared value pioneers have been those with more-limited resources—social entrepreneurs and companies in developing countries. These outsiders have been able to see the opportunities more clearly. In the process, the distinction between for-profits and nonprofits is blurring.

Shared value is defining a whole new set of best practices that all companies must embrace. It will also become an integral part of strategy. The essence of strategy is choosing a unique positioning and a distinctive value chain to deliver on it. Shared value opens up many new needs to meet, new products to offer, new customers to serve, and new ways to configure the value chain. And the competitive advantages that arise from creating shared value will often be more sustainable than conventional cost and quality improvements. The cycle of imitation and zero-sum competition can be broken.

The opportunities to create shared value are widespread and growing. Not every company will have them in every area, but our experience has been that

companies discover more and more opportunities over time as their line operating units grasp this concept. It has taken a decade, but GE's Ecomagination initiative, for example, is now producing a stream of fast-growing products and services across the company.

A shared value lens can be applied to every major company decision. Could our product design incorporate greater social benefits? Are we serving all the communities that would benefit from our products? Do our processes and logistical approaches maximize efficiencies in energy and water use? Could our new plant be constructed in a way that achieves greater community impact? How are gaps in our cluster holding back our efficiency and speed of innovation? How could we enhance our community as a business location? If sites are comparable economically, at which one will the local community benefit the most? If a company can improve societal conditions, it will often improve business conditions and thereby trigger positive feedback loops.

The three avenues for creating shared value are mutually reinforcing. Enhancing the cluster, for example, will enable more local procurement and less dispersed supply chains. New products and services that meet social needs or serve overlooked markets will require new value chain choices in areas such as production, marketing, and distribution. And new value chain configurations will create demand for equipment and technology that save energy, conserve resources, and support employees.

Creating shared value will require concrete and tailored metrics for each business unit in each of the three areas.

While some companies have begun to track various social impacts, few have yet tied them to their economic interests at the business level.

Shared value creation will involve new and heightened forms of collaboration. While some shared value opportunities are possible for a company to seize on its own, others will benefit from insights, skills, and resources that cut across profit/nonprofit and private/public boundaries. Here, companies will be less successful if they attempt to tackle societal problems on their own, especially those involving cluster development. Major competitors may also need to work together on precompetitive framework conditions, something that has not been common in reputation-driven CSR initiatives. Successful collaboration will be data driven, clearly linked to defined outcomes, well connected to the goals of all stakeholders, and tracked with clear metrics.

Governments and NGOs can enable and reinforce shared value or work against it. (For more on this topic, see the sidebar "Government Regulation and Shared Value.")

The Next Evolution in Capitalism

Shared value holds the key to unlocking the next wave of business innovation and growth. It will also reconnect company success and community success in ways that have been lost in an age of narrow management approaches, short-term thinking, and deepening divides among society's institutions.

Shared value focuses companies on the right kind of profits—profits that cre-

■ ■ **We need a more sophisticated form of capitalism, one imbued with a social purpose...that arises out of a deeper understanding of competition and economic value creation.**

ate societal benefits rather than diminish them. Capital markets will undoubtedly continue to pressure companies to generate short-term profits, and some companies will surely continue to reap profits at the expense of societal needs. But such profits will often prove to be short-lived, and far greater opportunities will be missed.

The moment for an expanded view of value creation has come. A host of factors, such as the growing social awareness of employees and citizens and the increased scarcity of natural resources, will drive unprecedented opportunities to create shared value.

We need a more sophisticated form of capitalism, one imbued with a social purpose. But that purpose should arise not out of charity but out of a deeper understanding of competition and economic value creation. This next evolution in the capitalist model recognizes new and better ways to develop products, serve markets, and build productive enterprises.

Creating shared value represents a broader conception of Adam Smith's invisible hand. It opens the doors of the pin factory to a wider set of influences. It is not philanthropy but self-interested behavior to create economic value by creating societal value. If all companies individually pursued shared value connected to their particular businesses, society's overall interests would be served. And companies would acquire legitimacy in the eyes of the communities in which they operated, which would allow democracy to work as governments set policies that fostered and supported business. Survival of the fittest would still prevail, but market

competition would benefit society in ways we have lost.

Creating shared value represents a new approach to managing that cuts across disciplines. Because of the traditional divide between economic concerns and social ones, people in the public and private sectors have often followed very different educational and career paths. As a result, few managers have the understanding of social and environmental issues required to move beyond today's CSR approaches, and few social sector leaders have the managerial training and entrepreneurial mindset needed to design and implement shared value models. Most business schools still teach the narrow view of capitalism, even though more and more of their graduates hunger for a greater sense of purpose and a growing number are drawn to social entrepreneurship. The results have been missed opportunity and public cynicism.

Business school curricula will need to broaden in a number of areas. For example, the efficient use and stewardship of all forms of resources will define the next-generation thinking on value chains. Customer behavior and marketing courses will have to move beyond persuasion and demand creation to the study of deeper human needs and how to serve nontraditional customer groups. Clusters, and the broader locational influences on company productivity and innovation, will form a new core discipline in business schools; economic development will no longer be left only to public policy and economics departments. Business and government courses will examine the economic impact of societal factors on

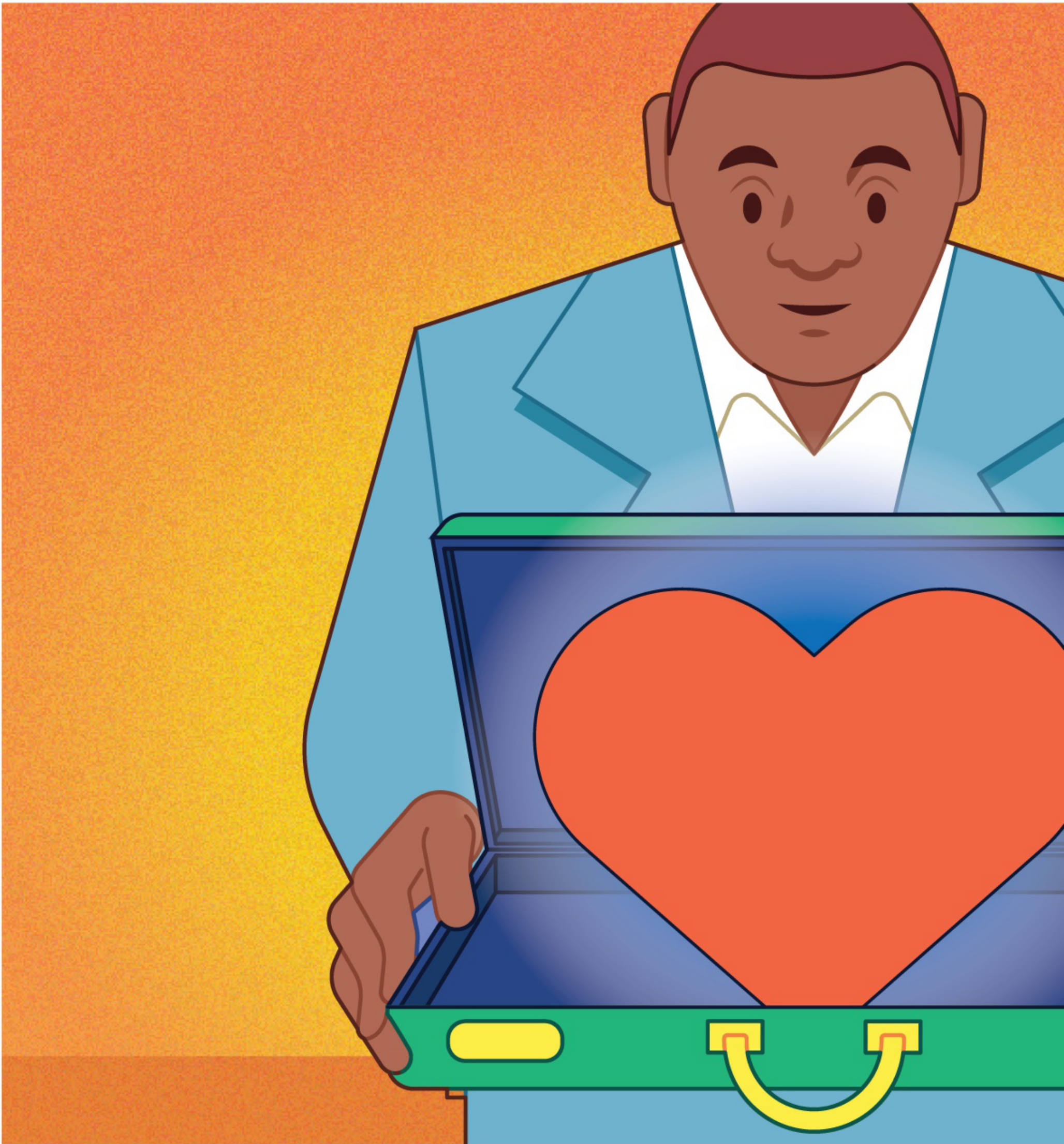
enterprises, moving beyond the effects of regulation and macroeconomics. And finance will need to rethink how capital markets can actually support true value creation in companies—their fundamental purpose—not just benefit financial market participants.

There is nothing soft about the concept of shared value. These proposed changes in business school curricula are not qualitative and do not depart from economic value creation. Instead, they represent the next stage in our understanding of markets, competition, and business management.

NOT ALL SOCIETAL problems can be solved through shared value solutions. But shared value offers corporations the opportunity to utilize their skills, resources, and management capability to lead social progress in ways that even the best-intentioned governmental and social sector organizations can rarely match. In the process, businesses can earn the respect of society again. ☺

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Competing on Social Purpose

Brands that win by tying
mission to growth

→ by OMAR RODRÍGUEZ VILÁ and
SUNDAR BHARADWAJ

CONSUMERS INCREASINGLY EXPECT brands to have not just functional benefits but a social purpose. As a result, companies are taking social stands in very visible ways. Airbnb used a Super Bowl ad to publicly cement its commitment to diversity. Tecate, based in Mexico, is investing heavily in programs to reduce violence against women, and Vicks, a P&G brand in India, supports child-adoption rights for transgender people. Brands increasingly use social purpose to guide marketing communications, inform product innovation, and steer investments



toward social cause programs. And that's all well and good when it works. But missteps are common, and they can have real consequences.

Recall Starbucks's Race Together campaign—the chain's earnest effort to get customers talking about race relations in the United States. The program was widely criticized for its perceived lack of authenticity, among other reasons, and was quickly canceled. Or consider SunChips's 2010 launch of a biodegradable bag. The composite material was indeed good for the environment—but the bags were so noisy they drew mockery on social media, forcing the company to pull them from the market.

Countless well-intentioned social-purpose programs have consumed resources and management time only to end up in obscurity. Sometimes they backfire because the brand messages designed to promote them anger or offend customers—or they simply go unnoticed because they fail to resonate. Other times, managers use these initiatives solely to pursue intangible benefits such as brand affection or as a means to communicate the company's corporate social responsibility, without consideration of how they might create business value for the firm.

With the support of Sustainable Brands and the Ray C. Anderson Center for Sustainable Business, we've studied many social-purpose brand programs and have worked with close to a dozen leading brands to design growth-focused social-purpose strategies. On the basis of our research and experience, we've developed an approach we call “competing on social purpose” that ties a company's

most ambitious social aspirations to its most pressing growth needs. In this article, we provide a novel framework to help companies find the right social purpose for their brands.

Building a Strategy

Some brands have integrated social purpose into their business models from the start: Think of Patagonia, TOMS, Warby Parker, and Seventh Generation. The societal benefit these “social purpose natives” offer is so deeply entwined with the product or service that it's hard to see the brands' surviving intact without it. Imagine how customers would react if TOMS abruptly ended its one-for-one program, which donates shoes, water, or eye care to the needy for every product it sells. And what would happen to Patagonia's brand if the company abandoned its commitment to eco-friendly manufacturing? Social purpose natives like these must be diligent stewards of their brands.

The challenges are very different for the much larger number of brands for which this article is written—a group we call “social-purpose immigrants.” These established brands have grown without a well-defined social-purpose strategy and are now seeking to develop one. Typically, they belong to firms that are good corporate citizens and are committed to progress on environmental and social goals. However, their growth has thus far been based on superior functional performance that is unrelated to a broader social purpose.

To develop a social purpose strategy, managers should begin by identifying a set of social or environmental needs to

which the brand can make a meaningful contribution. (For simplicity, we'll use the term “social needs” to refer to both social and environmental concerns.) Few brands are likely to start with a blank slate—most have corporate social responsibility programs under way, some of which could become relevant aspects of the brand's value proposition. Yet focusing on only those initiatives could limit the potential of a purpose-driven brand strategy or divert marketing resources meant to stimulate the brand's growth toward corporate initiatives. To create a more comprehensive set of choices, managers should explore social purpose ideas in three domains: brand heritage, customer tensions, and product externalities.

Brand heritage. Of the many benefits a brand may confer, only a few are likely to have defined the brand from the start and be the core reason for its success. A look into the brand's heritage—the most salient benefits the brand offers customers—can help managers identify the social needs their brands are well positioned to address. For instance, since its launch, in 1957, Dove has been promoted as a beauty bar, not a soap. Enhancing beauty has always been central to its value proposition. Therefore, it makes sense that Dove focuses on social needs tied to perceptions of beauty.

Customer tensions. An unbounded exploration of social issues relevant to your customer base will most likely yield a list that's too broad to be very helpful. To narrow your options, look at the “cultural tensions” that affect your customers and are related to your brand heritage. Such tensions, first characterized by marketing strategist Douglas

■ An effective social-purpose strategy creates value by strengthening a brand's key attributes or building new adjacencies.

Holt, refer to the conflict people often feel when their own experience conflicts with society's prevailing ideology. Holt argues that brands can become more relevant by addressing consumers' desire to resolve these tensions. Classic examples include Coca-Cola's "I'd Like to Teach the World to Sing" commercial, which promoted peace and unity at the height of the Vietnam War, and Budweiser's recent Super Bowl ad celebrating the immigrant story of one of its founders, which aired in the midst of a heated public debate about immigration.

Product externalities. Finally, examine your product's or industry's externalities—the indirect costs borne or benefits gained by a third party as a result of your products' manufacture or use. For instance, the food and beverage industry has been criticized for the contribution of some of its products to the increasing rates of childhood obesity. It has also faced concerns about negative health effects resulting from companies' use of artificial ingredients and other chemicals in their products. Panera Bread's decision to position its offerings as "clean food"—made without "artificial preservatives, sweeteners, flavors, or colors from artificial sources"—is a direct response to a social need created by industry externalities.

Although a company may build a sound social-purpose strategy that focuses on just one domain, ideally this exercise yields opportunities at the intersection of all three. Consider Airbnb's WeAccept social purpose strategy. The company's brand heritage is built on providing an open and inclusive platform, but in recent years concerns about race discrimination have once again risen to

the forefront of cultural tension in the United States. Recently, Airbnb has faced allegations of racial discrimination by some of its members—a serious externality produced by its service.

Pare the List

After considering social purpose ideas in the three domains, managers should pare the list to three or four social needs, and propose strategies for each, to be evaluated as final candidates for the brand's social purpose.

To guide the prioritization and selection process, managers should gauge how the social purpose idea both generates business value and minimizes the company's exposure to risk. An effective social-purpose strategy creates value by strengthening a brand's key attributes or building new adjacencies. At the same time, it mitigates the risk of negative associations among consumers and threats to stakeholder acceptance.

Brand attributes. Managers often consider the fit between the social need and the brand as a criterion for evaluating social purpose strategies. However, good fit isn't enough. They should also consider how social purpose can create value by strengthening (or creating) brand attributes relevant to consumer choice in a given industry.

We define brand attributes as characteristics managers instill in a product or service, including features and benefits as well as personality or reputation supported through marketing communications. A restaurant, for example, might use sustainably sourced ingredients (a feature), which can reinforce a perception of great taste (a benefit), and through



Idea in Brief

THE EXPECTATION

Consumers increasingly expect brands to have a social purpose, so many companies are taking social stands in very visible ways. Think TOMS's one-for-one program, which donates shoes and other goods for every product sold.

THE CHALLENGE

These programs can benefit society and the brand but may fizzle or actually harm the company if they're not carefully managed.

THE STRATEGY

An effective strategy creates value by strengthening a brand's key attributes or building new adjacencies. At the same time, it mitigates the risk of negative associations and threats to stakeholder acceptance.



Obstacles to Competing on Purpose

Three characteristics of purpose-driven growth make it particularly challenging for managers.

It's hard to change course.

Once a social purpose is chosen, changing course is difficult and ill-advised, because success depends on the legitimacy of the brand's claim. Shifting or inconsistent claims may raise doubts about the firm's integrity or commitment. Specific programs can and should evolve, of course, and successful brands continually innovate. But the underlying purpose should remain constant. Dove has pursued its Real Beauty cause for more than a decade. Patagonia has advocated for environmental protection since its founding, in 1973. Starbucks has consistently worked to promote social justice. Although an unswerving purpose is critical to success, this constraint can be frustrating to managers

in an era characterized by agility and constant experimentation.

It's tough to gauge market potential.

Proponents of social purpose initiatives often argue that the programs can help the business grow. And they can—but not without a carefully crafted strategy. Too often, strategies are based on projections of business impacts that are oversimplified or flawed. Even among customer segments that support a brand's social purpose, for example, individual consumers may take purpose into account to varying degrees when making product choices. In addition, the size of the customer segments inspired by a brand's social mission may vary significantly by product category, purchase occasion, and geography. Finally, data on the importance of societal benefits is often drawn from consumer surveys—as

opposed to actual customer behavior—which may overstate true purchase intentions. Taken together, these factors can lead to unreliable estimates of market demand and growth.

It's easy to get distracted.

Many purpose-driven brand initiatives have been launched with enthusiasm only to vanish without a ripple. One reason is that the appeal of “doing well by doing good” can distract managers from a brand's primary business needs. These nonstrategic programs can take on a life of their own, tempting managers to expand and dilute the focus of their brand purpose and split their attention in ways that don't help growth. Or, concerned about potential controversy, managers may distance the program from the brand's other business activities, giving rise to shell initiatives that have no real presence in the brand's value chain.

marketing communications, promote a reputation for environmental consciousness (the brand personality).

When choosing among possible social-purpose strategies, managers need to understand how each option affects key brand attributes. Consider the case of Vaseline. By 2014, when Kathleen Dunlop became global brand director, the product was at risk of becoming a commodity in the United States. To grow, it needed to find new ways to remind existing customers of its core attributes while educating a younger generation.

Dunlop and her team determined that the answer to this business problem lay in the brand's tagline “the healing power of Vaseline,” which captures its core attribute. Asking “Where is our healing power most urgently needed?” the team began the process of developing a social purpose strategy for the brand. Through interviews with medical professionals at the Centers for Disease Control, Doctors Without Borders, and the UN Refugee Agency, the team learned that Vaseline jelly was an indispensable part of emergency first-aid kits. In refugee camps, for instance, minor but common skin conditions such as cracking and blistering could become dangerous and debilitating. Petroleum jelly, and Vaseline in particular, was often a first line of care.

With this insight, the team crystallized a social purpose strategy around skin care for the most vulnerable—people living in poverty or emergency conditions—and in 2015 the Vaseline Healing Project was born. In partnership with the nonprofit Direct Relief, the project aims to reach 5 million people by 2020.

The Healing Project was not a CSR or public relations initiative; it was

■ Competing on social purpose is sure to attract criticism— which can stall or even derail a program.

designed to connect business goals with societal needs. The resulting campaign was tested alongside other traditional marketing programs designed to differentiate the brand. The initiative outperformed all the alternatives and achieved its objectives in its first full year, helping Dunlop build a stronger business case for it and persuade the managers responsible for the brand's P&L to invest marketing resources behind it. Now in its third year and with more than 2.3 million jars of Vaseline donated, the initiative is continuing to expand.

To assess the relationship between different social-purpose strategies and brand attributes, managers should ask:

- Does the strategy reinforce existing brand attributes?
- What new and valuable brand attributes might it create?
- Would the strategy be difficult for competitors to imitate?

Business adjacencies. One reason a brand purpose strategy can fall short of expectations is that it doesn't adequately address the financial interests of investors and other stakeholders. One way a social purpose strategy can boost business performance is by enabling the brand to compete in adjacent markets.

Consider Brita, which until 2005 primarily sold tap-water filters. Concerned by slowing growth, managers realized that the company could enter the adjacent bottled-water market by positioning filtered water as an environmentally friendly alternative. Thus Brita seized on a social need—waste reduction—to push into a new market. It combined reusable water-bottle and pitcher innovations with its filter technology to expand the

brand's market presence. In its marketing, Brita emphasized the water's "great taste and purity" and its economic value over time relative to bottled water. But its central message was the environmental benefit of substituting filtered water for bottled water: 300 plastic bottles kept out of landfills and oceans for each Brita filter used.

Most recently, the brand has evolved its strategy by positioning itself as not

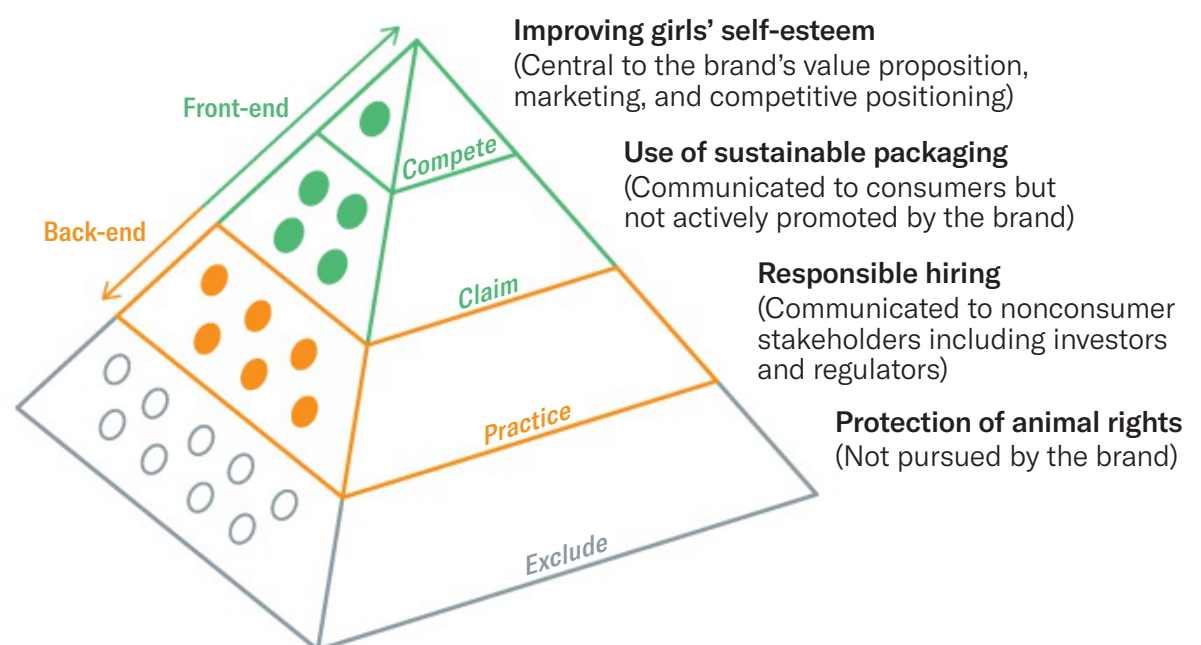
just a filter brand but also a water brand, promoting additional social benefits related to health and wellness. This strategy helped Brita secure a strong competitive position: It was relatively straightforward for the brand to enter the bottled water category, but it would be much harder for bottled water rivals to enter the filter business. Three years after Brita entered this adjacent market, its revenues had grown by 47%.

The Social Benefit Pyramid

Managers often struggle to reconcile corporate-level sustainability efforts, CSR programs, and social purpose strategies for their brands, causing them to misdirect brand marketing resources toward increasing consumer awareness of corporate-wide programs.

To ensure the proper allocation of resources, brand managers should clarify the roles of existing or potential social initiatives for the brand. First, sort the initiatives into "front-end" investments (those the brand will actively promote to customers), "back-end" investments (those that the company practices but that do not create value for consumers), and activities the brand won't pursue at all. Then, select one social purpose initiative to compete on and several to "claim" in brand marketing. All others should not be an active part of the brand's marketing efforts.

The chart below shows how this categorization would work for the Dove brand.



Gauging Social Purpose Strategies

To compare brand purpose strategies, score each option on its potential to create value or reduce risk by answering the questions at right. Strategies that score highest across domains are the most likely to create value for the company and effectively address the targeted social need. Here, we assess how two options for Nike would stack up.

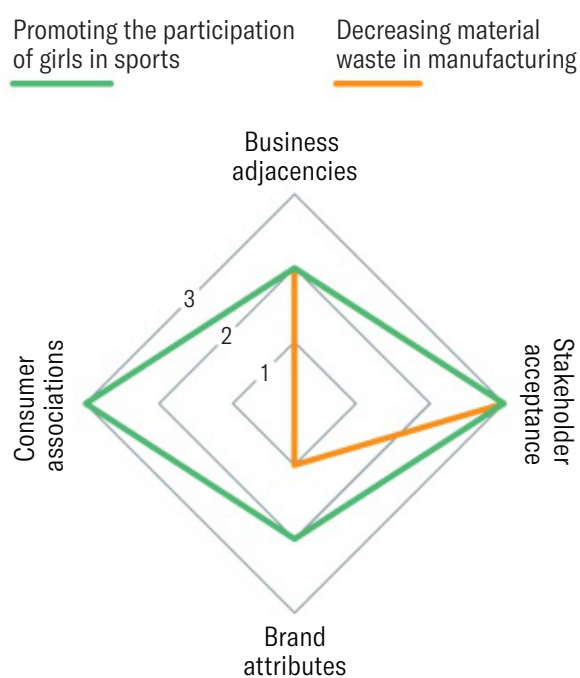
Nike: Scoring Two Options

Answer the questions below, giving one point for each “yes” answer

	Decreasing material waste in manufacturing	Promoting the participation of girls in sports
BRAND ATTRIBUTES		
Does the strategy reinforce existing brand attributes?	0	1
Will it create new brand attributes?	1	1
Will it be difficult for competitors to imitate?	0	0
Total Score	1	2
BUSINESS ADJACENCIES		
Will the strategy help create a new product or service for current customers?	0	1
Will it help open a new market or distribution channel?	1	1
Will it help reduce costs or increase the profitability of the business?	1	0
Total Score	2	2
CONSUMER ASSOCIATIONS		
Is the social need likely to be perceived as personally relevant to target consumers?	0	1
Will consumers easily see the connection between the brand and the social need?	0	1
Will the strategy induce positive associations about the brand?	0	1
Total Score	0	3
STAKEHOLDER ACCEPTANCE		
Can the brand have a demonstrable impact on the social need?	1	1
Will key stakeholders on the front lines of the issue support the strategy?	1	1
Can the brand avoid inconsistent messaging, perceptions of opportunism, and politicization?	1	1
Total Score	3	3



Plotting the scores for Nike's two options on a spider chart clearly demonstrates that "promoting the participation of girls in sports" creates more value for the brand and mitigates risk better than "decreasing material waste in manufacturing" would.



To gauge whether a proposed brand purpose and strategy can support a move into adjacent markets, managers should ask:

- Can the strategy help create a new product or service for current customers?
- Can it help open a new market or channel or attract a new customer segment?
- Can it help reduce costs or increase the profitability of the business?

Consumer associations. It's important to think through how consumers

will perceive the social purpose a brand is considering. Will they see the benefits as an asset? A liability? Or irrelevant to their purchase decision? In predicting customer response, brand managers need to understand the range of cognitive associations that different consumer segments may bring to a brand's social claim. Take, for instance, the brand attribute "organic ingredients," which is typically used to support claims of health or environmental benefits. If it appears on the label of a tea product, consumers may associate it with augmented qualities—perhaps improved taste or healthfulness. But how might they react to an organic dry-cleaning service? A growing body of research demonstrates that consumers don't have an equal or easily predictable response to social benefit claims: Labels like "fair trade," "environmentally friendly," and "ethically sourced" can sometimes induce negative associations—such as poorer performance, in the case of the dry cleaner.

Consider the Green Works line of environmentally friendly cleaning products. Launched with high expectations by Clorox in 2008, the brand has failed to generate the anticipated sales and the company's plans to become the dominant player in this premium market have yet to become reality. Before launching Green Works, Clorox's market research revealed that although consumers expressed interest in "green" cleaning products, only a small minority (15%) perceived environmentally friendly ingredients as an important consideration in their purchase decisions. The research also showed that mainstream consumers often associated environmental friendliness with diminished

performance. Clorox product managers delayed the product launch twice until they were confident their formulation was as effective as traditional cleaners. In addition, they decided to include the Clorox logo on the label to reinforce the message of cleaning efficacy.

Despite these efforts, Green Works ran into problems. Eco-conscious consumers who might have been attracted to Green Works' environmental credentials were put off by its association with Clorox—an industrial-strength cleaner that they did not perceive as environmentally friendly—while mainstream consumers remained unconvinced that the products were effective enough. In response, the company revamped the packaging to satisfy both groups: The Clorox logo has disappeared, and messages about powerful cleaning are now prominent on the label. Green Works' experience demonstrates the importance of carefully evaluating the associations—both positive and negative—that consumers may bring to each social-benefit claim a brand makes.

To assess the associations consumers may have with different brand-purpose strategies, managers should consider the following questions:

- Is the social need likely to be perceived as personally relevant to target consumers?
- Will consumers be able to easily associate the brand with the social purpose?
- Will the social purpose strategy induce positive (and not negative) associations about the brand or product?

Stakeholder acceptance. Competing on social purpose is sure to attract criticism—virtually all social issues have both advocates and detractors—which can stall or even derail a program. Thus,



managers must evaluate whether key stakeholders will accept and support the proposed social-purpose strategy. As with customer associations, some stakeholders may embrace a brand purpose while others reject it. Our research has found three drivers of negative reactions: inconsistency between the brand claim and the company's actions, politicization of the claim, and suspicion about the firm's motives.

Consider again Dove brand's Campaign for Real Beauty. The marketing program challenged traditional standards of beauty and promoted the idea that true beauty has limitless forms. Its success made the brand a leading example of how to effectively integrate a social purpose into an existing brand strategy. But as its popularity grew, the campaign also attracted criticism. Some detractors noted an inconsistency between Dove's position and those of its parent company Unilever, particularly in the marketing of the Axe line of men's grooming products, whose advertising featured the seduction of scantily clad women. That Unilever was simultaneously fighting and reinforcing stereotypical notions of beauty struck its critics as hypocritical. Unilever eventually repositioned Axe and removed sexist stereotypes from its marketing. When competing on social purpose, inconsistencies between your operations and your brand claims will become more salient and should be quickly resolved—or, better, avoided in the first place.

Another obstacle to stakeholder acceptance occurs when companies, unwittingly or not, adopt a controversial social purpose. This was the case with Coca-Cola's Arctic Home program, a partnership launched in 2011 with the

World Wildlife Fund to protect polar bears. The social mission fit well with the brand, which had long used the animal in its advertising. However, despite the fact that its leaders never intended to equate a conservation initiative with the politics of climate change, the program catapulted Coke into the middle of a political debate. A significant segment of the population regarded global warming as a serious problem. But climate skeptics saw the Coke campaign as a mass media effort to promote a political agenda. Coke's program was interpreted by some as a position on climate change and became a talking point in a Senate debate. As a result, some retail customers refused to use the campaign in their stores. While the company succeeded in containing a more general outcry, its experience highlights the risk of politicization around a brand's social purpose. It is unlikely that any social-benefit claim can escape criticism, but management's goal must be to maximize the fan-to-foe ratio.

Finally, stakeholders may question a brand's motives if the initiative appears to be driven primarily by commercial interests. Stakeholders understand that companies are profit-driven, but if the company's initiative offers no apparent social benefit, they may feel manipulated—as often happens if a brand is found to be “greenwashing.” To mitigate this risk, it's critical to select a social purpose for which the brand can make a material contribution.

To assess whether the social purpose strategy is likely to be accepted by stakeholders, managers should ask:

- *Can the brand have a demonstrable impact on the social need?*

- *Are key stakeholders on the front lines of the social issue likely to support the brand actions?*

- *Can the brand avoid inconsistent messaging, perception of opportunism, and politicization?*

Nike: A Case Study

Let's look at how our framework can be applied in practice. Although numerous brands are using this method to evaluate brand purpose strategies, their initiatives are still under way. For illustrative purposes, we've analyzed the choices made by Nike over the past several decades. (For more, see the exhibit “Gauging Social Purpose Strategies.”)

Over the past decade, Nike has invested heavily in R&D to reduce environmental waste in its manufacturing processes. In 2010, the company launched the Environmental Apparel Design software tool—an open-source version of its Considered Design Index—enabling garment designers anywhere to assess the environmental impact of various materials and explore combinations that reduce material waste before making a selection. In 2012, Nike debuted its flyknit technology, which allows the company to reduce waste by manufacturing shoes with a one-piece upper body.

Nike could tout these efforts in its customer-facing marketing, but it doesn't. In their purchase decisions, customers look for performance shoes that are comfortable, lightweight, and durable. Reducing manufacturing waste is not an attribute most sports-shoe buyers prioritize. Claims of environmental friendliness are also unlikely to help the brand move into adjacent markets. In fact,

■ That Unilever was simultaneously fighting and reinforcing stereotypical notions of beauty struck its critics as hypocritical.

people buying performance shoes are more likely to associate green-manufacturing claims with reduced durability. Nike does communicate its environmental benefits to partners and investors—for whom these are important operating practices—demonstrating a wise allocation of its social benefit claims.

In 1995 Nike embraced a customer-facing social benefit: encouraging young girls to participate in sports. Nike spokeswoman Vizhier Corpus said at the time, “If you are a parent interested in raising a girl who is physically and emotionally strong, then look to sports as a means to that end.” It was a smart choice. The message reinforced the brand associations of courage and competition promoted by Nike in the 1990s, was unlikely to suffer from problems with stakeholder acceptance, and had a robust business logic: At the time, the women’s apparel business represented less than 10% of Nike’s revenues. Today that figure has climbed to 23%, and women’s apparel is the company’s highest growth segment.

Define the Brand’s Role

Once a company decides which social need a brand will focus on, using the four dimensions of our framework to guide their selection, managers must determine how the brand strategy will create value for it. Our analysis of dozens of purpose-driven brand strategies revealed four ways a brand can create value for a social need. This taxonomy provides a useful tool for thinking about how a brand can best execute on its purpose. It can also guide managers in the selection of metrics for measur-

ing the impact of their social-purpose investments.

1. Generate resources. Brands can make an impact by helping generate the resources required to address a social need. Most commonly, this involves the donation of financial resources: When consumers buy a product, the brand gives a percentage of the profits to a selected cause. Newman’s Own famously donates 100% of profits across thousands of organizations that address four broad social needs. Resources could also include, time, talent, relationships, and capabilities.

2. Provide choices. Brands can offer consumers products that address a social need and can be substituted for those that don’t. Brita filters, for example, give customers an alternative to bottled water that doesn’t add plastic to landfills.

3. Influence mindsets. Brands can help shift perspectives on social issues. Examples include Nike’s communications efforts to promote the participation of girls in sports and its recent campaign to promote racial and gender equality. Other examples include Tecate’s initiative to stop gender violence in Mexico or the Always brand’s “Like a Girl” program that focused on building girls’ self-esteem.

4. Improve conditions. Brand actions can help establish the conditions necessary to address a social need. Consider Coca-Cola’s Ekocenter initiative in Africa. Through a multi-stakeholder partnership, the brand is creating community centers with clean water, solar power, and internet access, among other services. The centers house modular markets run by local female entrepreneurs.

In defining how their social purpose programs will create value, managers should partner with organizations and individuals that are actively working on the front lines of the social issue. This ensures that the brand’s capabilities are focused on the most pressing needs of the social issue.

MANAGERS OFTEN HAVE the best intentions when trying to link their brands with a social need, but choosing the right one can be difficult and risky and has long-term implications. Competing on social purpose requires managers to create value for all stakeholders—customers, the company, shareholders, and society at large—merging strategic acts of generosity with the diligent pursuit of brand goals. ☺

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The New CEO Activists

A playbook for polarized political times

→ by AARON K. CHATTERJI and MICHAEL W. TOFFEL

WHEN WE FIRST started studying CEO activism, three years ago, we never imagined how significant this phenomenon would become. At the time a small but growing band of executives were taking public stands on political and social issues unrelated to their companies' bottom lines. Since then, controversies over laws affecting transgender people in North Carolina, police shootings in Missouri, and executive orders on immigration have drawn increasing numbers of CEOs into contentious public debates. More recently, the White House's withdrawal from the Paris climate accord,

response to the clash between white supremacists and counterprotesters in Charlottesville, Virginia, and decision to rescind Deferred Action for Childhood Arrivals have galvanized many U.S. corporate leaders to speak out and take action.

Of course, corporations have long played an active role in the U.S. political process. They lobby, make contributions to candidates, and fund political action committees and campaigns on various issues in an effort to shape public policies to their benefit. But CEO activism is something new. Until recently, it was

rare for corporate leaders to plunge aggressively into thorny social and political discussions about race, sexual orientation, gender, immigration, and the environment. The so-called Michael Jordan dictum that Republicans buy sneakers too reminds executives that choosing sides on divisive issues can hurt sales, so why do it? Better to weigh in on what traditionally have been seen as business issues, such as taxes and trade, with technocratic arguments rather than moral appeals.

But the world has changed. Political partisanship and discourse grow ever more extreme, and the gridlock in Washington, D.C., shows no sign of easing. Political and social upheaval has provoked frustration and outrage, inspiring business leaders like Tim Cook of Apple, Howard Schultz of Starbucks, and Marc Benioff of Salesforce—among many others—to passionately advocate for a range of causes. “Our jobs as CEOs now include driving what we think is right,” Bank of America’s CEO, Brian Moynihan, told the *Wall Street Journal*. “It’s not exactly political activism, but it is action on issues beyond business.”

The world is taking notice. CEO activism has gotten lots of media attention lately, and public relations firms are now building entire practices around it. While this phenomenon has largely been confined to the United States, there’s little reason to doubt that it could develop into a global force. We believe that the more CEOs speak up on social and political issues, the more they will be expected to do so. And increasingly, CEO activism has strategic implications: In the Twitter age, silence is more conspicuous—and more consequential.





How CEOs Respond: Three Types of Tactics

Traditional	Nonconfrontational Lobby behind the scenes Contribute to campaigns Communicate internally with employees Do nothing
Activism	Raising Awareness Issue a statement or tweet Write an op-ed Seek to spur public action via trade associations
	Exerting Economic Influence Relocate business activities Pause business expansion Fund political and activist groups

All this activity raises big questions that we will attempt to address: Does CEO activism actually change hearts and minds? What are the risks and potential rewards? And what is the playbook for corporate leaders considering speaking out?

Why CEOs Speak Up

CEOs are weighing in on controversial topics for several reasons. Some point to their corporate values to explain their advocacy, as BOA's Moynihan and Dan Schulman of PayPal did when taking

a stand against a North Carolina law requiring people to use the bathrooms corresponding with the sex on their birth certificates, which became a referendum on transgender rights.

Other CEOs argue that companies should have a higher purpose beyond maximizing shareholder value—a concept that has been gaining traction in the business world. As Benioff told *Time*, “Today CEOs need to stand up not just for their shareholders, but their employees, their customers, their partners, the community, the environment, schools, everybody.”

And for many leaders, speaking out is a matter of personal conviction. David Green, the founder and CEO of Hobby Lobby, a family-owned chain of crafts stores, cited his religious beliefs when opposing the Obamacare requirement that health insurance for employees include coverage for the morning-after pill among all other forms of birth control.

Some leaders have commented that a greater sense of corporate purpose has become important to Millennials, whether they be employees or customers. Indeed, research from Weber Shandwick and KRC Research finds that large percentages of Millennials believe that CEOs have a responsibility to speak out on political and social issues and say that CEO activism is a factor in their purchasing decisions.

Sometimes leaders point to multiple motivations. “I just think it’s insincere to not stand up for those things that you believe in,” Jeff Immelt, the former CEO of GE, has said. “We’re also stewards of our companies; we’re representatives of the people that work with us. And I think we’re cowards if

we don’t take a position occasionally on those things that are really consistent with what our mission is and where our people stand.”

The Tactics of CEO Activists

Though they’re motivated by diverse interests—external, internal, and deeply personal—activist CEOs generally employ two types of tactics: raising awareness and leveraging economic power.

Raising awareness. For the most part, this involves making public statements—often in the news media, more frequently on Twitter—to garner support for social movements and help usher in change. In such statements business leaders are communicating to stakeholders where they stand on a whole slate of issues that would not have been on the CEO’s agenda a generation ago. For example, Goldman Sachs’s CEO, Lloyd Blankfein, and Biogen’s former CEO George Scangos have spoken out publicly on government policies that affect the rights of LGBTQ individuals. On the socially conservative side of the spectrum, Chick-fil-A’s CEO, Dan Cathy, has denounced gay marriage.

In some cases, several CEOs have worked together to raise awareness. For example, days before the United Nations climate-change-agreement negotiations took place in Paris in late 2015, the CEOs of 14 major food companies—Mars, General Mills, Coca-Cola, Unilever, Danone Dairy North America, Hershey, Ben & Jerry’s, Kellogg, PepsiCo, Nestlé USA, New Belgium Brewing, Hain Celestial, Stonyfield Farm, and Clif Bar—cosigned an open letter calling on government leaders to create a

strong accord that would “meaningfully address the reality of climate change.” Similarly, nearly 100 CEOs cosigned an amicus brief to encourage federal judges to overturn Trump’s executive order banning citizens from seven Muslim-majority countries from entering the United States.

Collective action can have greater impact than acting alone. Take what happened with Trump’s economic councils. Though Merck’s CEO, Kenneth Frazier, received a lot of press when he resigned from the president’s American Manufacturing Council in response to Trump’s remarks blaming white supremacists and counterprotesters equally for the violence in Charlottesville, it was only after CEOs jumped ship en masse from that group and from Trump’s Strategic and Policy Forum that the president disbanded both councils—a move that was widely viewed as a defeat for Trump.

Leveraging economic power. Some of the more powerful cases of CEO activism have involved putting economic pressure on states to reject or overturn legislation. For example, in response to Indiana’s Religious Freedom Restoration Act (RFRA), which some viewed as anti-LGBTQ, Bill Oesterle, then the CEO of Angie’s List, canceled its planned expansion in Indianapolis, and Benioff threatened to halt all Salesforce employee travel to the state. Other leaders joined the protest, including the president of the National College Athletic Association, Mark Emmert, who suggested that the bill’s passage could affect the location of future tournaments and that the association might consider moving its headquarters out of Indianap-

olis. Under pressure, then-governor Mike Pence approved a revised version of the law, which forbade businesses from denying service to customers because of their sexual orientation.

In response to North Carolina’s bathroom law, Schulman canceled PayPal’s plans for a new global operations center in Charlotte, which would have created more than 400 skilled jobs. As many other CEOs followed suit, the potential damage mounted: The Associated Press has estimated that the bathroom law controversy will cost the state more than \$3.76 billion in lost business over a dozen years.

Companies and their leaders also wield economic power by donating to third-party groups that promote their favored causes. To help fight Trump’s immigration ban, for example, the car-sharing company Lyft pledged \$1 million to the American Civil Liberties Union, which is challenging the ban in court. In response to the Charlottesville protest and Trump’s reaction to it, James Murdoch, the chief executive of 21st Century Fox, donated \$1 million to the Anti-Defamation League, a group that fights bigotry.

How effective are these approaches? The trend of corporate leaders taking a public stand on issues not necessarily related to their businesses is relatively new, so there’s little empirical evidence of its impact. But we do have limited anecdotal evidence that it can shape public policy—as it did in the case of Indiana’s RFRA. When legislators passed a similar religious freedom bill in Georgia, threats to stop filming in the state from leaders of many studios and networks—including Disney, CBS, MGM, and Netflix—and



Idea in Brief

THE SITUATION

More and more CEOs are taking a stand on divisive social issues—a dramatic departure from tradition.

THE REASON

They’re frustrated with the growing political turmoil and paralysis in the government. Stakeholders, furthermore, are starting to expect corporate leaders to speak out.

THE UPSHOT

CEO activism can have unintended consequences. In this article, the authors look at recent examples of such advocacy and piece together a playbook for executives.

similar kinds of warnings from Benioff and other CEOs were seen as instrumental in moving the governor to veto it. And leaders of the National Basketball Association, NCAA, and Atlantic Coast Conference have been credited with forcing North Carolina to revise its bathroom law.

To move beyond anecdotal evidence, we set out to investigate in a scientific, rigorous way whether CEOs can help win public support for policies, thus affecting legislators’ votes and whether governors sign or veto bills. Our findings demonstrate that CEOs can indeed play an important role in shaping the public’s views on political and social issues. (See the sidebar “Our Research: Does CEO Activism Influence Public Opinion?”) Moreover, as we’ll discuss, we find that when CEOs communicate a stance on such issues, it can spur like-minded consumers to purchase more of their products.



The Risks and Potential Rewards

In today's politically charged atmosphere, mere affiliations with political leaders or causes can be risky. A few weeks into Trump's term, Under Armour's CEO, Kevin Plank, faced criticism after referring to the president as "a real asset for the country" in an interview. One of his star pitchers, the Golden State Warriors player Stephen Curry, expressed his displeasure publicly. The hashtag #BoycottUnderArmour

began appearing on Twitter, and other Under Armour endorsers, including ballerina Misty Copeland, echoed Curry. The company had to take out a full-page newspaper ad clarifying Plank's comments and stating his opposition to Trump's immigration ban. But that response did not stop Under Armour's stock from being downgraded as one analyst wondered whether the gaffe would "make it nearly impossible to effectively build a cool urban lifestyle brand in the foreseeable future."

CEO activism has sometimes led to charges of hypocrisy. For example, a few conservative websites have criticized Benioff and Cook for denouncing religious freedom laws while Salesforce and Apple continue to do business in countries that persecute LGBTQ individuals. And some activism efforts have come off as clumsy: Consider the widespread ridicule that greeted Howard Schultz's Race Together campaign, in which Starbucks baristas were instructed to write that phrase on all drink cups in an effort to combat racism.

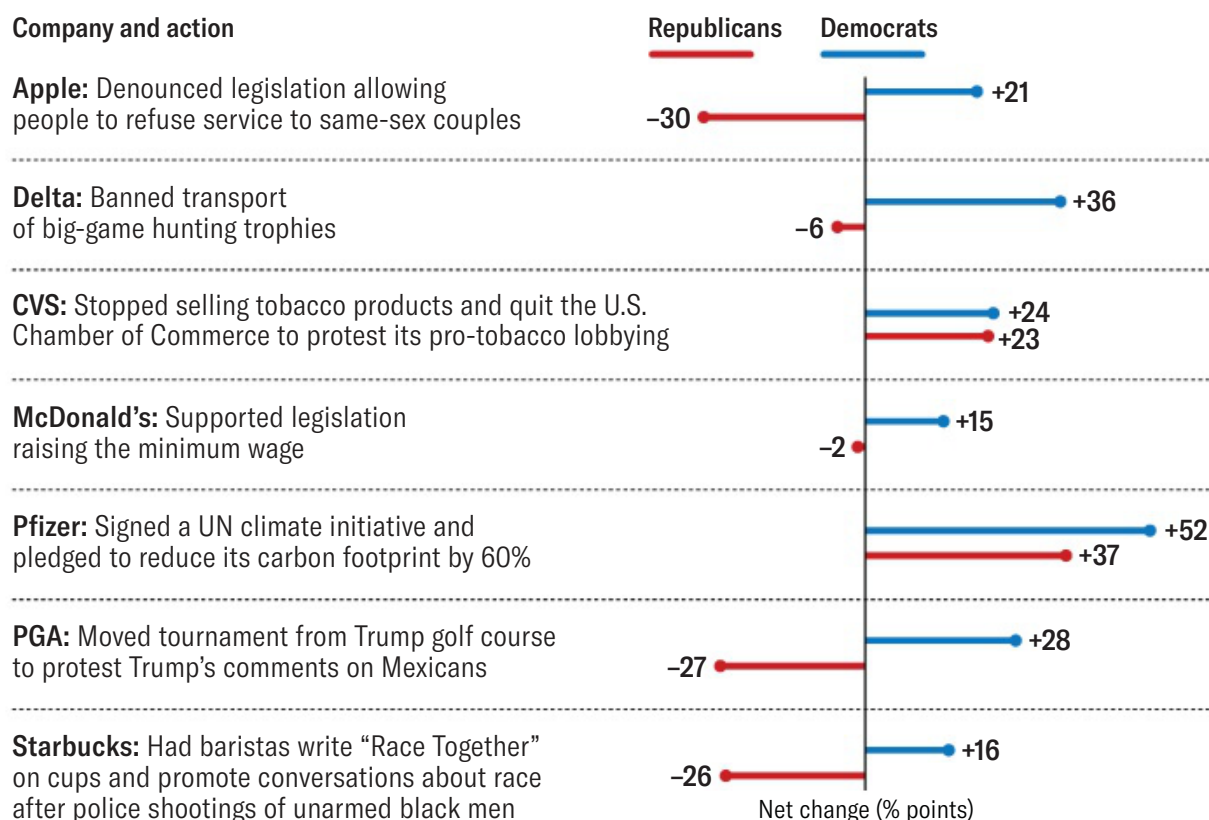
On the other hand, activism can burnish a corporate leader's reputation. In the aftermath of the violence in Charlottesville, the CEOs who resigned from Trump's economic councils (a group that included Plank) were widely praised. The applause for Merck's Frazier, the first to step down, was particularly effusive. "Mr. Frazier, thank you for your courageous stand," tweeted U.S. representative Keith Ellison. The Anne Frank Center for Mutual Respect was even more emphatic, tweeting "A HERO: Ken Frazier."

This controversy also highlighted the risk of silence, which may be viewed as a sign of tacit approval. The *New York Times* and CNBC published lists of which CEOs remained on the president's various economic councils, with CNBC noting that "with each new resignation, those left on the council faced increased scrutiny." Oracle's CEO had similarly been put on the spot when a group of workers from that company launched a petition urging their employer to join numerous other companies in opposing Trump's immigration ban. Their effort attracted national attention, with *USA Today* observing, "More than 130 tech companies—from

A Polarized Response

Democrats and Republicans can have very different reactions to corporate activism. The chart below shows how each company's stance on a social issue affected its overall favorability ratings with Democrats and Republicans. The percentages indicate the net change in support from members of each party in response to the activist stance.

Company and action



Source: "Business & Politics: Do They Mix?" third annual study, January 2016, survey of 803 U.S. adults by Global Strategy Group

CEO activism has gotten lots of media attention lately, and public relations firms are now building entire practices around it.

Apple to Zynga—have signed the amicus brief. Oracle and IBM have not.”

Still, CEOs should keep in mind that reactions to activism can cut both ways. While Benioff’s advocacy has been widely praised, he admitted to CBS News that Colin Powell, the former secretary of state and a retired four-star general—and now a Salesforce director—warned him: “The farther you go up the tree, the more your backside is going to be exposed, and you’d better be careful.” After Chick-fil-A’s Cathy spoke out against gay marriage, the chain faced consumer picket lines and a boycott—but also a countervailing “Chick-fil-A Appreciation Day,” which attracted large crowds of customers. Indeed, in a Weber Shandwick survey 40% of respondents said they would be more likely to purchase from a company if they agreed with the CEO’s position, but 45% said they’d be less likely to if they disagreed with the CEO’s view.

We conducted our own experiment to assess the influence of CEO activism on U.S. consumers’ behavior. In it, we asked a nationally representative group of respondents about their intent to buy Apple products in the near future. To some, we first provided a statement describing CEO Tim Cook’s opinion that Indiana’s religious freedom bill was discriminatory against LGBTQ individuals; to others, we provided a generic statement about Cook’s management philosophy. To the rest, we provided no statement at all; we simply asked about purchasing intent. We randomly deployed these three conditions and received 2,176 responses. The people in the group exposed to Cook’s activism, we found, expressed significantly higher intent to buy Apple products in the near future than those

in the other two groups. Learning about Cook’s activism increased intent to purchase among supporters of same-sex marriage but did not erode intent among its opponents. These results indicate that CEO activism can generate goodwill for the company but need not alienate those who disagree with the CEO. But this most likely does not apply to all companies. Apple products are especially sticky, so while Cook’s remarks might not provoke a backlash against iPhones, other business leaders should consider whether the political makeup of their consumers and the nature of their products might lead to a different result. It’s critical for every CEO to proceed thoughtfully.

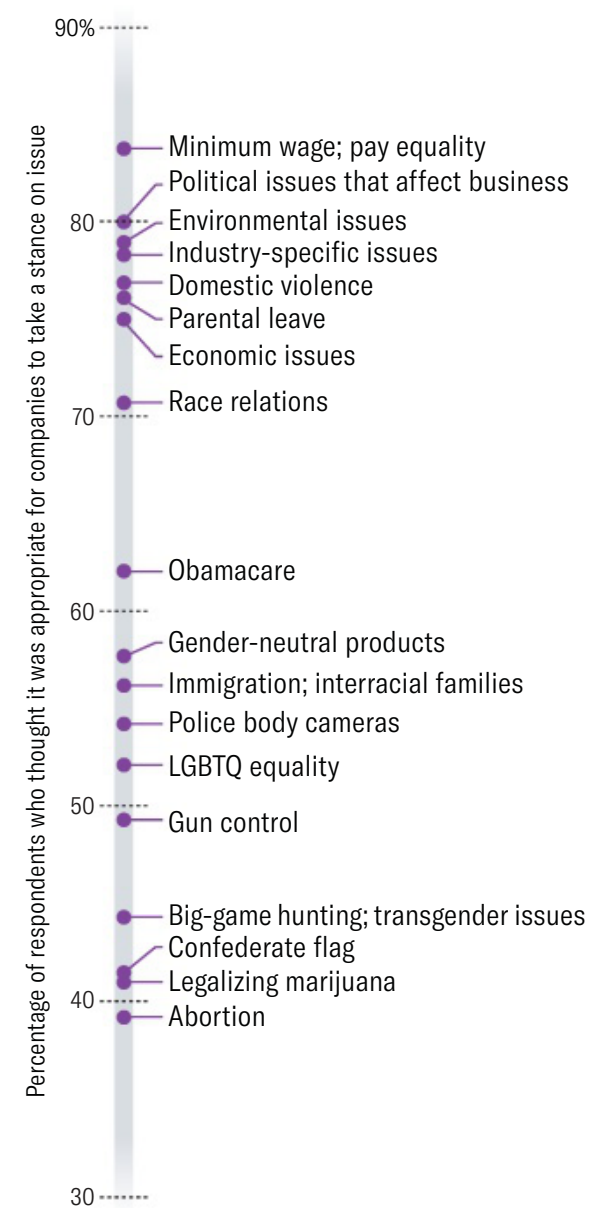
The CEO Activist’s Playbook

Drawing on our empirical research and interviews with CEO activists and their stakeholders, we have developed a guide for leaders who are deciding whether to speak out and how.

What to weigh in on. Smart CEO activists typically choose their issues; the issues do not choose them. To avoid being blindsided by a news story or awkwardly weighing in on a topic they know little about, CEOs should sit down with their executive teams, including their chief communications officers, and decide what issues matter to them and why. This discussion should include reflection on why championing the selected causes would have greater social impact than championing other causes. (On occasion, however, there’s no time for this kind of deliberation, such as when corporate leaders felt they quickly needed to make it clear they had no tolerance for racism after Charlottesville.)

Is it Appropriate to Take a Stand? What Consumers Think

A Global Strategy Group survey showed that Americans tend to approve of corporate activism on economic issues more than activism on social issues.



Source: “Business & Politics: Do They Mix?” third annual study, January 2016, survey of 803 U.S. adults by Global Strategy Group



Activism in Action

Corporate Leader	Issue	Action Taken
MARC BENIOFF CEO, Salesforce	Antidiscrimination	In 2015, Benioff tweeted his opposition to Indiana's Religious Freedom Restoration Act and suspended corporate travel to the state; he later spoke out against North Carolina's bathroom bill and developed a reputation for rallying other business leaders to speak out.
DAN CATHY CEO, Chick-fil-A	Same-sex marriage	In 2012, Cathy publicly opposed same-sex marriage on a radio show; his corporation's foundation also donated to anti-LGBTQ organizations.
DAVID AND BARBARA GREEN Cofounders, Hobby Lobby	Health care/ religious freedom	The Greens filed a highly publicized lawsuit in 2012 to oppose Affordable Care Act-mandated birth control coverage.
PETER LEWIS Late chairman, Progressive Insurance	Marijuana decriminalization	In 2011, Lewis wrote an opinion piece for <i>Forbes</i> supporting decriminalization; he also donated \$3 million to marijuana legalization campaigns.
JOHN MACKKEY CEO, Whole Foods Market	Health care	In 2009, Mackey wrote an editorial criticizing the Affordable Care Act.
PAUL POLMAN CEO, Unilever	Climate change	Polman has delivered many public speeches supporting government policies to address climate change.
JIM ROGERS Former CEO, Duke Energy	Climate change	In 1990, Rogers (as CEO of Public Service Indiana, which eventually became part of Duke Energy) testified before Congress in support of Clean Air Act amendments; he later lobbied Congress to support climate change legislation.
HAMDİ ULUKAYA CEO, Chobani	Refugee crisis	In 2014, Ulukaya pledged to donate \$2 million to refugees. He also hired refugees to work at Chobani's manufacturing plants and wrote an op-ed for CNN in support of refugees.

Source: Michael W. Toffel, Aaron K. Chatterji, and Julia Kelley, "CEO Activism (A)," Harvard Business School Case 617-001, March 2017

Does CEO Activism Influence Public Opinion?

Some of the experiments we conducted investigated whether and how CEO activism might affect public opinion. In one, we developed a survey asking people if they supported or opposed Indiana's Religious Freedom Restoration Act (RFRA), at a time when the controversy over it was still very much in the news. In some cases, we first told them that many were concerned that the law might allow discrimination against gays and lesbians. In other cases we attributed those concerns to Apple's CEO, Tim Cook; to Bill Oesterle, who was then CEO of Indiana-based Angie's List; or to the mayor of Indianapolis.

The market research company Civic Science deployed our

survey on the hundreds of third-party websites (newspapers, entertainment sites, and so on) with which it partners, gathering 3,418 responses from across the United States. Among those in the baseline condition, who were not told of any discrimination concern, 50% of respondents favored the law—evidence of how split the country is on such legislation. Support for the law dipped to about 40% among respondents who answered the question after being presented with discrimination concerns, regardless of who expressed them—a CEO or a politician—or even if they weren't attributed to anyone in particular.

These results imply that public opinion, at least in this study, was

shaped more by the message than by the messenger. There are two ways to interpret this: You can infer that CEOs have no special ability to influence public opinion. After all, their statements had no more effect than politicians' or unattributed statements. On the other hand, the results show that CEOs can be as persuasive as political leaders. CEOs can attract media attention, especially when they speak out on contentious social and environmental issues that are not obviously connected to their bottom lines, which heightens their authenticity. Given that CEOs can sway public opinion, we assume that they can shape public policy, too.

Our study went a bit further to see whether CEO activism

would affect people differently depending on their preexisting policy preferences. We found that Cook's discrimination remarks further eroded (already-low) RFRA support among same-sex marriage advocates but had no impact on the much more pro-RFRA views of same-sex marriage opponents. It's important to be aware of whose opinions CEO activism is likely to shift—and whose are likely to be unmoved. In fact, recent research has found that CEOs' political endorsements can significantly affect the campaign contributions of their employees, which suggests that CEO activism might be especially influential with a CEO's own employees.

Executives must balance the likelihood of having an effect and other potential benefits—such as pleasing employees and consumers—against the possibility of a backlash. As part of this assessment, CEOs should explicitly consider how their statements and actions will be received in a politically polarized atmosphere. A 2016 Global Strategy Group report shows that when companies are associated with political issues, customers view this connection through the lens of their party affiliation. (See the exhibit “A Polarized Response.”) According to the study, twice as many Democrats viewed Schultz's Race Together campaign positively as viewed it negatively, but three times as many Republicans viewed it unfavorably as viewed it favorably. Cook's

advocacy for gay marriage produced similar responses. Championship of less divisive issues, such as parental leave and STEM education, however, is more likely to improve the brand image of the CEO's company among both Democrats and Republicans, the study showed.

CEOs should also consider the extent to which the public believes a CEO voice is appropriate on a given topic. The Global Strategy Group study found that Democrats and Republicans both thought it was fitting for companies to take public stances on economic issues like minimum wage and parental leave. However, there was much less consensus about the appropriateness of weighing in on social issues such as abortion, gun control, LGBTQ equality, and immigra-

tion. (See the exhibit “Is It Appropriate to Take a Stand? What Consumers Think.”)

Immigration has proven a particularly complex issue, as the experiences of Chobani's CEO, Hamdi Ulukaya, and Carbonite's CEO, Mohamad Ali, illustrate. Immigrants to the United States themselves, both publicly opposed the Trump administration's restrictions. Both have been praised for their stances, but Ulukaya was also threatened and his company faced a boycott, while Ali's remarks prompted no discernible backlash. This difference could be attributed to Ulukaya's focus on the moral need to provide job opportunities for refugees, whereas Ali placed more emphasis on immigrants as job creators whose work also benefits native-born citizens. It's



Implications for Democracy

CEO activism may be giving businesses and their leaders even more influence in a political system in which their money can already buy access to power. Some people, including North Carolina's lieutenant governor, who supported the bathroom bill while facing an onslaught of CEO activism, have gone further, characterizing it as corporate bullying. One Georgia state senator, who sponsored that state's religious freedom bill, lamented, "Marc Benioff is the ringleader for big-business CEOs who use economic threats to exercise more power over public policy than the voters who use the democratic process." From this perspective, CEO activism can be viewed as endangering democracy's ideal that each citizen should have an equal say in influencing policy outcomes.

There is of course another angle on this that considers CEO activism within the current environment of political influence. As we've noted, CEO activism is an unusually transparent way for corporate leaders to try to affect policy—in contrast to behind-the-scenes efforts to work with legislators, trade associations, and think tanks. Because CEO activism is highly visible, employees, customers, and the media can decide how to respond to it. There is also a political divide here. (To be sure, certain controversies transcend politics.) Some progressives have been appreciative of recent CEO activism while decrying the activities of business leaders like the Koch brothers. As a result, many conservatives see a double standard at play. Most of the CEO activists have been espousing liberal views, but it remains to be seen how widespread activism from conservative business leaders would be received.

important to note, however, that while speaking out on controversial topics might provoke an adverse reaction, it is also likely to attract media coverage, which increases the opportunity for a CEO's views to be heard in the first place.

To influence public policy, the message has to be authentic to both the individual leader and the business. There should be a compelling narrative for why *this* issue matters to *this* CEO of *this* business at *this* time. The issue selection is also a crucial time to "get smart" about the underlying details. CEOs can quickly get in over their heads if they start speaking publicly about complex issues and are pressed by knowledgeable journalists and commentators. Because the credibility of business leaders rests on the perception that they make decisions after careful analysis, CEO activists can be effective only if they really understand the issue under debate.

When to weigh in. Once the issue is selected, the CEO activist has to understand if there are key moments when speaking out might actually make a difference. Is it while a piece of legislation is being considered, or is it afterward?

We have observed that a CEO activist's chances of blocking a particular policy are typically better than his or her chances of reversing legislation that has been enacted. As we have seen with the Republican Party's efforts to repeal the Affordable Care Act in recent months, the U.S. legislative system was designed to be slow moving and deliberative. This institutional feature makes it difficult not only to pass sweeping new legislation but to repeal existing laws as well.

Also, consider the news cycle. As we noted earlier, being the first CEO to quit

one of the president's economic councils earned Frazier (and Merck) significant positive media coverage. When other CEOs quit in rapid succession over the next 48 hours, their stories were lumped together. Frazier's actions will likely be remembered more than those of the CEOs who followed him. Of course, there was a downside to all the attention: President Trump struck back directly at Frazier, tweeting an insult and citing Merck's responsibility for high drug prices. To date, there's no evidence that this has hurt Merck's business.

How to weigh in. CEO activism differs from traditional corporate engagement in politics precisely because it is visible and high profile. The CEO needs to decide whether he or she wants all that attention or if the cause would be better advanced by a coalition of CEOs. More than 160 CEOs and business leaders chose to sign a letter by the Human Rights Campaign opposing the North Carolina bathroom law. In taking this approach, they mitigated the risk of consumer backlash and amplified the newsworthiness and thus the impact of their activism. Collective action can also make it more difficult for critics to target individual corporate leaders and thus can be perceived as less risky. But it is slower by design and is likely to be less effective in associating a particular leader and corporate brand with a particular cause.

CEOs also may choose not to weigh in at all. Some leaders may feel that they do not understand the issue well enough, hold an unpopular view, or simply want to focus on other areas. All of those are credible reasons to hold back. But executives should expect that employees, the

■ To influence public policy, the message has to be authentic to both the individual leader and the business.

media, and other interested parties may ask why the CEO has not spoken out, and should be ready to explain the rationale.

The inside game. It's a good idea to make sure that internal stakeholders are aligned with CEO activism—or at least aware of it ahead of time. When Frazier was considering resigning from Trump's economic council, he reached out to his board members, who subsequently defended his decision and praised his courage and integrity. Our interviews suggest that not all CEOs consult with their directors or employees before taking public stands, which may imperil their efforts.

Though CEOs first have to decide whether they're speaking for themselves or their organizations, they should recognize that any statements they make will nonetheless be associated with their companies. We have seen almost no CEOs successfully separate themselves from their firms in this way. Given that, we advise setting up a rapid response team composed of representatives from the board, investors, senior management (including the chief communications officer), and employees to act as a kitchen cabinet on CEO activism. Seeking broad consensus across the organization could prevent CEO activism from being timely, which is often critical to attract attention to a message, but if the CEO can at least inform his or her cabinet about what to expect and why, it should greatly reduce the risk that key stakeholders will be unprepared for any backlash.

Predicting the reaction and gauging the results. CEO activists should prepare thoughtful responses to those who disagree with them. After

Target modified its bathroom policy to accommodate transgender customers, hundreds of thousands of people signed a petition in protest. The literature tells us that when easy alternatives to a product or service are available, boycotts are more effective. Target is particularly vulnerable in this regard. Thus it's not surprising that the retail chain, which has many stores in politically conservative areas of the United States, has taken action to assuage the criticism by spending \$20 million creating single-occupancy bathrooms in its stores. On the other hand, Nordstrom's customer base of affluent urban women did not threaten to abandon the upscale department store chain when President Trump attacked it for distancing itself from Ivanka Trump's apparel line.

Companies generally lack good data on the political beliefs of their customers, but this information would be useful in assessing potential reactions to CEO activism. CEOs and their companies are likely to know more about the political beliefs of their employees and can better predict their responses, however. Will employees rally to the cause or go public with their disapproval—as more than a thousand IBM employees did after CEO Virginia Rometty met with President Trump?

CEO activism also risks a backlash from politicians. Trump has tweeted his disagreement with numerous companies and their management decisions, marshaling millions of Twitter followers and creating public relations headaches. CEOs and their teams should be gaming out the likely response from supporters and critics in their own organizations, the media, and the political sphere.

It's imperative to hold postmortems, too, and answer the question: Did I make a difference? Metrics to assess the impact of activism should be established ahead of time, whether they be retweets, media mentions, public opinion polls, or actual policy shifts. Big swings in public opinion are rare, so it makes sense to set realistic goals, track intermediate outcomes, and measure progress over time.

CEO ACTIVISM COULD become a first-order strategic issue. As more and more business leaders choose to speak out on contentious political and social matters, CEOs will increasingly be called on to help shape the debate about such issues. Many will decide to stay out of the fray, but they should still expect to be peppered with questions from employees, the media, and other stakeholders about the hot-button topics of day.

We believe CEOs need a playbook in this new world. To effectively engage in CEO activism, they should select issues carefully, reflect on the best times and approaches to get involved, consider the potential for backlash, and measure results. By following these guidelines, CEO activists can be more effective on the issues they care about most. ☺

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FINDING YOUR OWN PURPOSE

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From Purpose to Impact

Figure out your passion and put it to work.

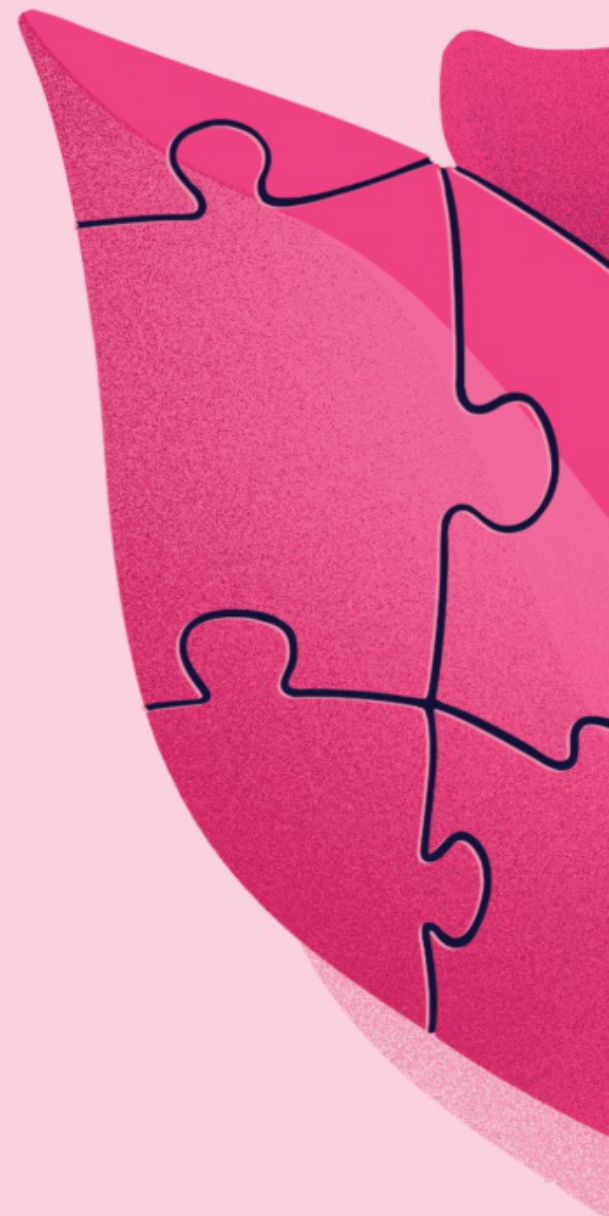
→ by NICK CRAIG and SCOTT SNOOK

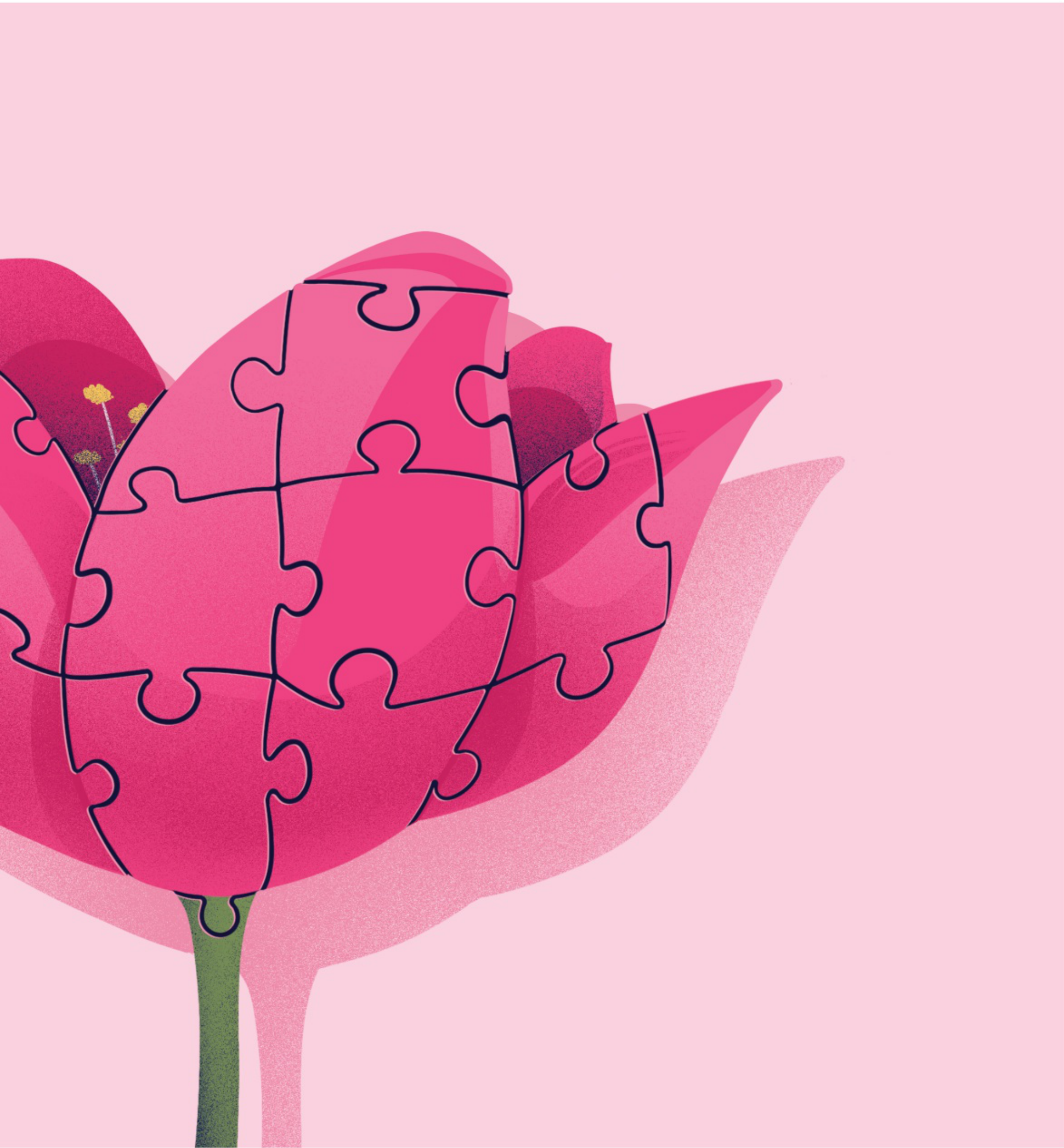
The two most important days in your life are the day you are born and the day you find out why. — Mark Twain

OVER THE PAST FIVE YEARS, there's been an explosion of interest in purpose-driven leadership. Academics argue persuasively that an executive's most important role is to be a steward of the organization's purpose. Business experts make the case that purpose is a key to exceptional performance, while psychologists describe it as the pathway to greater well-being.

Doctors have even found that people with purpose in their lives are less prone to disease. Purpose is increasingly being touted as the key to navigating the complex, volatile, ambiguous world we face today, where strategy is ever changing and few decisions are obviously right or wrong.

Despite this growing understanding, however, a big challenge remains. In our work training thousands of managers at organizations from GE to the Girl Scouts, and teaching







an equal number of executives and students at Harvard Business School, we've found that fewer than 20% of leaders have a strong sense of their own individual purpose. Even fewer can distill their purpose into a concrete statement. They may be able to clearly articulate their organization's mission: Think of Google's "To organize the world's information and make it universally accessible and useful," or Charles Schwab's "A relentless ally for the individual investor." But when asked to describe their own purpose, they typically fall back on something generic and nebulous: "Help others excel." "Ensure success." "Empower my people." Just as problematic, hardly any of them have a clear plan for translating purpose into action. As a result, they limit their aspirations and often fail to achieve their most ambitious professional and personal goals.

Our purpose is to change that—to help executives find and define their leadership purpose and put it to use. Building on the seminal work of our colleague Bill George, our programs initially covered a wide range of topics related to authentic leadership, but in recent years purpose has emerged as the cornerstone of our teaching and coaching. Executives tell us it is the key to accelerating their growth and deepening their impact, in both their professional and personal lives. Indeed, we believe that the process of articulating your purpose and finding the courage to live it—what we call *purpose to impact*—is the single most important developmental task you can undertake as a leader.

Consider Dolf van den Brink, the president and CEO of Heineken USA. Work-

ing with us, he identified a decidedly unique purpose statement—"To be the wuxia master who saves the kingdom"—which reflects his love of Chinese kung fu movies, the inspiration he takes from the wise, skillful warriors in them, and the realization that he, too, revels in high-risk situations that compel him to take action. With that impetus, he was able to create a plan for reviving a challenged legacy business during extremely difficult economic conditions. We've also watched a retail operations chief call on his newly clarified purpose—"Compelled to make things better, whomever, wherever, however"—to make the "hard, cage-rattling changes" needed to beat back a global competitor. And we've seen a factory director in Egypt use his purpose—"Create families that excel"—to persuade employees that they should honor the 2012 protest movement not by joining the marches but by maintaining their loyalties to one another and keeping their shared operation running.

We've seen similar results outside the corporate world. Kathi Snook (Scott's wife) is a retired army colonel who'd been struggling to reengage in work after several years as a stay-at-home mom. But after nailing her purpose statement—"To be the gentle, behind-the-scenes, kick-in-the-ass reason for success," something she'd done throughout her military career and with her kids—she decided to run for a hotly contested school committee seat, and won.

And we've implemented this thinking across organizations. Unilever is a company that is committed to purpose-driven leadership, and Jonathan Donner, the head of global learning there, has been a key partner in refining

our approach. Working with his company and several other organizations, we've helped more than 1,000 leaders through the purpose-to-impact process and have begun to track and review their progress over the past two to three years. Many have seen dramatic results, ranging from two-step promotions to sustained improvement in business results. Most important, the vast majority tell us they've developed a new ability to thrive in even the most challenging times.

In this article, we share our step-by-step framework to start you down the same path. We'll explain how to identify your purpose and then develop an impact plan to achieve concrete results.

What Is Purpose?

Most of us go to our graves with our music still inside us, unplayed.

— Oliver Wendell Holmes

Your leadership purpose is who you are and what makes you distinctive. Whether you're an entrepreneur at a start-up or the CEO of a *Fortune* 500 company, a call center rep or a software developer, your purpose is your brand, what you're driven to achieve, the magic that makes you tick. It's not *what* you do, it's *how* you do your job and *why*—the strengths and passions you bring to the table no matter where you're seated. Although you may express your purpose in different ways in different contexts, it's what everyone close to you recognizes as uniquely you and would miss most if you were gone.

When Kathi shared her purpose statement with her family and friends, the response was instantaneous and overwhelming: "Yes! That's you—all

■ You must envision the impact you'll have on your world as a result of living your purpose. Your actions—not your words—are what really matter.

business, all the time!” In every role and every context—as captain of the army gymnastics team, as a math teacher at West Point, informally with her family and friends—she had always led from behind, a gentle but forceful catalyst for others’ success. Through this new lens, she was able to see herself—and her future—more clearly. When Dolf van den Brink revealed his newly articulated purpose to his wife, she easily recognized the “wuxia master” who had led his employees through the turmoil of serious fighting and unrest in the Congo and was now ready to attack the challenges at Heineken USA head-on.

At its core, your leadership purpose springs from your identity, the essence of who you are. Purpose is not a list of the education, experience, and skills you’ve gathered in your life. We’ll use ourselves as examples: The fact that Scott is a retired army colonel with an MBA and a PhD is not his purpose. His purpose is “to help others live more ‘meaning-full’ lives.” Purpose is also not a professional title, limited to your current job or organization. Nick’s purpose is not “To lead the Authentic Leadership Institute.” That’s his job. His purpose is “To wake you up and have you find that you are home.” He has been doing just that since he was a teenager, and if you sit next to him on the shuttle from Boston to New York, he’ll wake you up (figuratively), too. He simply can’t help himself.

Purpose is definitely not some jargon-filled catchall (“Empower my team to achieve exceptional business results while delighting our customers”). It should be specific and personal, resonating with you and you alone. It doesn’t have to be aspirational or cause-

based (“Save the whales” or “Feed the hungry”). And it’s not what you think it should be. It’s who you can’t help being. In fact, it might not necessarily be all that flattering (“Be the thorn in people’s side that keeps them moving!”).

How Do You Find It?

To be nobody but yourself in a world which is doing its best, night and day, to make you everybody else, means to fight the hardest battle which any human being can fight; and never stop fighting.

— E.E. Cummings

Finding your leadership purpose is not easy. If it were, we’d all know exactly why we’re here and be living that purpose every minute of every day. As E.E. Cummings suggests, we are constantly bombarded by powerful messages (from parents, bosses, management gurus, advertisers, celebrities) about what we should be (smarter, stronger, richer) and about how to lead (empower others, lead from behind, be authentic, distribute power). To figure out who you are in such a world, let alone “be nobody but yourself,” is indeed hard work. However, our experience shows that when you have a clear sense of who you are, everything else follows naturally.

Some people will come to the purpose-to-impact journey with a natural bent toward introspection and reflection. Others will find the experience uncomfortable and anxiety-provoking. A few will just roll their eyes. We’ve worked with leaders of all stripes and can attest that even the most skeptical discover personal and professional



Idea in Brief

THE PROBLEM

Purpose is increasingly seen as the key to navigating the complex world we face today, where strategy is ever changing and few decisions are obviously right or wrong. At the same time, few leaders have a strong sense of their own leadership purpose or a clear plan for translating it into action. As a result, they often fail to achieve their most ambitious professional and personal goals.

THE SOLUTION

The first step toward uncovering your leadership purpose is to mine your life story for major themes that reveal your lifelong passions and values. Next, craft a concise purpose statement that leaves you emboldened and energized. Finally, develop a *purpose-to-impact plan*.

Effective plans:

- Use language that is uniquely meaningful to you
- Focus on big-picture aspirations and then set shorter-term goals, working backward with increasing specificity
- Emphasize the strengths you bring to the table
- Take a holistic view of work and family



Purpose Statements

From Bad...	...to Good
Lead new markets department to achieve exceptional business results	Eliminate “chaos”
Be a driver in the infrastructure business that allows each person to achieve their needed outcomes while also mastering the new drivers of our business as I balance my family and work demands	Bring water and power to the 2 billion people who do not have it
Continually and consistently develop and facilitate the growth and development of myself and others leading to great performance	With tenacity, create brilliance

value in the experience. At one multinational corporation, we worked with a senior lawyer who characterized himself as “the least likely person to ever find this stuff useful.” Yet he became such a supporter that he required all his people to do the program. “I have never read a self-help book, and I don’t plan to,” he told his staff. “But if you want to become an exceptional leader, you have to know your leadership purpose.” The key to engaging both the dreamers and the skeptics is to build a process that has room to express individuality but also offers step-by-step practical guidance.

The first task is to mine your life story for common threads and major

themes. The point is to identify your core, lifelong strengths, values, and passions—those pursuits that energize you and bring you joy. We use a variety of prompts but have found three to be most effective:

- What did you especially love doing when you were a child, before the world told you what you should or shouldn’t like or do? Describe a moment and how it made you feel.
- Tell us about two of your most challenging life experiences. How have they shaped you?
- What do you enjoy doing in your life now that helps you sing your song?

We strongly recommend grappling with these questions in a small group of a

few peers, because we’ve found that it’s almost impossible for people to identify their leadership purpose by themselves. You can’t get a clear picture of yourself without trusted colleagues or friends to act as mirrors.

After this reflective work, take a shot at crafting a clear, concise, and declarative statement of purpose: “My leadership purpose is ____.” The words in your purpose statement must be yours. They must capture your essence. And they must call you to action.

To give you an idea of how the process works, consider the experiences of a few executives. When we asked one manager about her childhood passions, she told us about growing up in rural Scotland and delighting in “discovery” missions. One day, she and a friend set out determined to find frogs and spent the whole day going from pond to pond, turning over every stone. Just before dark, she discovered a single frog and was triumphant. The purpose statement she later crafted—“Always find the frogs!”—is perfect for her current role as the senior VP of R&D for her company.

Another executive used two “crucible” life experiences to craft her purpose. The first was personal: Years before, as a divorced young mother of two, she found herself homeless and begging on the street, but she used her wits to get back on her feet. The second was professional: During the economic crisis of 2008, she had to oversee her company’s retrenchment from Asia and was tasked with closing the flagship operation in the region. Despite the near hopeless job environment, she was able to help every one of her employees find another job before letting them go. After discussing

■ Your leadership purpose is who you are and what makes you distinctive—your brand, what you’re driven to achieve, the magic that makes you tick.

these stories with her group, she shifted her purpose statement from “Continually and consistently develop and facilitate the growth and development of myself and others leading to great performance” to “With tenacity, create brilliance.”

Dolf came to his “wuxia master” statement after exploring not only his film preferences but also his extraordinary crucible experience in the Congo, when militants were threatening the brewery he managed and he had to order it barricaded to protect his employees and prevent looting. The Egyptian factory director focused on family as his purpose because his stories revealed that familial love and support had been the key to facing every challenge in his life, while the retail operations chief used “Compelled to improve” after realizing that his greatest achievements had always come when he pushed himself and others out of their comfort zones.

As you review your stories, you will see a unifying thread, just as these executives did. Pull it, and you’ll uncover your purpose. (The exhibit “Purpose Statements: From Bad to Good” offers a sampling of purpose statements.)

How Do You Put Your Purpose into Action?

This is the true joy in life, the being used for a purpose recognized by yourself as a mighty one.

— George Bernard Shaw

Clarifying your purpose as a leader is critical, but writing the statement is not enough. You must also envision the impact you’ll have on your world as a result of living your purpose. Your actions—not

Purpose-to-Impact Planning

Uses meaningful, purpose-infused language

Is focused on strengths to realize career aspirations

Elicits a statement of leadership purpose that explains how you will lead

Sets incremental goals related to living your leadership purpose

Focuses on the future, working backward

Is unique to you; addresses who you are as a leader

Takes a holistic view of work and family

Traditional Development Planning

Uses standard business language

Is focused on weaknesses to address performance

States a business- or career-driven goal

Measures success using metrics tied to the firm’s mission and goals

Focuses on the present, working forward

Is generic; addresses the job or role

Ignores goals and responsibilities outside the office

your words—are what really matter. Of course, it’s virtually impossible for any of us to fully live into our purpose 100% of the time. But with work and careful planning, we can do it more often, more consciously, wholeheartedly, and effectively.

Purpose-to-impact plans differ from traditional development plans in several important ways: They start with a statement of leadership purpose rather than of a business or career goal. They take a holistic view of professional and

personal life rather than ignore the fact that you have a family or outside interests and commitments. They incorporate meaningful, purpose-infused language to create a document that speaks to you, not just to any person in your job or role. They force you to envision long-term opportunities for living your purpose (three to five years out) and then help you to work backward from there (two years out, one year, six months, three months, 30 days) to set specific goals for achieving them.

A Purpose-to-Impact Plan

This sample plan shows how “Richard” uses his unique leadership purpose to envision big-picture aspirations and then work backward to set more-specific goals.

1. Create purpose statement

To harness all the elements to win the race

2. Write explanation

I love to sail. In my teens and 20s, I raced high-performance three-man skiffs and almost made it to the Olympics. Now sailing is my hobby and passion—a challenge that requires discipline, balance, and coordination. You never know what the wind will do next, and in the end, you win the race only by relying on your team’s combined capabilities, intuition, and flow. It’s all about how you read the elements.

3. Set three- to five-year goals

Be known for training the best crews and winning the big races. Take on a global procurement role and use the opportunity to push my organization ahead of competitors

How will I do it?

- Make everyone feel they’re part of the same team
- Navigate unpredictable conditions by seeing wind shears before everyone else
- Keep calm when we lose individual races; learn and prepare for the next ones

Celebrate my shore team.

Make sure the family has one thing we do that binds us

4. Set two-year goals

Win the gold. Implement a new procurement model, redefining our relationship with suppliers and generating 10% cost savings for the company

Tackle next-level racing challenge.

Move into a European role with broader responsibilities

How will I do it?

- Anticipate and then face the tough challenges
- Insist on innovative yet rigorous and pragmatic solutions

- Assemble and train the winning crew

Develop my shore team. Teach the boys to sail

5. Set one-year goals

Target the gold. Begin to develop new procurement process

Win the short race. Deliver Sympix project ahead of expectations

Build a seaworthy boat. Keep TFLS process within cost and cash forecast

How will I do it?

- Accelerate team reconfiguration
- Get buy-in from management for new procurement approach

Invest in my shore team. Take a two-week vacation, no e-mail

6. Map out critical next steps

Assemble the crew. Finalize key hires

Chart the course. Lay the groundwork for Sympix and TFLS projects

How will I do it?

SIX MONTHS

- Finalize succession plans
- Set out Sympix timeline

THREE MONTHS

- Land a world-class replacement for Jim
- Schedule “action windows” to focus with no e-mail

30 DAYS

- Bring Alex in Shanghai on board
- Agree on TFLS metrics
- Conduct one-day Sympix offsite

Reconnect with my shore team. Be more present with Jill and the boys

7. Examine key relationships

Sarah, HR manager
Jill, manager of my “shore team”

When executives approach development in this purpose-driven way, their aspirations—for instance, Kathi’s decision to get involved in the school board, or the Egyptian factory director’s ambition to run manufacturing and logistics across the Middle East—are stoked. Leaders also become more energized in their current roles. Dolf’s

impact plan inspired him to tackle his role at Heineken USA with four mottos for his team: “Be brave,” “Decide and do,” “Hunt as a pack,” and “Take it personally.” When Unilever executive Jostein Solheim created a development plan around his purpose—“To be part of a global movement that makes changing the world seem fun and achievable”—he

realized he wanted to stay on as CEO of the Ben & Jerry’s business rather than moving up the corporate ladder.

Let’s now look at a hypothetical purpose-to-impact plan (representing a composite of several people with whom we’ve worked) for an in-depth view of the process. “Richard” arrived at his purpose only after being prodded into



talking about his lifelong passion for sailing; suddenly, he'd found a set of experiences and language that could redefine how he saw his job in procurement.

Richard's development plan leads with the **purpose statement** he crafted: "To harness all the elements to win the race." This is followed by **an explanation** of why that's his purpose: Research shows that understanding what motivates us dramatically increases our ability to achieve big goals.

Next, Richard addresses his **three- to five-year goals** using the language of his purpose statement. We find that this is a good time frame to target first; several years is long enough that even the most disillusioned managers could imagine they'd actually be living into their purpose by then. But it's not so distant that it creates complacency. A goal might be to land a top job—in Richard's case, a global procurement role—but the focus should be on how you will do it, what kind of leader you'll be.

Then he considers **two-year goals**. This is a time frame in which the grand future and current reality begin to merge. What new responsibilities will you take on? What do you have to do to set yourself up for the longer term? Remember to address your personal life, too, because you should be more fully living into your purpose everywhere. Richard's goals explicitly reference his family, or "shore team."

The fifth step—setting **one-year goals**—is often the most challenging. Many people ask, "What if most of what I am doing today isn't aligned in any way with my leadership purpose? How do I get from here to there?" We've found two ways to address this problem. First,

think about whether you can rewrite the narrative on parts of your work, or change the way you do some tasks, so that they become an expression of your purpose. For example, the phrase "seaworthy boat" helps Richard see the meaning in managing a basic procurement process. Second, consider whether you can add an activity that is 100% aligned with your purpose. We've found that most people can manage to devote 5% to 10% of their time to something that energizes them and helps others see their strengths. Take Richard's decision to contribute to the global strategic procurement effort: It's not part of his "day job," but it gets him involved in a more purpose-driven project.

Now we get to the nitty-gritty. What are the **critical next steps** that you must take in the coming six months, three months, and 30 days to accomplish the one-year goals you've set out? The importance of small wins is well documented in almost every management discipline from change initiatives to innovation. In detailing your next steps, don't write down all the requirements of your job. List the activities or results that are most critical given your newly clarified leadership purpose and ambitions. You'll probably notice that a number of your tasks seem much less urgent than they did before, while others you had pushed to the side take priority.

Finally, we look at the **key relationships** needed to turn your plan into reality. Identify two or three people who can help you live more fully into your leadership purpose. For Richard, it is Sarah, the HR manager who will help him assemble his crew, and his wife, Jill, the manager of his "shore team."

Executives tell us that their individual purpose-to-impact plans help them stay true to their short- and long-term goals, inspiring courage, commitment, and focus. When they're frustrated or flagging, they pull out the plans to remind themselves what they want to accomplish and how they'll succeed. After creating his plan, the retail operations chief facing global competition said he's no longer "shying away from things that are too hard." Dolf van den Brink said: "I'm much clearer on where I really can contribute and where not. I have full clarity on the kind of roles I aspire to and can make explicit choices along the way."

WHAT CREATES THE GREATEST leaders and companies? Each of them operates from a slightly different set of assumptions about the world, their industry, what can or can't be done. That individual perspective allows them to create great value and have significant impact. They all operate with a unique leadership purpose. To be a truly effective leader, you must do the same. Clarify your purpose, and put it to work. ☺

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FINDING YOUR OWN PURPOSE

Quick Takes



1. How Senior Executives Stay Passionate About Their Work

→ by JACOB MORGAN

WHEN WE TALK about “learning to love your job” or “managing yourself,” it’s often in the context of junior or midlevel roles. But these things also matter for senior executives. What aspects of their jobs are most important to them? What do they find rewarding? How do they sustain their passion for the work they do without burning out?

Over the past few years, I’ve had in-depth, one-on-one conversations with hundreds of top business leaders, and questions like these frequently come up. I’ve identified several common themes in our talks:

Impact on society. As I was doing research and analysis for my recent book, I found that one of the best ways organizations can create a sense of purpose for their employees is to help connect their day-to-day work with the impact it has in their community and globally. People at the top also need to see the larger difference they’re making, and in some ways, because of their vantage point, that’s easier for them than it is for folks closer to the ground. Senior executives are closely involved in crafting the “story” of the organization—the message that goes out to the world—and spend a good portion of their time

outside the company, talking with stakeholders and observing the organization’s impact firsthand.

When I spoke with John Hass, the CEO of Rosetta Stone, about what his company does, his focus wasn’t just on learning languages. It was much broader than that. Hass talked about understanding culture, resolving conflict, improving literacy rates, and empowering people to confidently communicate with others around the world. He has the perspective to see Rosetta Stone’s reach in these areas because he travels the world meeting customers and spending time with educational institutions and their students and teachers. Hass says: “It’s amazing to watch kids beaming with confidence and achieving success in the classroom, or seeing someone who is trying to assimilate into a new country or understand a new culture, to be able to bridge that gap. It’s these things that we do for our learners that make me proud of my company and the work we do.”

Connection versus constant availability. Senior executives struggle with burnout just like everyone else, and technology has made this issue more prevalent than ever. Although they

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■ Senior executives who have excellent peripheral vision are much less likely to get blindsided by the changes around them.

recognize how important it is to always be connected to what's going on inside and outside the organization, connectivity doesn't imply constant availability. Leaders like Ellyn Shook, the chief leadership and human resources officer at Accenture, actually carry around "dumb phones," which don't have any apps and can't send or receive email. These phones are the corporate equivalent of the "Batphone" (from the 1960s Batman television show)—only a few people have the numbers and they are used only in extreme circumstances. This allows executives to calmly disconnect while knowing that if an emergency arises, they will be made aware of it.

The importance of peripheral vision. When we're ridiculously busy, it's easy to focus only on what's ahead of us, a bit like a horse with blinders. But senior executives who prosper say it's critical to have excellent peripheral vision so that they can pick up on things that fall beyond their expected line of sight. This makes their jobs more exciting and engaging and enhances their performance—all of which reinforces their love for the work they do. Jim Fowler and Jeff Smith talked about

peripheral vision in relation to the chief information officer role (Fowler is currently CIO at General Electric, and Smith was formerly CIO at IBM). Both said that while information technology remains a priority for them, they also pay attention to geopolitical issues, global economics, changing workforce demographics, and talent practices. By doing so, they can more readily adapt not just to technology trends but also to organizational and societal trends. They're much less likely to get blindsided by the changes around them.

Leadership as service.

Executives ranging from David Fairhurst, the former chief people officer at McDonald's, to Jeff Wong, the chief global innovation officer at EY, describe their roles as positions of service, not power. This is about believing that your job as a leader is to help employees do their best work. When analyzing 252 global organizations for my book, I found that this "coach and mentor" mentality is one of the things employees want the most—but it's also something senior managers struggle with because it runs counter to the traditional command-and-control management style that got many of them where they are today.

Those who clear that obstacle realize that a key part of their jobs as leaders is transferring their knowledge and skills to others. And once they carve out the time for it, they find it immensely gratifying.

Fairhurst did this by imposing a lot of structure on his regular team meetings: The agendas were agreed on in advance, and he often required one-page summaries for items to be discussed. He says: "The greater efficiency this creates means that I'm able to make the time for less formal, one-on-one sessions with members of the team, where I can get a better understanding of their career needs and ambitions, share with them some of the insights and experience I have gained over the years, and offer them coaching and guidance on how to further develop their skills and capabilities. These one-on-one sessions are some of the most enjoyable and rewarding parts of my job."

Wong looks at this sort of support as paying it forward. "I've been the beneficiary of a lot of great leaders taking a personal interest in my professional development," he says. "They cared about how I was developing and growing in my career but also as a manager, leader, and communicator." He tries

to invest in his employees the same way, and that's where he finds the greatest meaning in his own work: "While achieving goals and milestones is certainly an important part of any career, my personal satisfaction and measurement of 'accomplishment' comes from helping others achieve their full potential."

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■ ■ Most of us have to focus as much on *making* our work meaningful as in *taking* meaning from it.



2. You Don't Find Your Purpose—You Build It

→ by JOHN COLEMAN

“HOW DO I find my purpose?”

Ever since Daniel Guiti, W. Oliver Segovia, and I published *Passion and Purpose: Stories from the Best and Brightest Young Business Leaders* six years ago, I've received hundreds of questions—from younger and older people alike—about purpose. We're all looking for purpose. Most of us feel we've never found it, we've lost it, or in some way we're falling short.

But in the midst of all this angst, I think we're also suffering from what I see as fundamental misconceptions about purpose—neatly encapsulated by the question

I receive most frequently: “How do I find my purpose?” Challenging these misconceptions could help us all develop a more rounded vision of purpose.

MISCONCEPTION #1

Purpose is only a thing you find.

On social media, I often see an inspiring quotation attributed to Mark Twain: “The two most important days in your life are the day you are born and the day you find out why.” It neatly articulates what I'll call the “Hollywood version” of purpose. Like Neo in *The Matrix* or Rey in *Star*

Wars, we're all just moving through life waiting until fate delivers a higher calling to us.

Make no mistake: That can happen, at least in some form. I recently saw Scott Harrison, the CEO of Charity: Water, speak about how he found a higher purpose after a period of wandering. But I think it's rarer than most people think. For the average 20-year-old in college or 40-year-old in an unfulfilling job, searching for the silver bullet to give life meaning is more likely to end in frustration than fulfillment.

In achieving professional purpose, most of us have to focus as much on *making* our work meaningful as in *taking* meaning from it. Put differently, purpose is a thing you build, not a thing you find. Almost any work can possess remarkable purpose. School bus drivers bear enormous responsibility—caring for and keeping safe dozens of children—and are an essential part of assuring our children receive the education they need and deserve. Nurses play an essential role in not simply treating people's medical conditions but also guiding them through some of life's most difficult times. Cashiers can be a friendly, uplifting interaction in someone's day—often desperately needed—or a forgettable or

regrettable one. But in each of these instances, purpose is often primarily derived from focusing on what's meaningful and purposeful about the job and on doing it in such a way that meaning is enhanced and takes center stage. Sure, some jobs more naturally lend themselves to senses of meaning, but many require at least some deliberate effort to invest them with the purpose we seek.

MISCONCEPTION #2

Purpose is a single thing.

The second misconception I often hear is that purpose can be articulated as a single thing. Some people genuinely do seem to have an overwhelming purpose in their lives. Mother Teresa lived her life to serve the poor. Marie Curie devoted her energy to her scientific work. Samuel Johnson poured every part of himself into his writing.

And yet even these luminaries had other sources of purpose in their lives. Mother Teresa served the poor as part of what she believed was a higher calling. Curie not only won a Nobel Prize for her discoveries but was also a devoted wife and mother. (She wrote a biography of her husband, Pierre, and one of her daughters, Irene, won

ZAKOKOR/GETTY IMAGES



her own Nobel Prize.) And Johnson, beyond his writing, was known to be a great humanitarian in his community, often caring personally for the poor.

Most of us will have multiple sources of purpose in our lives. I find purpose in my children, my marriage, my faith, my writing, my work, and my community. For almost everyone, there's no one thing that helps us find value and meaning. Professional commitments are only one component, and often our work isn't central to our purpose but a means to helping others, including our families and communities. Acknowledging this takes the pressure off.

MISCONCEPTION #3

Purpose is stable over time.

It's common now for people to have several careers in their lifetimes. I know one individual, for example, who recently left a successful private equity role to launch a start-up. I know two more who recently left business careers to run for elective office. And whether or not we switch professions, most of us will experience personal phases in which our sources of meaning change—childhood, young adulthood, parenthood, and

empty-nesting, to name a few.

This evolution in our sources of purpose isn't flaky or demonstrative of a lack of commitment, but natural and good. Just as we all find meaning in multiple places, the sources of that meaning can and do change over time. My focus and sense of purpose at 20 was dramatically different in many ways from what it is now, and the same could be said of almost anyone you meet.

How do you find your purpose? That's the wrong question to ask. We should be looking to endow everything we do with purpose, to allow for the multiple sources of meaning that will naturally develop in our lives, and to be comfortable with those changing over time. Unpacking what we mean by "purpose" can allow us to better understand its presence and role in our lives.

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3. How to Find Meaning in a Job That Isn't Your True Calling

→ by EMILY ESFAHANI SMITH

WHY DO SO FEW people find fulfillment in their work?

Several years ago I posed this question to Amy Wrzesniewski, a Yale School of

Management professor who studies these issues, and she offered an explanation that made a lot of sense. Students, she told me, "think their

■ People who see their work as a form of giving consistently rank their jobs as more meaningful.

calling is under a rock, and if they turn over enough rocks, they will find it.”

Surveys confirm that meaning is the top thing Millennials say they want from a job. And yet her research shows that less than 50% of people see their work as a calling. So, many of her students are left feeling anxious, frustrated, and completely unsatisfied by the good jobs and careers they do secure.

What they—and many of us, I think—fail to realize is that work can be meaningful even if you don’t think of it as a calling. The four most common occupations in America are retail salesperson, cashier, food preparer/server, and office clerk—jobs that aren’t typically associated with “meaning.” But all have something in common with those professions that are, such as clergy, teachers, and doctors: They exist to help others. And as Adam Grant, a professor at the University of Pennsylvania’s Wharton School, has shown, people who see their work as a form of giving consistently rank their jobs as more meaningful.

That means you can find meaning in nearly any role in nearly any organization. After all, most companies create products or services

to fill a need in the world, and all employees contribute in their own ways. The key is to become more conscious about the service you’re providing—as a whole and personally.

How? One way is to connect with the end user or beneficiary. In one study, Grant and his colleagues found that fundraisers in a university call center who’d been introduced to a student whose education was being paid for by the money raised spent 142% more time on the phone with potential donors and raised 171% more cash than peers who hadn’t met those scholarship recipients. Whether your customers are external or internal, an increased focus on them, and how you help them live their lives or do their jobs, can help you find more meaning in yours.

Another strategy is to constantly remind yourself of your organization’s overarching goal. Life Is Good is an apparel company best known for colorful T-shirts with stick-figure designs, but its mission is to spread optimism and hope throughout the world, and that’s something even warehouse employees understand. If you work for an accounting firm, you’re helping people or companies with the unpleas-

ant task of doing their taxes. If you’re a fast-food cook, you’re providing a family with a cheap and delicious meal. Each of these jobs serves a purpose in the world.

Even if you can’t get excited about your company’s mission or customers, you can still adopt a service mindset by thinking about how your work helps those you love. Consider a study of women working in a coupon-processing factory in Mexico. Researchers led by Jochen Menges, a professor at WHU–Otto Beisheim School of Management, found that those who described the work as dull were generally less productive than those who said it was rewarding. But the effects went away for those in the former group who saw the work (however tedious) as a way to support their families. With that attitude, they were just as productive and energized as the coupon processors who didn’t mind the task. Many people understand the purpose of their jobs in a similar manner. The work they do helps them pay their mortgage, go on vacation—or even support a hobby that gives meaning to their lives, like volunteer tutoring, gardening, or woodworking.

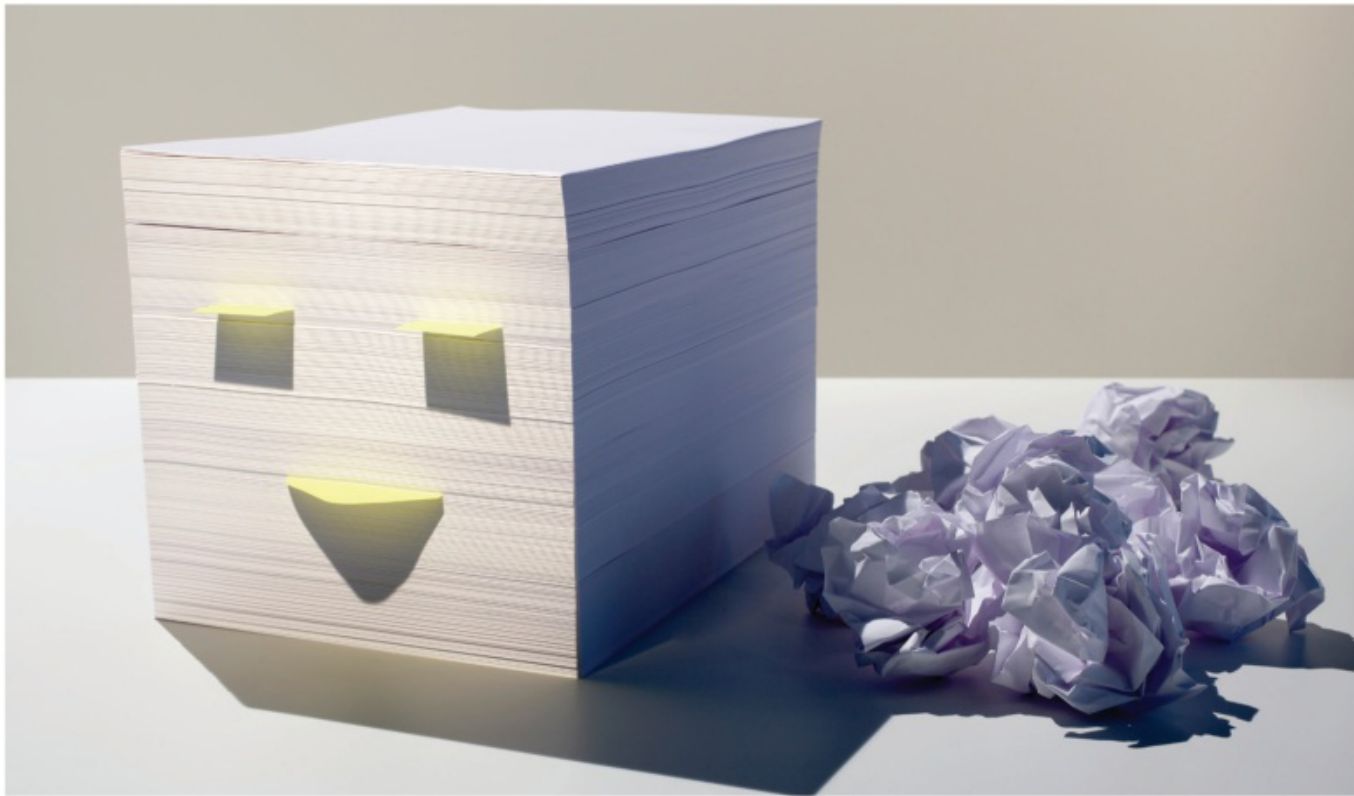
Not everyone finds their one true calling. But that

doesn’t mean we’re doomed to work meaningless jobs. If we reframe our tasks as opportunities to help others, any occupation can feel more significant.

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4. Finding Meaning at Work, Even When Your Job Is Dull

→ by MORTEN HANSEN and DACHER KELTNER

DO YOU EXPERIENCE meaning at work—or just emptiness?

In the United States people spend on average 35 to 40 hours working every week. That's some 80,000 hours during a career—more time than you will spend with your kids probably. Beyond the paycheck, what does work give you? Few questions could be more important. It is sad to experience work

as empty, dreadful, a chore. Yet many employees do, according to one large-scale study showing that only 31% of employees were engaged.

Work can, however, provide an array of meaningful experiences, even though many employees do not enjoy those in their current job. So, what *are* the sources of meaningful experiences at work?

We have compiled a list on the basis of our reading of literature in organization behavior and psychology. Many theories speak to meaning at work, including need-based, motivational, status, power, and community theories. The phrase “meaning at work” refers to a person’s experience of something meaningful—something of value—that work provides. That is not the

same as “meaningful work,” which refers to the task itself. Work is a social arena that provides other kinds of meaningful experiences as well.

Before we run through the list, it is important to note:

- Different people look for different types of meanings.
- Different workplaces provide different meanings.

Purpose

Contributions beyond yourself. The people at Kiva, a nonprofit organization, channel microloans to poor people so that they can start small businesses and improve their lives. This work clearly has a greater purpose—that of helping people in need—and taps into the longing to have a meaningful life by making contributions beyond oneself.

The problem is, most work doesn't have such a higher purpose, either because it is basically mundane or because—let's face it—the company doesn't really have a social mission. Critics like author Umair Haque argue that work that involves selling yet more burgers, fashion clothes, and the like has no broader purpose whatsoever. In this view, Coke's “Open Happiness” is just a slogan devoid of meaning. However,

■ Employees experience meaning at work when their contributions have an impact on how the place performs.

as Teresa Amabile and Steve Kramer argue, much work can be infused with some level of purpose. Companies that make real efforts in social responsibilities do this; for example, Danone, the large and highly successful \$25 billion consumer goods company that sells yogurt, has defined their business as providing healthy foods (which led them to sell off their biscuit business). The litmus test here is whether employees experience their work making positive contributions to others. If so, they experience meaning at work.

Self-Realization

Learning. Many MBA graduates flock to McKinsey, BCG, and other consultancies so that they can rapidly acquire valuable skills. General Electric is renowned for developing general managers, and people who want to become marketers desire to work for Procter & Gamble. Work offers opportunities to learn, expand your horizon, and improve self-awareness. This kind of personal growth is meaningful.

Accomplishment. Work is a place to accomplish things and be recognized, which leads to greater satisfaction, confidence, and self-worth. In

the documentary *Jiro Dreams of Sushi*, we see Japan's greatest sushi chef devote his life to making perfect sushi. Some critics, like Lucy Kellaway, a former *Financial Times* columnist, said there isn't a real social mission here. But, Jiro's quest for perfection—to make better sushi, all the time—gives his life a deep sense of meaning. And for Jiro, the work itself—making the sushi—gives him intrinsic satisfaction.

Prestige

Status. At cocktail parties, a frequent question is, "Where do you work?" The ability to rattle off "Oh, I am a doctor at Harvard Medical School" oozes status. For some, that moment is worth all the grueling night shifts. A high-status organization confers respect, recognition, and a sense of worth on employees, and that can provide meaning at work.

Power. As Paul Lawrence and Nitin Nohria wrote about in *Driven: How Human Nature Shapes Our Choices* (Jossey-Bass, 2001), work provides an arena for acquiring and exercising power. You may not wish for power, but if you do, you experience work as meaningful because you have and can use power.

Social

Belonging to a community.

Companies like Southwest Airlines go out of their way to create a company atmosphere where people feel they belong. In a society where people are increasingly bowling alone, people crave a place where they can forge friendships and experience a sense of community. The workplace can complement or even be a substitute for other communities (family, the neighborhood, clubs, and so forth), which gives people meaning.

Agency. Employees experience meaning at work when what they do actually matters to the organization—when people listen to their ideas and their contributions have an impact on how the place performs. A sense of real involvement gives people meaning.

Autonomy. As Daniel Pink shows in *Drive: The Surprising Truth About What Motivates Us* (Riverhead Books, 2009), autonomy is a great intrinsic motivator. Some people are drawn to certain kinds of work that provide autonomy—nobody tells you what to do, and you are free to do your own work and master your tasks. For example, entrepreneurs

frequently go into business by themselves so that they can be their own boss. This kind of freedom gives work meaning.

There are no doubt other sources as well, but these eight seem to be especially important. Which of these are important to you? And which does your current workplace give you?

More of these values are not necessarily better; experiencing one deeply may just be enough. But if you don't experience any of these, that's an issue.

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5. What to Do When Your Heart Isn't in Your Work Anymore

→ by ANDY MOLINSKY

IN AN IDEAL world, our work lives would be completely fulfilling, full of meaning, and intrinsically motivating. But what if they're not? What if you're stuck in a job or a career that you once loved, but your heart isn't in it anymore?

More people fit this profile than you'd think. According to a 2017 Gallup survey, only one-third of U.S. employees feel engaged at work; that is, only one out of three workers brings a consistently high level of initiative, commitment, passion, and productivity to their job. That leaves the majority of employees less than satisfied with their work.

And truth be told, there could be any number of reasons for this sense of malaise. You might feel stuck doing the same thing over and over again. You might question the ultimate meaning of the

work you're doing. You might feel micromanaged or that company leaders don't know or care about your learning and growth. Or maybe your own growth and development since starting your career has caused you to change your passions and priorities in life.

I see and hear examples of career malaise all the time—in my work teaching and training people in companies, in discussions following my corporate talks, and in conversations with my family and friends. Though the tendency among some of us in this situation is to simply grin and bear it, current scientific research suggests ways to reimagine—reenvision—an uninspired professional existence.

Assess what you want out of your work—at this point in your life. Not everyone

wants a high-powered career. In fact, according to research by Yale professor Amy Wrzesniewski, people tend to fall into one of three categories: Some see their work as a career; others see it as just a job; and still others see it as a calling. It's this third category of people, perhaps unsurprisingly, who exhibit higher performance and a greater sense of satisfaction with their jobs. The key for you is to determine what you care about *now*—what drives you, what you're passionate about, what truly motivates you—and build from there. It's quite possible that what drove your career in your 20s is no longer appealing. Don't force your 40-, 50-, or 60-year-old self into your 20-year-old sense of ambition. Even if you don't find your true calling, you will at least increase the odds of finding a meaningful work experience.

See if parts of your job are "craft-able." There has been considerable research on the idea of job crafting, where you tweak certain aspects of your job to gain a greater sense of meaning and satisfaction. Research by organizational behavior scholars Justin Berg, Jane Dutton, and Amy Wrzesniewski has shown that people can be quite imaginative and effec-

tive at reimagining the design of their job in personally meaningful ways.

For example, if you enjoy analysis but not sales, can you adjust your responsibilities in that direction? If you love interacting with others but feel lonely, can you find ways to partner more on projects? One participant from Berg, Dutton, and Wrzesniewski's research redesigned her marketing job to include more event planning, even though it wasn't originally part of her job. The reason was quite simple: She liked it and was good at it, and by doing so, she could add value to the company and to her own work experience at the same time.

Or, consider this activity: Imagine that you're a job architect, and do a "before" and "after" sketch of your job responsibilities, with the "before" representing the uninspiring status quo and the "after" representing future possibilities. What novel tweaks can you make to redesign your job, even slightly? Sometimes even the smallest adjustments can lead to qualitatively meaningful changes in your work experience.

Ignite your passion outside of work. It might be a latent hobby you've told yourself you don't have the time for,



a personal project that isn't related to your job or career, or a "side hustle" where you can experiment with innovative or entrepreneurial ideas on a smaller scale. Having an outlet for your passion outside of work can counterbalance the monotony of 9-to-5 daily work. These inspirational endeavors can even have unintended positive spillover effects at work, giving you energy and inspiration to craft your job or reengage with parts of work you actually like.

If all else fails, make a change. Think about changing your career like you'd think about changing your house. When you originally bought your house, you had certain requirements. But since then, your priorities may have changed or maybe you have simply outgrown it. Do you move, renovate, or stay put? You can think the exact same way about your job and career. Have your priorities and needs changed? Can you tweak or "renovate" your job? Or do you need to move on?

Of course, if you choose to change your career, you'll want to think it through and prepare yourself before jumping in with both feet. Network with people in professions you might be interested in,

get your finances in order, and test out the new career (perhaps on the weekend or at night) before making the change. It can feel daunting to change everything so suddenly, but it's important to consider the option if you're truly feeling a deep sense of malaise at work.

The most important thing, though, if you're finding your interest waning at work, is not to lose hope. You *can* find ways to ignite your passion again—or at least make slight changes so that you won't feel so hopeless. You'll most likely be surprised at how resilient and resourceful you are as you walk down the path of career renovation.

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6. You're Never Done Finding Purpose at Work

→ by DAN PONTEFRACT

DO YOU DREAD going into the office Monday morning? Maybe a new boss has entered the equation, creating a rift between how you once felt and how you now feel. Perhaps your company has recently been acquired, changing the culture. Maybe you simply have outgrown your role and are bored to tears in your cubicle.

I have found that whether we enjoy our work often boils down to how our job fits with our sense of purpose. Where we work, the role we hold, our broader sense of purpose—all three are subject

to change. Thus if we want to stay in the "sweet spot" among these three, we must not fear career transitions or even change itself; indeed, we must seek them out.

Having a sense of purpose in our life is critical to well-being. In fact, in a longitudinal study, researchers found that people who demonstrate a sense of purpose in their lives have a 15% lower risk of death. Having a sense of purpose in our roles at work is equally important. And yet it's not enough to find that sense of purpose once—you have to continu-

■ Focusing too much on your career or your paycheck can lead to bad behaviors such as bullying and selfishness.

ally refind it as circumstances (and you) change.

“I am cautious and alert and mindful that the battle is not won yet” is how Céline Schillinger, an executive at the vaccine maker Sanofi Pasteur, describes staying on this learning journey. “I will not fall into complacency. No matter what, I will continue to hone myself.” In 2001 Schillinger landed a position in France at Sanofi Pasteur. To date, she has occupied positions in human resources, product development, and stakeholder engagement. She moved to Boston in 2015 to focus on quality innovation. “I would define myself as a person under construction,” she says. “I’m always trying to enrich my experience by adding bits and pieces wherever I go. I experiment in my roles and push for uncomf-ortableness to eventually gain new knowledge out of each situation.”

Schillinger’s story shows that you don’t have to quit your company to stay engaged. However, sometimes a more radical change is needed. Consider the story of Mana Ionescu. She worked hard to climb the ladder at the U.S.-based company she worked for, and she was in line for the director role. But Ionescu was frustrated by the transactional nature of her work. Creativity

was minimal. Inspiration was nominal. “There must be more to my working life than just sitting here making money and not actually making an impact,” she thought. She decided to leave her organization and founded Lightspan Digital, a digital marketing company based in Chicago that specializes in social media, email, and content marketing. Ionescu recognized she had to take charge of both her life and her working life—and ever since, she has been living and working with a sense of purpose.

It’s up to each of us to know when to make that leap.

Try this exercise. At the end of the workday, jot down approximately how much time you spent in each of the three following mindsets:

- **Job mindset.** People with a job mindset resort to a “pay-check mentality,” performing their duties in return for compensation and not much else.
- **Career mindset.** This mindset occurs when an individual is focused on increasing or advancing his or her salary, title, power, team size, or sphere of control.
- **Purpose mindset.** Feeling passionate, innovative, and committed are hallmarks of this mindset, as is having an outward-looking focus on serving the broader organization or key stakeholders. Your professional purpose feels

aligned with your personal purpose.

Keep a log for a couple of weeks and see whether you fall into one of these mindsets more than the others. If the job and career mindsets total more than 50% of your time, that may be a warning sign that you should restate or redefine your personal purpose.

No one lives in the purpose mindset all the time, but spending too much time in the career or job mindset is destructive: You are certain to be dissatisfied with your job, and these two mindsets can end up harming your reputation, chances of promotion, and long-term prospects. While everyone should be trying to develop and grow, focusing too much on your career or your paycheck can lead to bad behaviors such as bullying and selfishness, or simply trying to exert too much control over others. Before that happens, seek a new role, and perhaps a new organization, that rebalances your equation.

If you have never created a personal declaration of purpose, now is the time. The declaration is a simple statement about how you decide to live each and every day. Make it succinct, specific, jargon-free, and expressive. Your statement ought to be personal, and it should integrate your strengths, inter-

ests, and core ambitions. For example, here’s mine: “We’re not here to see through each other; we’re here to see each other through.”

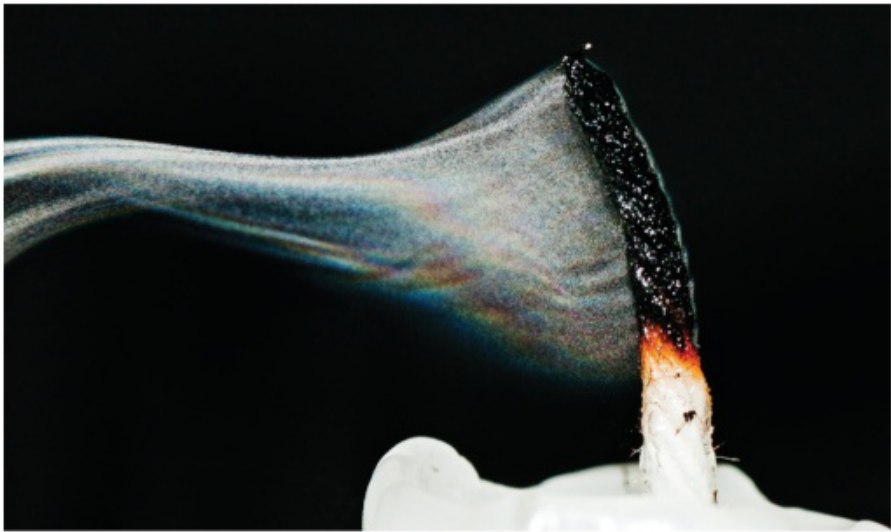
Take into account all three types of purpose—personal, job, and organization. But don’t shortchange your personal purpose, which is a common error, according to A.R. Elangovan, a professor at the University of Victoria. As he told me, “Especially in contrast to organizational and role purpose, where multiple stakeholders shape the outcomes, my advice is to invest as much effort, if not more, in figuring out our personal purpose.”

Life is short. You deserve to work in a role, and for an organization, where your personal purpose shines. But you cannot leave it up to the organization, your boss, or your team. It really does come down to you defining and enacting your purpose.

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7. When Passion Leads to Burnout

→ by JENNIFER MOSS

YOU'VE NO DOUBT heard the well-worn advice that “if you do what you love, you’ll never work a day in your life.” It’s a nice idea but a total myth.

When we equate work we love with “not really working,” it propagates a belief that if we love it so much, we should do more of it—all the time, actually. Who needs a day off when you’re not really working?! There’s a whole cottage industry committed to proliferating this mindset—from books, to talks, and even to kitsch stores selling piles of “Work Is Bliss” quotes on merchandise. This type of mentality leads to burnout, and the consequences can be both dire and hard to detect.

As an expert in workplace happiness and someone who speaks internationally about workplace well-being, it’s easy for me to be consumed by my passion for the topic. I love my work and as such can easily fall victim to burnout. It’s one of the ironies of my job. Yet, I would never claim that it doesn’t ever feel like work. It is more like being involved in a complicated love affair. One minute it’s thrilling, passionate, engaging. The next, it’s exhausting and overwhelming, and I feel like I need a break.

For decades, the term “burnout” has been deprioritized—wrongly accused of being some made-up, first-world crisis, most likely drummed

up by Millennials and Gen Zers who want more work-life balance. The truth is, the younger workforce has it right. And as they increase the demand for more-meaningful work (even claiming they’ll take 32% less pay for the trade-off), burnout—specifically purpose-driven burnout—will continue to be a growing concern. In a Gallup survey of 7,500 full-time employees, 23% reported feeling burned-out at work very often or always, while 63% said they experience it sometimes.

Recently the World Health Organization (WHO) included burnout in its International Classification of Diseases, ICD-11, claiming that it “refers specifically to phenomena in the occupational context...a syndrome conceptualized as resulting from chronic workplace stress that has not been successfully managed...” The WHO noted that the syndrome was characterized by three dimensions: (1) feelings of energy depletion or exhaustion, (2) increased mental distance from one’s job or feelings of negativism or cynicism related to one’s job, and (3) reduced professional efficacy.

The ICD-11 was drafted in response to recommendations from global health experts with an intended goal of ending the debate over

how to define burnout and whether it should be considered a medical condition. It will now be globally recognized as a syndrome, not a disease, but the clear definition from the WHO should increase the number of health care providers and insurers who acknowledge, treat, and cover the symptoms.

While burnout can affect anyone, at any age, in any industry, certain sectors and roles are at increased risk, and purpose-driven work—work people love and feel passionate about—is one of them. According to a study published in the *Journal of Personality*, this type of labor can breed obsessive—versus harmonious—passion, which predicts an increase of conflict, and thus burnout. On the Mayo Clinic’s list of burnout risks, two out of six are related to this mindset: “You identify so strongly with work that you lack balance between your work life and your personal life” and/or “You work in a helping profession.” A Canadian study analyzed responses from 3,715 employees across 12 organizations and found that employees driven by purpose are significantly more stressed and score lower for well-being, resilience, and self-efficacy than those who are not. In an interview I had with David Whiteside, who

■ Using the word “resilient” suggests that people should be able to avoid burnout on their own.

has a PhD in organizational behavior and is the research director at Plasticity Labs, he emphasized that “despite the clear benefits of feeling meaningfully connected to your work, our data suggests that there are often real and undiscussed complications of purpose-driven work on employees’ health that can be related to the experience of burnout long-term.”

Mission-focused executives, nonprofit employees, teachers/principals, nurses, and physicians are some of the people most at risk for burnout. Edward Ellison, a medical doctor and co-CEO of the Permanente Federation, wrote about the massive negative impacts of physician burnout in the *Annals of Internal Medicine*: “Beyond the anxiety, depression, insomnia, emotional and physical exhaustion, and loss of cognitive focus associated with physician burnout,” he noted, “an estimated 300 to 400 U.S. physicians take their own lives every year”—a suicide rate dramatically higher than that of the general public: 40% higher for men and 130% higher for women. A Dutch study found that female physicians experience more patient empathy and, as a consequence, higher levels and deeper experiences of burnout—one hypothesis

for the alarmingly high suicide rates.

Beyond the caregiving industries, burnout can show up when leaders equate long hours with getting ahead, when there’s an implicit expectation that staff should come to work despite mental and physical illness, and when production-focused, remote, and inside sales environments tend to push relationship building to the back burner, which has been shown to increase loneliness.

In an effort to balance harmonious versus obsessive passion, Dr. Ellison believes in leveraging new technologies, such as innovations in artificial intelligence and automation, to help streamline his own organization’s medical record-keeping. But technology advancements, in any industry, can be both helpful and harmful, according to Amy Blankson, founder and CEO of Fearless Positivity. “In our ‘always on’ culture, we struggle with digital boundaries,” especially when we love our work, she explained. “More than 50% of U.S. employees feel like they have to check their email after 11 PM to keep up with work. As a result, burnout is on the rise and engagement is decreasing.” One study found that health information technology

increased burnout in 70% of doctors surveyed.

So, what can leaders do to prevent purpose-driven employees in their own organizations from suffering? Dr. Ellison stresses that they can mitigate this always-on mindset by being aware of when passion becomes a double-edged sword. “If you are so inspired to do what you do, then you’re not necessarily good at setting boundaries. We need to teach people that setting boundaries is OK. It’s not selfish. It’s actually selfless. It allows you to be more effective at what you do and to better [help] those you wish to serve.”

Caroline Elton, a vocational psychologist and the author of *Also Human: The Inner Lives of Doctors* (Basic Books, 2018), agrees that it’s the responsibility of leaders “to keep an eye on the well-being of their staff.” She suggests specific tactics that include monitoring “indirect indices,” such as employee absences and turnover, as well as having clear policies in place so that bullying, undermining, and even whistle-blowing can be dealt with without people feeling that they are putting their jobs on the line. Elton is clear that, although self-awareness and self-agency are important, exhausted workers should not shoulder the burden of solving

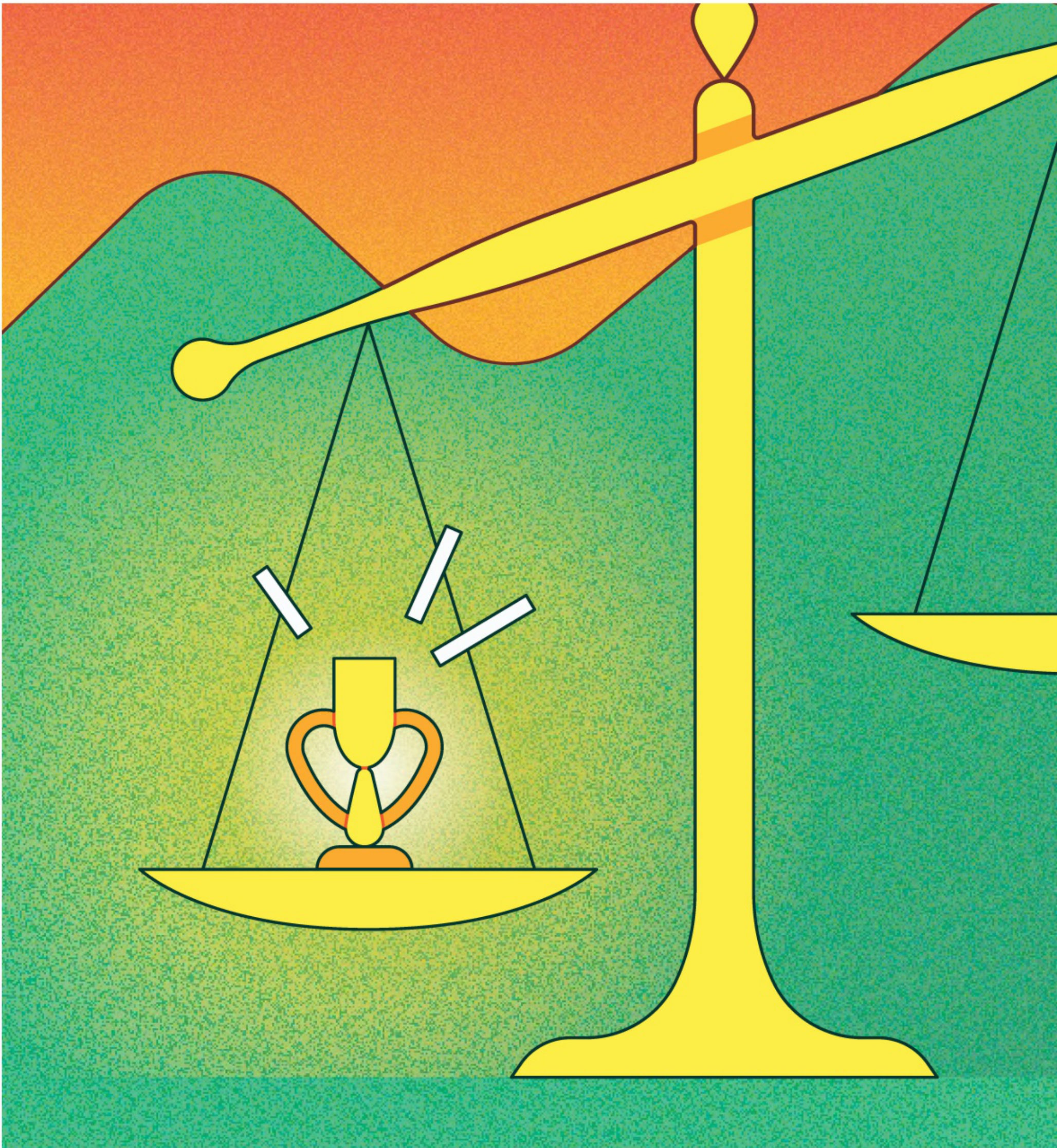
this problem. She believes that it’s a systemic issue and that leaders may want to “ditch the ‘R’ word”—“resilient”—because it suggests that individuals should be able to avoid or recover from burnout on their own. Now that the WHO has put out a clear definition of burnout and acknowledged it as a legitimate threat, organizations can focus on the measurement, programming, and support tools that will sprout from the syndrome designation.

At the end of the day, everyone wants to go home to our personal lives feeling inspired and fueled by a day of passionate engagement in purposeful work. This is clearly preferable to monotony and boredom, which can also cause burnout. But we have to be careful: When it feels like your passion for work—or that of your employees—has become all-consuming, it might be time to take—or offer—a break. ☺

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The Power of Small Wins

Want to truly engage your workers? Help them see their own progress.

→ by TERESA M. AMABILE and STEVEN J. KRAMER

WHAT IS THE BEST WAY to drive innovative work inside organizations? Important clues hide in the stories of world-renowned creators. It turns out that ordinary scientists, marketers, programmers, and other unsung knowledge workers, whose jobs require creative productivity every day, have more in common with famous innovators than most managers realize. The workday events that ignite their emotions, fuel their motivation, and trigger their perceptions are fundamentally the same.

The Double Helix, James Watson's 1968 memoir about discovering the structure of DNA, describes the roller coaster of emotions he and Francis Crick experienced through the progress and setbacks of the work that eventually earned them the Nobel Prize. After the excitement of their first attempt to build a DNA model, Watson and Crick noticed some serious flaws. According to Watson,

"Our first minutes with the models... were not joyous." Later that evening, "a shape began to emerge which brought back our spirits." But when they showed their "breakthrough" to colleagues, they found that their model would not work. Dark days of doubt and ebbing motivation followed. When the duo finally had their bona fide breakthrough, and their colleagues found no fault with it, Watson wrote, "My morale skyrocketed, for I suspected that we now had the answer to the riddle." Watson and Crick were so driven by this success that they practically lived in the lab, trying to complete the work.

Throughout these episodes, Watson and Crick's progress—or lack thereof—ruled their reactions. In our recent research on creative work inside businesses, we stumbled upon a remarkably similar phenomenon. Through exhaustive analysis of diaries kept by knowledge

workers, we discovered the *progress principle*: Of all the things that can boost emotions, motivation, and perceptions during a workday, the single most important is making progress in meaningful work. And the more frequently people experience that sense of progress, the more likely they are to be creatively productive in the long run. Whether they are trying to solve a major scientific mystery or simply produce a high-quality product or service, everyday progress—even a small win—can make all the difference in how they feel and perform.

The power of progress is fundamental to human nature, but few managers understand it or know how to leverage progress to boost motivation. In fact, work motivation has been a subject of long-standing debate. In a survey asking about the keys to motivating workers, we found that some managers ranked recognition for good work as most important, while others put more stock in tangible incentives. Some focused on the value of interpersonal support, while still others thought clear goals were the answer. Interestingly, very few of our surveyed managers ranked progress first. (See the sidebar "A Surprise for Managers.")

If you are a manager, the progress principle holds clear implications for where to focus your efforts. It suggests that you have more influence than you may realize over employees' well-being, motivation, and creative output. Knowing what serves to catalyze and nourish progress—and what does the opposite—turns out to be the key to effectively managing people and their work.

In this article, we share what we have learned about the power of progress and how managers can leverage it. We spell



out how a focus on progress translates into concrete managerial actions and provide a checklist to help make such behaviors habitual. But to clarify why those actions are so potent, we first describe our research and what the knowledge workers' diaries revealed about their *inner work lives*.

Inner Work Life and Performance

For nearly 15 years, we have been studying the psychological experiences and the performance of people doing complex work inside organizations. Early on, we realized that a central driver of creative, productive performance was the quality of a person's inner work life—the mix of emotions, motivations, and perceptions over the course of a workday. How happy workers feel; how motivated they are by an intrinsic interest in the work; how positively they view their organization, their management, their team, their work, and themselves—all these combine either to push them to higher levels of achievement or to drag them down.

To understand such interior dynamics better, we asked members of project teams to respond individually to an end-of-day e-mail survey during the course of the project—just over four months, on average. (For more on this research, see our article “Inner Work Life: Understanding the Subtext of Business Performance,” HBR, May 2007.) The projects—inventing kitchen gadgets, managing product lines of cleaning tools, and solving complex IT problems for a hotel empire, for example—all involved creativity. The daily survey inquired

about participants' emotions and moods, motivation levels, and perceptions of the work environment that day, as well as what work they did and what events stood out in their minds.

Twenty-six project teams from seven companies participated, comprising 238 individuals. This yielded nearly 12,000 diary entries. Naturally, every individual in our population experienced ups and downs. Our goal was to discover the states of inner work life and the workday events that correlated with the highest levels of creative output.

In a dramatic rebuttal to the commonplace claim that high pressure and fear spur achievement, we found that, at least in the realm of knowledge work, people are more creative and productive when their inner work lives are positive—when they feel happy, are intrinsically motivated by the work itself, and have positive perceptions of their colleagues and the organization. Moreover, in those positive states, people are more committed to the work and more collegial toward those around them. Inner work life, we saw, can fluctuate from one day to the next—sometimes wildly—and performance along with it. A person's inner work life on a given day fuels his or her performance for the day and can even affect performance the *next* day.

Once this *inner work life effect* became clear, our inquiry turned to whether and how managerial action could set it in motion. What events could evoke positive or negative emotions, motivations, and perceptions? The answers were tucked within our research participants' diary entries. There are predictable triggers that inflate or deflate inner work life,

and, even accounting for variation among individuals, they are pretty much the same for everyone.

The Power of Progress

Our hunt for inner work life triggers led us to the progress principle. When we compared our research participants' best and worst days (based on their overall mood, specific emotions, and motivation levels), we found that the most common event triggering a “best day” was any progress in the work by the individual or the team. The most common event triggering a “worst day” was a setback.

Consider, for example, how progress relates to one component of inner work life: overall mood ratings. Steps forward occurred on 76% of people's best-mood days. By contrast, setbacks occurred on only 13% of those days. (See the exhibit “What Happens on a Good Day? And What Happens on a Bad Day?”)

Two other types of inner work life triggers also occur frequently on best days: *Catalysts*, actions that directly support work, including help from a person or group, and *nourishers*, events such as shows of respect and words of encouragement. Each has an opposite: *Inhibitors*, actions that fail to support or actively hinder work, and *toxins*, discouraging or undermining events. Whereas catalysts and inhibitors are directed at the project, nourishers and toxins are directed at the person. Like setbacks, inhibitors and toxins are rare on days of great inner work life.

Events on worst-mood days are nearly the mirror image of those on best-mood days (see again the good days/bad days exhibit). Here, setbacks predominated,

■ Of all the things that can boost inner work life, the most important is making progress in meaningful work.

occurring on 67% of those days; progress occurred on only 25% of them. Inhibitors and toxins also marked many worst-mood days, and catalysts and nourishers were rare.

This is the progress principle made visible: If a person is motivated and happy at the end of the workday, it's a good bet that he or she made some progress. If the person drags out of the office disengaged and joyless, a setback is most likely to blame.

When we analyzed all 12,000 daily surveys filled out by our participants, we discovered that progress and setbacks influence all three aspects of inner work life. On days when they made progress, our participants reported more positive *emotions*. They not only were in a more upbeat mood in general but also expressed more joy, warmth, and pride. When they suffered setbacks, they experienced more frustration, fear, and sadness.

Motivations were also affected: On progress days, people were more intrinsically motivated—by interest in and enjoyment of the work itself. On setback days, they were not only less intrinsically motivated but also less extrinsically motivated by recognition. Apparently, setbacks can lead a person to feel generally apathetic and disinclined to do the work at all.

Perceptions differed in many ways, too. On progress days, people perceived significantly more positive challenge in their work. They saw their teams as more mutually supportive and reported more positive interactions between the teams and their supervisors. On a number of dimensions, perceptions suffered when people encountered setbacks. They found less positive challenge in the work,

felt that they had less freedom in carrying it out, and reported that they had insufficient resources. On setback days, participants perceived both their teams and their supervisors as less supportive.

To be sure, our analyses establish correlations but do not prove causality. Were these changes in inner work life the result of progress and setbacks, or was the effect the other way around? The numbers alone cannot answer that. However, we do know, from reading thousands of diary entries, that more-positive perceptions, a sense of accomplishment, satisfaction, happiness, and even elation often followed progress. Here's a typical post-progress entry, from a programmer: "I smashed that bug that's been frustrating me for almost a calendar week. That may not be an event to you, but I live a very drab life, so I'm all hyped."

Likewise, we saw that deteriorating perceptions, frustration, sadness, and even disgust often followed setbacks. As another participant, a product marketer, wrote, "We spent a lot of time updating the Cost Reduction project list, and after tallying all the numbers, we are still coming up short of our goal. It is discouraging to not be able to hit it after all the time spent and hard work."

Almost certainly, the causality goes both ways, and managers can use this feedback loop between progress and inner work life to support both.

Minor Milestones

When we think about progress, we often imagine how good it feels to achieve a long-term goal or experience a major breakthrough. These big wins are great—but they are relatively rare. The good



Idea in Brief

What could be more important for managers than increasing their teams' productivity?

Yet most managers labor under misconceptions about what motivates employees—particularly knowledge workers—to do their best work.

On the basis of more than a decade of research, which included a deep analysis of daily diaries kept by teammates on creative projects, the authors clarify the matter once and for all: What motivates people on a day-to-day basis is the sense that they are making progress.

Managers who take this finding to heart will easily see the corollary: The best thing they can do for their people is provide the catalysts and nourishers that allow projects to move forward while removing the obstacles and toxins that result in setbacks. That is easily said, but for most managers it will require a new perspective and new behaviors. A simple checklist, consulted daily, can help make those habitual.

■ **Managers can help employees see how their work is contributing. Most important, they can avoid actions that negate its value.**

A Surprise for Managers

In a 1968 issue of HBR, Frederick Herzberg published a now-classic article titled “One More Time: How Do You Motivate Employees?” Our findings are consistent with his message: People are most satisfied with their jobs (and therefore most motivated) when those jobs give them the opportunity to experience achievement.

The diary research we describe in this article—in which we microscopically examined the events of thousands of workdays, in real time—uncovered the mechanism underlying the sense of achievement: making consistent, meaningful progress.

But managers seem not to have taken Herzberg’s lesson to heart. To assess contemporary awareness of the importance of daily work progress, we recently administered a survey to 669 managers of varying levels from dozens of companies around the world. We asked about the managerial tools that can affect employees’ motivation and emotions. The respondents ranked five tools—support for making progress in the work, recognition for good work, incentives, interpersonal support, and clear goals—in order of importance.

Fully 95% of the managers who took our survey would probably be surprised to learn that supporting progress is the primary way to elevate motivation—because that’s the percentage that failed to rank progress number one. In fact, only 35 managers ranked progress as the number one motivator—a mere 5%. The vast majority of respondents ranked support for making progress dead last as a motivator and third as an influence on emotion. They ranked “recognition for good work (either public or private)” as the most important factor in motivating workers and making them happy. In our diary study, recognition certainly did boost inner work life. But it wasn’t nearly as prominent as progress. Besides, without work achievements, there is little to recognize.

news is that even small wins can boost inner work life tremendously. Many of the progress events our research participants reported represented only minor steps forward. Yet they often evoked outsize positive reactions. Consider this diary entry from a programmer in a high-tech company, which was accompanied by very positive self-ratings of her emotions, motivations, and perceptions that day: “I figured out why something was not working correctly. I felt relieved and happy because this was a minor milestone for me.”

Even ordinary, incremental progress can increase people’s engagement in

the work and their happiness during the workday. Across all types of events our participants reported, a notable proportion (28%) of incidents that had a minor impact on the project had a major impact on people’s feelings about it. Because inner work life has such a potent effect on creativity and productivity, and because small but consistent steps forward, shared by many people, can accumulate into excellent execution, progress events that often go unnoticed are critical to the overall performance of organizations.

Unfortunately, there is a flip side. Small losses or setbacks can have an extremely negative effect on inner work life.

In fact, our study and research by others show that negative events can have a more powerful impact than positive ones. Consequently, it is especially important for managers to minimize daily hassles.

Progress in Meaningful Work

We’ve shown how gratifying it is for workers when they are able to chip away at a goal, but recall what we said earlier: The key to motivating performance is supporting progress in *meaningful* work. Making headway boosts your inner work life, but only if the work matters to you.

Think of the most boring job you’ve ever had. Many people nominate their first job as a teenager—washing pots and pans in a restaurant kitchen, for example, or checking coats at a museum. In jobs like those, the power of progress seems elusive. No matter how hard you work, there are always more pots to wash and coats to check; only punching the time clock at the end of the day or getting the paycheck at the end of the week yields a sense of accomplishment.

In jobs with much more challenge and room for creativity, like the ones our research participants had, simply “making progress”—getting tasks done—doesn’t guarantee a good inner work life, either. You may have experienced this rude fact in your own job, on days (or in projects) when you felt demotivated, devalued, and frustrated, even though you worked hard and got things done. The likely cause is your perception of the completed tasks as peripheral or irrelevant. For the progress principle to operate, the work must be meaningful to the person doing it.



In 1983, Steve Jobs was trying to entice John Sculley to leave a wildly successful career at PepsiCo to become Apple’s new CEO. Jobs reportedly asked him, “Do you want to spend the rest of your life selling sugared water or do you want a chance to change the world?” In making his pitch, Jobs leveraged a potent psychological force: the deep-seated human desire to do meaningful work.

Fortunately, to feel meaningful, work doesn’t have to involve putting the first personal computers in the hands of ordinary people, or alleviating poverty, or helping to cure cancer. Work with less profound importance to society can matter if it contributes value to something or someone important to the worker. Meaning can be as simple as making a useful and high-quality product for a customer or providing a genuine service for a community. It can be supporting a colleague or boosting an organization’s profits by reducing inefficiencies in a production process. Whether the goals are lofty or modest, as long as they are meaningful to the worker and it is clear how his or her efforts contribute to them, progress toward them can galvanize inner work life.

In principle, managers shouldn’t have to go to extraordinary lengths to infuse jobs with meaning. Most jobs in modern organizations are potentially meaningful for the people doing them. However, managers can make sure that employees know just how their work is contributing. And, most important, they can avoid actions that negate its value. (See the sidebar “How Work Gets Stripped of Its Meaning.”) All the participants in our research were doing work that should have been meaningful; no one was

washing pots or checking coats. Shockingly often, however, we saw potentially important, challenging work losing its power to inspire.

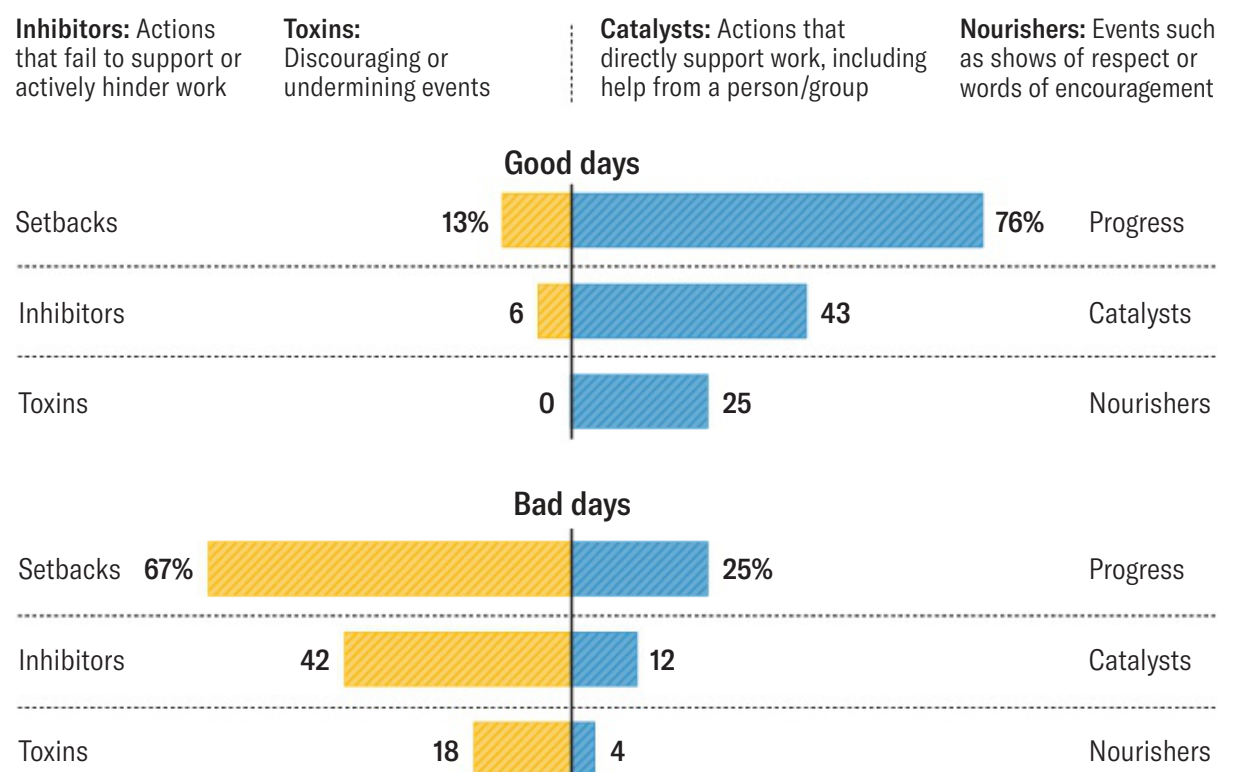
Supporting Progress: Catalysts and Nourishers

What can managers do to ensure that people are motivated, committed, and happy? How can they support workers’ daily progress? They can use catalysts and nourishers, the other kinds of frequent “best day” events we discovered.

Catalysts are actions that support work. They include setting clear goals, allowing autonomy, providing sufficient resources and time, helping with the work, openly learning from problems and successes, and allowing a free exchange of ideas. Their opposites, inhibitors, include failing to provide support and actively interfering with the work. Because of their impact on progress, catalysts and inhibitors ultimately affect inner work life. But they also have a more immediate impact: When people realize that they have clear and meaningful

What Happens on a Good Day? And What Happens on a Bad Day?

Progress—even a small step forward—occurs on many of the days people report being in a good mood. Events on bad days—setbacks and other hindrances—are nearly the mirror image of those on good days. A survey explored how often progress, setbacks, and other events occurred on good and bad days:



Source: Teresa M. Amabile and Steven J. Kramer



goals, sufficient resources, helpful colleagues, and so on, they get an instant boost to their emotions, their motivation to do a great job, and their perceptions of the work and the organization.

Nourishers are acts of interpersonal support, such as respect and recognition, encouragement, emotional comfort, and opportunities for affiliation. Toxins, their opposites, include disrespect, discouragement, disregard for emotions, and interpersonal conflict. For good and for ill, nourishers and toxins affect inner work life directly and immediately.

Catalysts and nourishers—and their opposites—can alter the meaningfulness of work by shifting people’s perceptions of their jobs and even themselves. For instance, when a manager makes sure that people have the resources they need, it signals to them that what they are doing is important and valuable. When managers recognize people for the work they do, it signals that they are important to the organization. In this way, catalysts and nourishers can lend greater meaning to the work—and amplify the operation of the progress principle.

The managerial actions that constitute catalysts and nourishers are not particularly mysterious; they may sound like Management 101, if not just common sense and common decency. But our diary study reminded us how often they are ignored or forgotten. Even some of the more attentive managers in the companies we studied did not consistently provide catalysts and nourishers. For example, a supply-chain specialist named Michael was, in many ways and on most days, an excellent subteam manager. But he was occasionally so overwhelmed that he became toxic toward his people.

When a supplier failed to complete a “hot” order on time and Michael’s team had to resort to air shipping to meet the customer’s deadline, he realized that the profit margin on the sale would be blown. In irritation, he lashed out at his subordinates, demeaning the solid work they had done and disregarding their own frustration with the supplier. In his diary, he admitted as much:

As of Friday, we have spent \$28,000 in air freight to send 1,500 \$30 spray jet mops to our number two customer. Another 2,800 remain on this order, and there is a good probability that they too will gain wings. I have turned from the kindly Supply Chain Manager into the black-masked executioner. All similarity to civility is gone, our backs are against the wall, flight is not possible, therefore fight is probable.

Even when managers don’t have their backs against the wall, developing long-term strategy and launching new initiatives can often seem more important—and perhaps sexier—than making sure that subordinates have what they need to make steady progress and feel supported as human beings. But as we saw repeatedly in our research, even the best strategy will fail if managers ignore the people working in the trenches to execute it.

A Model Manager—and a Tool for Emulating Him

We could explain the many (and largely unsurprising) moves that can catalyze progress and nourish spirits, but it may

be more useful to give an example of a manager who consistently used those moves—and then to provide a simple tool that can help any manager do so.

Our model manager is Graham, whom we observed leading a small team of chemical engineers within a multinational European firm we’ll call Kruger-Bern. The mission of the team’s NewPoly project was clear and meaningful enough: develop a safe, biodegradable polymer to replace petrochemicals in cosmetics and, eventually, in a wide range of consumer products. As in many large firms, however, the project was nested in a confusing and sometimes threatening corporate setting of shifting top-management priorities, conflicting signals, and wavering commitments. Resources were uncomfortably tight, and uncertainty loomed over the project’s future—and every team member’s career. Even worse, an incident early in the project, in which an important customer reacted angrily to a sample, left the team reeling. Yet Graham was able to sustain team members’ inner work lives by repeatedly and visibly removing obstacles, materially supporting progress, and emotionally supporting the team.

Graham’s management approach excelled in four ways. First, he established a positive climate, one event at a time, which set behavioral norms for the entire team. When the customer complaint stopped the project in its tracks, for example, he engaged immediately with the team to analyze the problem, without recriminations, and develop a plan for repairing the relationship. In doing so, he modeled how to respond to crises in the work: not by panicking or pointing fingers but by identifying problems and

■ **Effective managers establish themselves as resources, making sure to *check in* on employees while never seeming to *check up* on them.**

their causes, and developing a coordinated action plan. This is both a practical approach and a great way to give subordinates a sense of forward movement even in the face of the missteps and failures inherent in any complex project.

Second, Graham stayed attuned to his team's everyday activities and progress. In fact, the nonjudgmental climate he had established made this happen naturally. Team members updated him frequently—without being asked—on their setbacks, progress, and plans. At one point, one of his hardest-working colleagues, Brady, had to abort a trial of a new material because he couldn't get the parameters right on the equipment. It was bad news, because the NewPoly team had access to the equipment only one day a week, but Brady immediately informed Graham. In his diary entry that evening, Brady noted, "He didn't like the lost week but seemed to understand." That understanding assured Graham's place in the stream of information that would allow him to give his people just what they needed to make progress.

Third, Graham targeted his support according to recent events in the team and the project. Each day, he could anticipate what type of intervention—a catalyst or the removal of an inhibitor; a nourisher or some antidote to a toxin—would have the most impact on team members' inner work lives and progress. And if he could not make that judgment, he asked. Most days it was not hard to figure out, as on the day he received some uplifting news about his bosses' commitment to the project. He knew the team was jittery about a rumored corporate reorganization and could use the encouragement. Even though the clarification came

How Work Gets Stripped of Its Meaning

Diary entries from 238 knowledge workers who were members of creative project teams revealed four primary ways in which managers unwittingly drain work of its meaning.

1 **Managers may dismiss the importance of employees' work or ideas.** Consider the case of Richard, a senior lab technician at a chemical company, who found meaning in helping his new-product development team solve complex technical problems. However, in team meetings over the course of a three-week period, Richard perceived that his team leader was ignoring his suggestions and those of his teammates. As a result, he felt that his contributions were not meaningful, and his spirits flagged. When at last he believed that he was again making a substantive contribution to the success of the project, his mood improved dramatically:

I felt much better at today's team meeting. I felt that my opinions and information were important to the project and that we have made some progress.

2 **They may destroy employees' sense of ownership of their work.** Frequent and abrupt reassignments often have this effect. This happened repeatedly to the members of a product development team in a giant consumer products company, as described by team member Bruce:

As I've been handing over some projects, I do realize that I don't like to give them up. Especially when you have been with them from the start and are nearly to the end. You lose ownership. This happens to us way too often.

3 **Managers may send the message that the work employees are doing will never see the light of day.** They can signal this—unintentionally—by shifting their priorities or changing their minds about how something should be done. We saw the latter in an internet technology company after user-interface developer Burt had spent weeks designing seamless transitions for non-English-speaking users. Not surprisingly, Burt's mood was seriously marred on the day he reported this incident:

Other options for the international [interfaces] were [given] to the team during a team meeting, which could render the work I am doing useless.

4 **They may neglect to inform employees about unexpected changes in a customer's priorities.** Often, this arises from poor customer management or inadequate communication within the company. For example, Stuart, a data transformation expert at an IT company, reported deep frustration and low motivation on the day he learned that weeks of the team's hard work might have been for naught:

Found out that there is a strong possibility that the project may not be going forward, due to a shift in the client's agenda. Therefore, there is a strong possibility that all the time and effort put into the project was a waste of our time.

The Daily Progress Checklist

Near the end of each workday, use this checklist to review the day and plan your managerial actions for the next day. After a few days, you will be able to identify issues by scanning the boldface words. First, focus on progress and setbacks and think about specific events (catalysts, nourishers, inhibitors, and toxins) that contributed to them. Next, consider any clear inner-work-life clues and what further information they provide about progress and other events. Finally, prioritize for action. The action plan for the next day is the most important part of your daily review: What is the one thing you can do to best facilitate progress?

Progress

Which 1 or 2 events today indicated either a small win or a possible breakthrough? (Describe briefly.) _____

Setbacks

Which 1 or 2 events today indicated either a small setback or a possible crisis? (Describe briefly.) _____

CATALYSTS

- Did the team have clear short- and long-term **goals** for meaningful work?
- Did team members have sufficient **autonomy** to solve problems and take ownership of the project?
- Did they have all the **resources** they needed to move forward efficiently?
- Did they have sufficient **time** to focus on meaningful work?
- Did I give or get them **help** when they needed or requested it? Did I encourage team members to help one another?
- Did I discuss **lessons** from today's successes and problems with my team?
- Did I help **ideas** flow freely within the group?

INHIBITORS

- Was there any confusion regarding long- or short-term **goals** for meaningful work?
- Were team members overly **constrained** in their ability to solve problems and feel ownership of the project?
- Did they lack any of the **resources** they needed to move forward effectively?
- Did they lack sufficient **time** to focus on meaningful work?
- Did I or others fail to provide needed or requested **help**?
- Did I "punish" failure or neglect to find **lessons** and/or opportunities in problems and successes?
- Did I or others cut off the presentation or debate of **ideas** prematurely?

NOURISHERS

- Did I show **respect** to team members by recognizing their contributions to progress, attending to their ideas, and treating them as trusted professionals?
- Did I **encourage** team members who faced difficult challenges?
- Did I **support** team members who had a personal or professional problem?
- Is there a sense of personal and professional **affiliation** and camaraderie within the team?

TOXINS

- Did I **disrespect** any team members by failing to recognize their contributions to progress, not attending to their ideas, or not treating them as trusted professionals?
- Did I **discourage** a member of the team in any way?
- Did I **neglect** a team member who had a personal or professional problem?
- Is there tension or **antagonism** among members of the team or between team members and me?

INNER WORK LIFE

Did I see any indications of the quality of my subordinates' inner work lives today? _____
Perceptions of the work, team, management, firm _____
Emotions _____
Motivation _____
What specific events might have affected inner work life today? _____

ACTION PLAN

What can I do tomorrow to strengthen the catalysts and nourishers identified and provide the ones that are lacking? _____

What can I do tomorrow to start eliminating the inhibitors and toxins identified? _____



during a well-earned vacation day, he immediately got on the phone to relay the good news to the team.

Finally, Graham established himself as a resource for team members, rather than a micromanager; he was sure to *check in* while never seeming to *check up* on them. Superficially, checking in and checking up seem quite similar, but micromanagers make four kinds of mistakes. First, they fail to allow autonomy in carrying out the work. Unlike Graham, who gave the NewPoly team a clear strategic goal but respected members' ideas about how to meet it, micromanagers dictate every move. Second, they frequently ask subordinates about their work without providing any real help. By contrast, when one of Graham's team members reported problems, Graham helped analyze them—remaining open to alternative interpretations—and often ended up helping to get things back on track. Third, micromanagers are quick to affix personal blame when problems arise, leading subordinates to hide problems rather than honestly discuss how to surmount them, as Graham did with Brady. And fourth, micromanagers tend to hoard information to use as a secret weapon. Few realize how damaging this is to inner work life. When subordinates perceive that a manager is withholding potentially useful information, they feel infantilized, their motivation wanes, and their work is handicapped. Graham was quick to communicate upper management's views of the project, customers' opinions and needs, and possible sources of assistance or resistance within and outside the organization.

In all those ways, Graham sustained his team's positive emotions, intrinsic mo-

tivation, and favorable perceptions. His actions serve as a powerful example of how managers at any level can approach each day determined to foster progress.

We know that many managers, however well-intentioned, will find it hard to establish the habits that seemed to come so naturally to Graham. Awareness, of course, is the first step. However, turning an awareness of the importance of inner work life into routine action takes discipline. With that in mind, we developed a checklist for managers to consult on a daily basis (see the exhibit "The Daily Progress Checklist"). The aim of the checklist is managing for meaningful progress, one day at a time.

The Progress Loop

Inner work life drives performance; in turn, good performance, which depends on consistent progress, enhances inner work life. We call this the *progress loop*; it reveals the potential for self-reinforcing benefits.

So, the most important implication of the progress principle is this: By supporting people and their daily progress in meaningful work, managers improve not only the inner work lives of their employees but also the organization's long-term performance, which enhances inner work life even more. Of course, there is a dark side—the possibility of negative feedback loops. If managers fail to support progress and the people trying to make it, inner work life suffers and so does performance; and degraded performance further undermines inner work life.

A second implication of the progress principle is that managers needn't fret

about trying to read the psyches of their workers, or manipulate complicated incentive schemes, to ensure that employees are motivated and happy. As long as they show basic respect and consideration, they can focus on supporting the work itself.

To become an effective manager, you must learn to set this positive feedback loop in motion. That may require a significant shift. Business schools, business books, and managers themselves usually focus on managing organizations or people. But if you focus on managing progress, the management of people—and even of entire organizations—becomes much more feasible. You won't have to figure out how to x-ray the inner work lives of subordinates; if you facilitate their steady progress in meaningful work, make that progress salient to them, and treat them well, they will experience the emotions, motivations, and perceptions necessary for great performance. Their superior work will contribute to organizational success. And here's the beauty of it: They will love their jobs. ☺

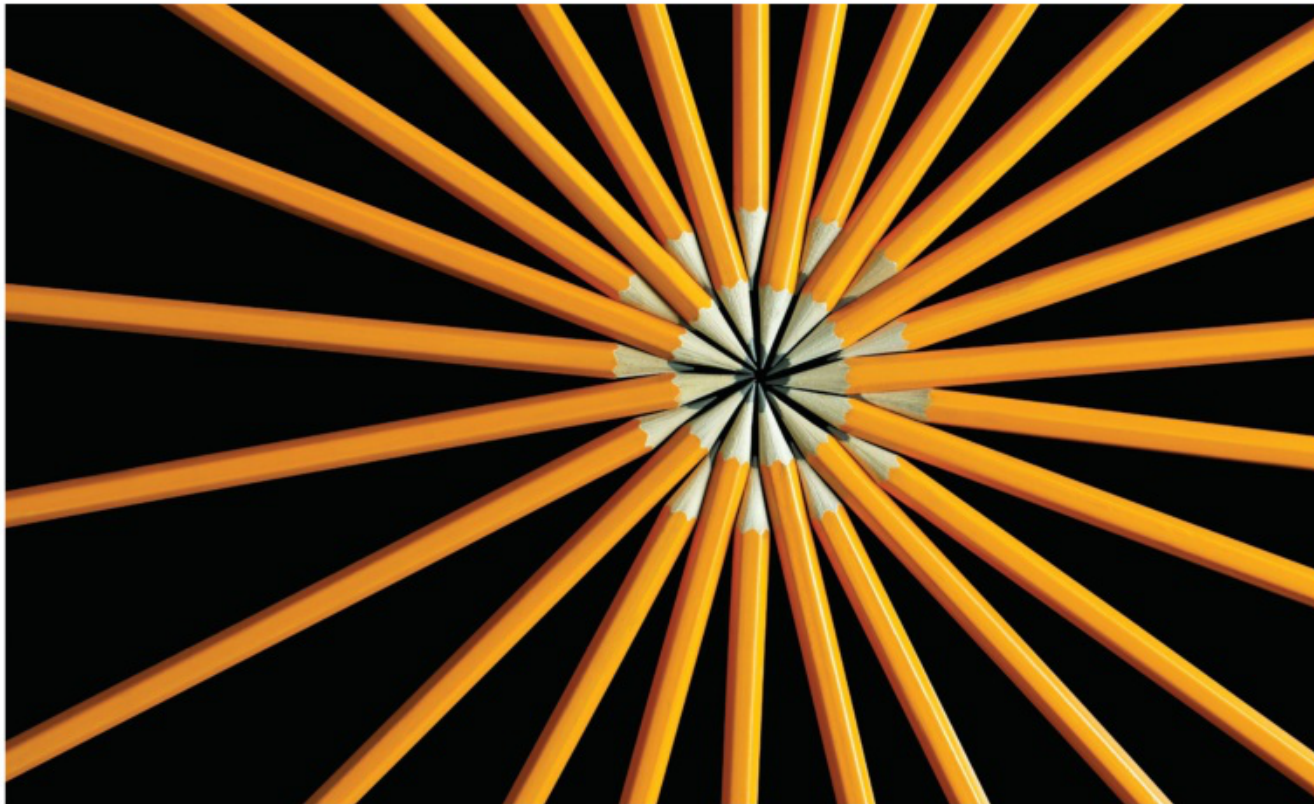
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LEADING A PURPOSEFUL TEAM

Quick Takes



1. How to Make Work More Meaningful for Your Team

→ by LEWIS GARRAD and TOMAS CHAMORRO-PREMUZIC

THERE IS A well-known story about a janitor at NASA who, when asked by John F. Kennedy what his job was, responded, “I’m helping to put a man on the moon.” This anecdote is often used to show how even the most mundane job can be seen as meaningful with the right mindset and under a good leadership.

Today, more and more employees demand much more than a good salary from

their jobs. Money may lure people into jobs, but purpose, meaning, and the prospect of interesting and valuable work determine both their tenure and how hard they will work while they are on the job. Finding meaning at work has become so important that there are even public rankings for the most meaningful jobs. Although many factors determine how appealing jobs tend to be, those that

contribute to improving other people’s lives are ranked top (for example, health care and social work). Interestingly, meta-analytic studies indicated that there is only a marginal association between pay and job satisfaction. A lawyer who earns \$150,000 a year is no more engaged than a freelance designer who earns \$35,000 a year.

Research consistently shows that people experiencing meaningful work report better health, well-being, teamwork, and engagement; they bounce back faster from setbacks and are more likely to view mistakes as learning opportunities rather than failures. In other words, people are more likely to thrive and grow at work when they experience their job as meaningful. This is why businesses with a stronger and clearer sense of purpose tend to have better financial performance. Unsurprisingly, the most successful companies in the world are also the best places in the world to work.

Over the past few decades, a great deal of research has shown that leaders play a significant role in helping employees understand why their roles matter. Furthermore, the leadership characteristics that enable these cultures of meaning and purpose to engage employees

KICKIMAGES/GETTY IMAGES

■ There is a clear difference between making work meaningful and making it fun or easy.

are a reflection of a leader's personality—which has been proven to have a strong impact on team and organizational performance.

In particular, research suggests that four key personality characteristics determine leaders' ability to make other people's jobs more meaningful:

They are curious and inquisitive. Studies show that people tend to experience work as meaningful when they feel like they are contributing to creating something new—especially when they can explore, connect, and have an impact. Curious leaders help people find meaning at work by exploring, asking questions, and engaging people in ideas about the future. In a way, curious leaders help employees find something meaningful by providing a wider range of possibilities for how work gets done, rather than being very prescriptive and micromanaging people. Curious leaders are also more likely to get bored and detest monotony, so they will always be looking for people to come up with new ideas to make their own experience of work more interesting.

They are challenging and relentless. One of the greatest problems organiza-

tions must solve is the inertia and stagnation that follow success, or even its anticipation. Research shows that optimistic people who expect to do well don't try as hard as people who expect to struggle or fail. Leaders who remain ambitious in the face of both failure and success, and who push their people to remain dissatisfied with their accomplishments, instill a deeper sense of purpose in their teams and organizations. As a result, employees feel a sense of progress, reinvention, and growth, which in turn results in a more meaningful and positive work experience.

They hire for values and culture fit. Research shows that people find something valuable only if it aligns with their core needs and motives. This is why the fit between an individual's personal values and the culture of the organization they work in is such an important driver of their performance. In fact, you are better off hiring not the best candidates but instead people who are a good fit for your organization. Values function like an inner compass or lens through which we assign meaning to the world. Leaders who pay attention to what each individual values are more likely to hire people who will find it easier to

connect with their colleagues and the wider organization, all of which help drive a sense of meaning.

They are able to trust people. Most people hate being micromanaged. Overpowering and controlling bosses are serious sources of disempowerment for employees. This drains the impact from the work they do and makes them feel worthless. In stark contrast, leaders who know how to trust people are more likely to give them room to experiment and grow. In particular, they help people mold their roles—something researchers call “job crafting.” Employees who customize their jobs tend to feel a much greater sense of importance and value because they feel that their manager actually trusts them.

These four qualities should exist in concert. A boss who is relentless but not trusting might seek to “keep people on their toes” by being erratic or unpredictable—a sure way to hurt performance and morale. A boss who is challenging but not curious may come across as a bully, while a boss who's trusting but not challenging will seem like a push-over. In short, there is a clear difference between making work meaningful and making it fun or easy, just like there

is a big difference between an engaged and a happy employee. Whereas engagement results in enthusiasm, drive, and motivation—all of which increase performance and are therefore valuable to the organization—happiness can lead to complacency. To be a good leader, focus on helping employees find meaning in their achievements, rather than just enjoy their time at the office.

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■ **People feel loyal to companies that support their own career and life ambitions.**



2. Five Questions to Help Your Employees Find Their Inner Purpose

→ by KRISTI HEDGES

HOW CAN LEADERS help employees find meaning at work?

Organizations spend considerable resources on corporate values and mission statements, but even the

most inspiring of these—from Volvo’s commitment to safety to Facebook’s desire to connect people—tend to fade into the background during the daily bustle of the workday.

To feel engaged in and satisfied by their jobs, workers need an inner sense of purpose. As Deloitte found in a 2016 study, people feel loyal to companies that support their own career and life ambitions—in other words, what’s meaningful to them. And, although that research focused on Millennials, in the decade I’ve spent coaching seasoned executives, I’ve found that it’s a common attitude across generations. No matter one’s level, industry, or career, we all need to find a personal sense of meaning in what we do.

Leaders can foster this inner sense of purpose—what matters right now, in each individual’s life and career—with simple conversation. One technique is action identification theory, which posits that there are many levels of description for any action. For example, right now I’m writing this article. At a low level, I’m typing words into a keyboard. At a high level, I’m creating better leaders. When leaders walk employees up this ladder, they can help them find meaning in even the most mundane tasks.

Regular check-ins that use five areas of inquiry are another way to help employees explore and call out their inner purpose. Leaders can ask:

What are you good at doing? Which work activities require less effort? What do you take on because you believe you’re the best person to do it? What have you gotten noticed for throughout your career? The idea here is to help people identify their strengths and open possibilities from there.

What do you enjoy? In a typical workweek, what do you look forward to doing? What do you see on your calendar that energizes you? If you could design your job with no restrictions, how would you spend your time? These questions help people find or rediscover what they love about work.

What feels most useful? Which work outcomes make you most proud? Which of your tasks are most critical to the team or organization? What are the highest priorities for your life, and how does your work fit in? This line of inquiry highlights the inherent value of certain work.

What creates a sense of forward momentum? What are you learning that you’ll use in the future? What do you envision for yourself next? How is your work today getting you closer to what you

GETTY IMAGES



want for yourself? The goal here is to show how today's work helps people advance toward future goals.

How do you relate to others? Which working partnerships are best for you? What would an office of your favorite people look like? How does your work enhance your family and social connections? These questions encourage people to think about and foster relationships that make work more meaningful.

It's not easy to guide others toward purpose, but these strategies can help.

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3. How to Motivate Employees to Go Beyond Their Jobs

→ by MARK C. BOLINO and ANTHONY C. KLOTZ

EVERY DAY, EMPLOYEES make decisions about whether they are willing to go the extra mile in ways that contribute to their organization's success. These are important decisions because research shows that when employees are willing to go beyond their

formal roles by helping out coworkers, volunteering to take on special assignments, introducing new ideas and work practices, attending nonmandatory meetings, putting in extra hours to complete important projects, and so forth, their companies are

more efficient and effective. As a result, a critical task for successful managers is to motivate their employees to engage in these extra-role behaviors, which researchers call "citizenship behaviors."

Although the benefits of citizenship behavior for organizational performance are clear, the implications for employees are more equivocal. On the one hand, many employees perform acts of citizenship because they feel committed to and connected to their peers, supervisors, and organizations. Being a good organizational citizen can also be personally and professionally rewarding because it makes work more meaningful and invigorating and contributes to better performance evaluations. On the other hand, some studies have also shown that employees sometimes feel pressured to be good organizational citizens and may do so only to enhance their image. Moreover, going the extra mile can deplete employees' resources, contributing to stress, work-family conflict, and citizenship fatigue. Recent research further suggests that employees who feel pressured to engage in citizenship behavior may start feeling entitled to act out by engaging in deviant behaviors. Further, while

■ Asking employees to engage in too much citizenship can be counterproductive.

employee citizenship is often associated with positive feelings, it can also impede employees' ability to get their jobs done, which can undermine their well-being.

As this work continues, consensus is emerging that citizenship behavior tends to have negative implications when employees go above and beyond at work not because they intrinsically want to but because they feel they have to, or when they can't carry out their regular job duties and be good citizens at the same time. Given the importance of citizenship behavior for organizational success, managers should help employees find better ways to go beyond the call of duty to help make work more meaningful and less depleting. One potentially effective way of doing this is something we call *citizenship crafting*.

The idea of citizenship crafting is based on the concept of job crafting, in which people redesign their work by altering aspects of the job itself (task crafting), the people with whom they work (relationship crafting), and their mindset about their job (cognitive crafting) in ways that play to their strengths, motives, and passions. Whereas job crafting captures how employees

redesign their formal role at work, citizenship crafting is based on the notion that employees can proactively shape the ways in which they go beyond the call of duty. They can contribute to the organization in ways that are personally meaningful, rewarding, and consistent with their strengths.

When crafting their citizenship behavior, ideally employees will consider not only their own needs but also those of their manager and colleagues. For this reason, we encourage managers to let their employees know what types of citizenship behaviors are most important for their work group, while recognizing that asking employees to engage in too much citizenship can be counterproductive. Employees should also be forthright in communicating to their managers what types of citizenship behavior are most consistent with their strengths, motives, and passions. For instance, an introverted engineer who dreads socializing but does not mind pulling the occasional all-nighter might feel less obligated to take part in every social event, knowing that she can take charge when someone has to stay late to complete a critical project. Or a salesperson who cannot stand to sit through meetings

but relishes opportunities to coach others can ask to be spared tedious committee work in exchange for making extra time to shadow and informally mentor new recruits. And employees should feel comfortable consciously deciding to voluntarily assist colleagues who are appreciative and generous in return so that offering assistance is not burdensome.

Although citizenship crafting is a new idea, prior research indicates that it should benefit employees and managers alike. First, when jobs contain tasks that align with employees' intrinsic motives rather than tasks employees feel forced to complete, job performance tends to be significantly better; as such, citizenship crafting should result in higher-quality and more-impactful acts of citizenship. Second, employees who can engage in citizenship behaviors that play to their strengths and passions should feel less stressed and worn-out from contributing more. By realizing that not all good citizens look alike, and allowing employees to tailor their citizenship to fit their unique interests and talents, managers can simultaneously enhance employee well-being and work group productivity. Finally, citizen-

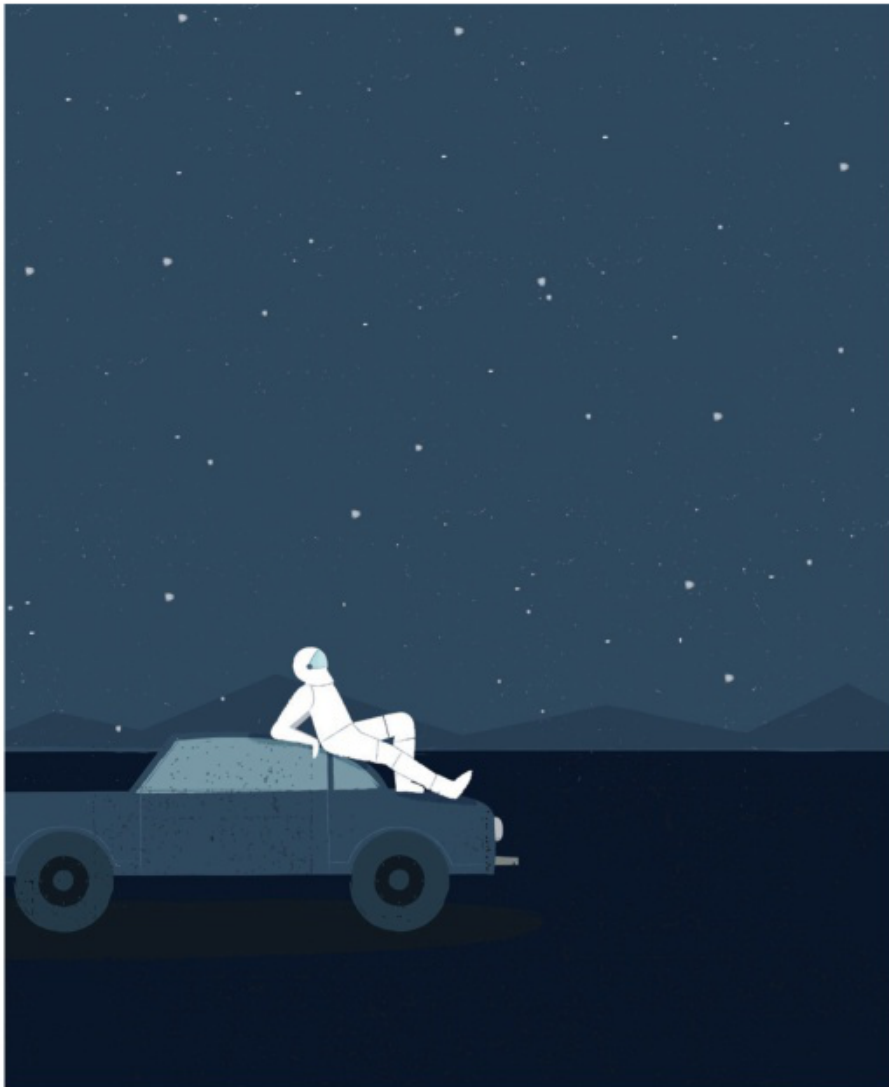
ship crafting should reduce the need for managers to rely on extrinsic sticks and carrots to motivate employees to go the extra mile. This should not only conserve financial resources but, given evidence that extrinsic rewards can sometimes undermine intrinsic motivation, also help employees stay internally driven to do more.

The bottom line is that managers' and employees' efforts to enhance the meaningfulness of work by redesigning employees' jobs should not stop where the formal job description ends. Instead, we encourage employees to more thoughtfully and proactively craft their citizenship behavior in ways that their extra-role contributions lead to more meaning and fulfillment while, at the same time, enhancing their firm's performance.

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4. Every Generation Wants Meaningful Work—but Thinks Other Age Groups Are in It for the Money

→ by KELLY PLEDGER WEEKS

YEARS AGO, I started getting regular consulting requests from companies seeking help managing Millennials. When I asked what they were struggling with, I heard comments like these:

“Millennials don’t seem to care about the work or the company. They will let us train them and then quit the following week for a job for more money.”

“Millennials don’t understand the meaning of work—they want rewards without having to do the work to earn them.”

“Millennials only want time off for vacation. That seems to be all they care about.”

As a college professor, I teach Millennials. These complaints didn’t seem to describe the students I know. They are hardworking, with internships and jobs outside of school they seem to value. In fact, when I asked them what they found meaningful in work, Millennials had plenty of answers that weren’t just about money and leisure time.

This got me thinking: Maybe the problem isn’t that Millennials don’t value meaningful work. Maybe they just define it differently from other generations.

To find out if there were generational differences in definitions of “meaningful” work, my colleague and I started our investigation the old-fashioned way: by asking people. We interviewed five employees from each generation, inquiring about how important meaningful work was for them, what they find meaningful in the job they currently do, what their ideal job would be, and whether they saw any generational differences in definitions of meaningful work.

Employees from all generations—defined by the Pew Research Center according to birth years that have experienced common historical events during their formative years—said that they valued meaningful work, as is evidenced from the following quotes:

Traditionalists (born between 1922 and 1945):

“I can’t even imagine going to a job that... I didn’t think had value.”

Baby Boomers (born between 1946 and 1964):

“If I didn’t get personal fulfillment and feel like I was doing something good, it would be miserable to put that much time and effort into something.”



Generation Xers (born between 1965 and 1980):

“If your job is without meaning, what would get you out of bed?”

Millennials (born between 1981 and 1996):

“I would rather make nothing and love going to work every day than make a ton of money and hate going to work every day.”

However, we found that when asked spontaneously, each generation defines meaningful work slightly differently. The traditionalists we interviewed said that meaning comes from challenging work that allows people to grow, as well as work that helps other people. One expressed it this way:

“If your job doesn’t challenge you to improve your skills, then you’re not in the right job.”

Baby Boomers tended to be slightly more goal-oriented, with one explaining that meaningful work involves “success at achieving your personal goals, and if you’re working with other people, helping them achieve their goals.”

Although Generation Xers also thought accomplishing career goals was a key component of meaningful work,

they focused much more than older generations on work-life balance. Meaningful work happens when “you feel that your work is not all-consuming or that you feel that you can strike a good balance,” said one.

Finally, Millennials spoke more about having nice coworkers and helping others and the community:

“I really think the most meaningful job is a job of service....If you can do something that you know in one way or another directly benefits somebody else, it can be very rewarding.”

While these interviews did reveal some disparities in the ways different generations define “meaning,” it was a small sample. So in a follow-up study, we used a forced-choice survey that asked 298 participants to compare pairs of items and pick the one closest to their definition of meaningful work. Although there were a few differences among generations, when they were forced to choose what is most meaningful, generational cohorts mostly agreed on their definitions. All generations chose items that revolved around intrinsic motivation as most important to their definition. They also all chose items related to having good

relationships with coworkers as least important.

These results beg a question: If generational cohorts mostly agree on definitions of meaningful work, why was I getting so many requests for consulting?

The answer may lie in the results of the second part of our interview study: negative stereotypes. One of the most striking findings was that every generation perceived that the other generations are in it only for the money, don’t work as hard, and don’t care about meaning. If each generation thinks this way, it’s not surprising that they treat one another differently than if they believe they are all striving for intrinsic meaning in their jobs. Stereotypes like these likely cause conflict among generational cohorts, which may affect performance, commitment, and job satisfaction.

What can managers do to counteract this conflict? To address intrinsic motivators, they can help employees understand how their jobs fit into the organizational mission and why each job is important, and create a supportive organizational climate. They can have more open conversations and workshops aimed at recognizing the commonalities across generations, where

employees discuss what constitutes meaning in their lives and work. In this way, managers can allow existing definitions of meaning to emerge instead of dictating what should be meaningful. They can work to overcome generational stereotypes as they design jobs, recruit and select employees, and allow people to develop throughout their careers. They can also teach employees how to communicate across differences of all kinds because, in the end, all generations are in it together—and for remarkably similar reasons. ☺

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Kelly Pledger Weeks is an assistant professor of management at Rhodes College in Memphis, Tennessee. Her research focuses on various aspects of diversity and inclusion in the workplace, including issues of race/ethnicity, LGBTQ issues, and generational differences.



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Executive Summaries



“A higher purpose is not about economic exchanges. It explains how the people involved with an organization are making a difference, gives them a sense of meaning, and draws their support.”

CREATING A PURPOSE-DRIVEN ORGANIZATION
PAGE 26



Building Corporate Purpose

Why Are We Here?

Sally Blount and Paul Leinwand | page 12

For many employees, the key motivator is a sense of purpose—and yet more than half of those surveyed say they’re not even “some-what” passionate about their jobs. If organizations want to inspire their workers, they must clearly communicate why they’re in business and what value they provide. When employees understand and embrace those things, their companies thrive: Survey results show that more than 90% of companies with a well-defined purpose deliver growth and profits at or above the industry average.

An effective purpose statement, the authors say, answers several questions: Why does our organization exist? Who are we serving? What value do we offer, and why are we uniquely capable of providing it? But a powerful statement is not enough; firms must also deliver on their promises to customers. That requires putting the right people in the right roles, breaking down silos to facilitate cross-functional collaboration, investing in the areas that matter most, and ensuring that leaders demonstrate every day, through their words and actions, their commitment to the firm’s articulated goals.

HBR Reprint R1906J

Put Purpose at the Core of Your Strategy

Thomas W. Malnight, Ivy Buche, and Charles Dhanaraj | page 18

Eight years ago, Malnight, Buche, and Dhanaraj launched a study of high growth in companies, looking at three strategies known to drive it: creating new markets, serving broader stakeholder needs, and rewriting the rules of the game. To their surprise, they discovered a fourth driver they hadn’t considered at all: purpose.

Companies have long been building purpose into what they do, but usually it’s seen as an add-on—as a way to, say, give back to the community. The high-growth companies in the study, in contrast, had made purpose central to their strategies, using it to redefine playing fields and reshape value propositions. The purpose of Mars Petcare, for instance—a better world for pets—guided its expansion from pet food into the larger ecosystem of pet health. The purpose of Securitas—contributing to a safer society—led the firm to redesign its offering to include not just physical guards but electronic services and predictive solutions.

This article explains how executives can develop and implement a purpose at their organizations. It also describes the benefits they’re quite likely to see once they do: a more unified organization, more-motivated stakeholders, broader impact, and more profitable growth.

HBR Reprint R1905D

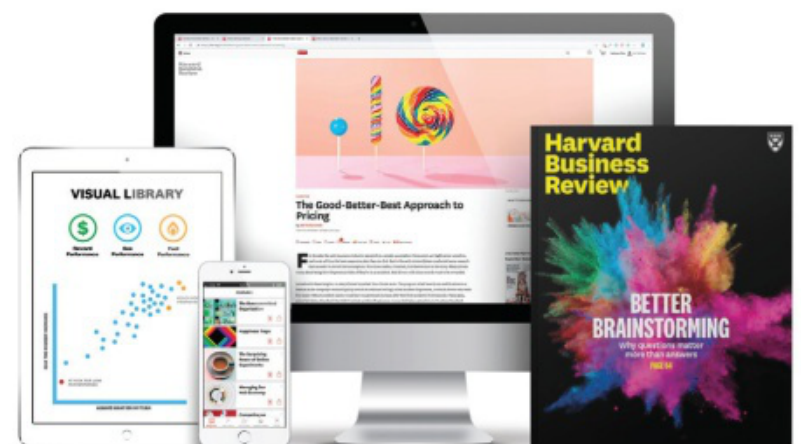


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Executive Summaries



Building Corporate Purpose

Creating a Purpose-Driven Organization

Robert E. Quinn and Anjan V. Thakor
page 26

When employees are disengaged and underperforming, the reaction of many managers is to try new incentives and ratchet up oversight and control. Yet often nothing improves. Why? Because the assumption behind such conventional approaches is that work is fundamentally contractual and that employees are self-interested agents who will seek to minimize personal effort. And that assumption becomes a self-fulfilling prophecy: Employees do just what is needed to earn a reward or meet a standard, and nothing more.

But there is another way: Rally the organization behind an authentic higher purpose—an aspirational mission that explains how employees are making a difference and gives them a sense of meaning. If you do that, they will try new things, move into deep learning, and make surprising contributions. The workforce will become energized and committed, and performance will climb.

In this article, Quinn and Thakor describe how organizations like DTE Energy, KPMG, and Sandler O'Neill have dramatically increased employee engagement after discovering their higher purposes. The authors outline eight steps other companies can follow to break free of the conventional thinking about worker motivation, help a higher purpose permeate decisions throughout the company, and set off a positive chain of events.

HBR Reprint R1804E

The Dual-Purpose Playbook

Julie Battilana, Anne-Claire Pache, Metin Sengul, and Marissa Kimsey
page 34

Corporations are being pushed to dial down their single-minded pursuit of financial gain and pay closer attention to their impact on employees, customers, communities, and the environment. But changing an organization's DNA may require upending the existing business model and lowering profitability, at least in the short term.

The authors' research suggests that successful dual-purpose companies build a commitment to creating both economic and social value into their core activities. This approach, which they call *hybrid organizing*, includes setting and monitoring social goals alongside financial ones; structuring the organization to support both; hiring and mobilizing employees to embrace them; and practicing dual-minded leadership.

HBR Reprint R1902K



Serving Society

Creating Shared Value

Michael E. Porter and Mark R. Kramer
page 54

In recent years business has been criticized as a major cause of social, environmental, and economic problems. Trust in business has fallen to new lows, leading government officials to set policies that sap economic growth.

A big part of the problem lies with companies themselves, which remain trapped in a narrow approach to value creation. Focused on short-term financial performance, they overlook unmet needs in the market as well as broader influences on their long-term success.

It doesn't have to be this way. Companies could bring business and society back together if they redefined their purpose as creating "shared value"—generating economic value in a way that also produces value for society by addressing its challenges.

Firms can do this in three distinct ways: by reconceiving products and markets, redefining productivity in the value chain, and building supportive industry clusters at the company's locations. A number of companies known for their hard-nosed approach to business—including GE, Walmart, Nestlé, Johnson & Johnson, and Unilever—have already embarked on important initiatives in these areas. Nestlé, for example, redesigned its coffee procurement processes, working intensively with small farmers in impoverished areas who were trapped in a cycle of low productivity, poor quality, and environmental degradation. Nestlé provided advice on farming practices; helped growers secure plant stock, fertilizers, and pesticides; and began directly paying them a premium for better beans. Higher yields and quality increased the growers' incomes, the environmental impact of farms shrank, and Nestlé's reliable supply of good coffee grew significantly. Shared value was created.

Our understanding of shared value is still in its genesis. Attaining it will require managers to develop new skills and knowledge and governments to learn how to regulate in ways that enable shared value, rather than work against it.

HBR Reprint R1101C

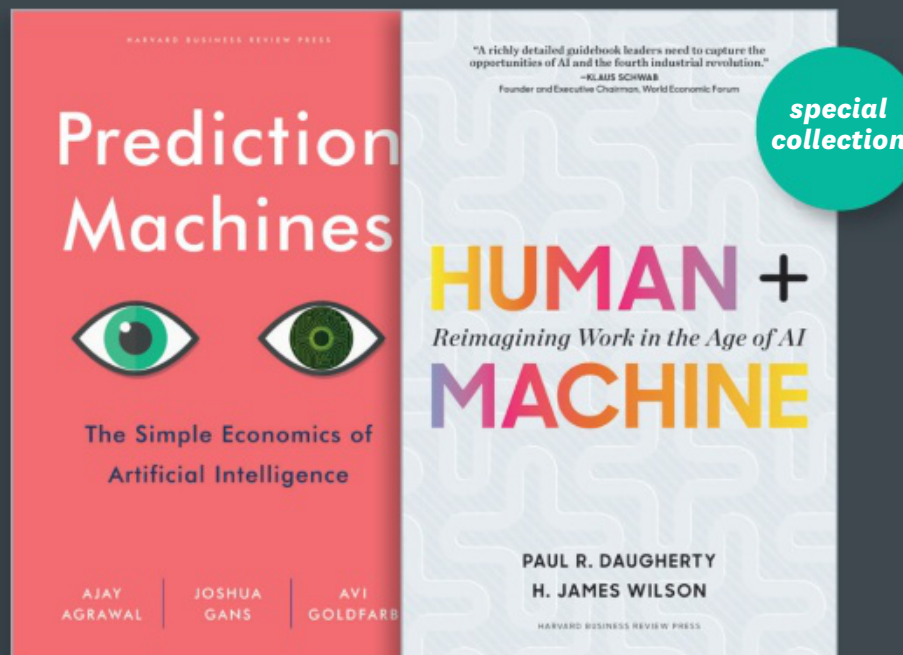
Competing on Social Purpose

Omar Rodríguez Vilá and
Sundar Bharadwaj | page 70

Consumers increasingly expect brands to have a social purpose beyond mere functional benefits. As a result, companies are taking social stands in very visible ways. For example, TOMS's one-for-one program donates shoes and other goods for every product the company sells. Such programs can benefit society and the brand, but they may fizzle or actually harm the company if they're not carefully managed. (Recall Starbucks's widely mocked Race Together campaign.)

Marketing professors Vilá and Bharadwaj have developed an approach they call "competing on social purpose," which ties a brand's most ambitious social aspirations to its most pressing growth needs. An effective strategy creates value by strengthening a brand's key attributes or building new adjacencies. At the same time, it mitigates the risk of negative associations and threats to stakeholder acceptance. In order to create value for all stakeholders—customers, the company, shareholders, and society at large—managers must integrate considered acts of generosity with the strategic pursuit of brand goals.

HBR Reprint R1705G



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Executive Summaries



Serving Society

The New CEO Activists

Aaron K. Chatterji and
Michael W. Toffel | page 80

Though corporations have been lobbying the government and making campaign donations for a long time now, in recent years a dramatic new trend has emerged in U.S. politics: CEOs are taking very public stands on thorny political issues that have nothing to do with their firms' bottom lines. Business leaders like Tim Cook of Apple, Howard Schultz of Starbucks, and Marc Benioff of Salesforce—among many others—are passionately advocating for a range of causes, including LGBTQ rights, immigration, the environment, and racial equality. Not only are CEOs speaking out, but they're flexing their firms' economic muscles by threatening to move business activities out of states that pass controversial laws.

But does CEO activism actually change public opinion and policies? What are its risks and rewards? And what is the playbook for leaders considering speaking out? The authors of this article examine those questions and explain the takeaways of their own research. One finding: Consumers tend to view CEO activism through the lens of their own political affiliations, so it can provoke both negative and positive responses. Nevertheless, in the age of Twitter, silence on an issue can be conspicuous—and consequential.

HBR Reprint R1801E



Finding Your Own Purpose

From Purpose to Impact

Nick Craig and Scott Snook | page 90

Over the past five years, there's been an explosion of interest in purpose-driven leadership. Academics, business experts, and even doctors make the case that purpose is a key to exceptional leadership and the pathway to greater well-being.

Despite this growing understanding, however, a big challenge remains. Few leaders have a strong sense of their own individual purpose, the authors' research and experience show, and even fewer can distill their purpose into a concrete statement or have a clear plan for translating purpose into action. As a result, they limit their aspirations and often fail to achieve their most ambitious professional and personal goals.

In this article, the authors present a step-by-step framework that leaders can use to identify their purpose and develop an impact plan to achieve concrete results. Effective purpose-to-impact plans use language that is uniquely meaningful to the individual, rather than business jargon. They focus on future, big-picture aspirations and work backward with increasing specificity. And they emphasize the individual's strengths and encourage a holistic view on work and family.

HBR Reprint R1405H



Leading a Purposeful Team

The Power of Small Wins

Teresa M. Amabile and Steven J. Kramer
page 110

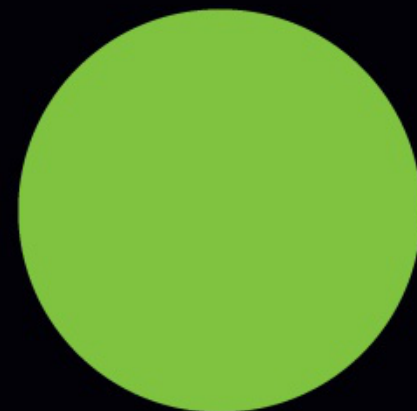
What is the best way to motivate employees to do creative work? Help them take a step forward every day. In an analysis of knowledge workers' diaries, the authors found that nothing contributed more to a positive inner work life (the mix of emotions, motivations, and perceptions that is critical to performance) than making progress in meaningful work. If a person is motivated and happy at the end of the workday, it's a good bet that he or she achieved something, however small. If the person drags out of the office disengaged and joyless, a setback is likely to blame.

This *progress principle* suggests that managers have more influence than they may realize over employees' well-being, motivation, and creative output. The key is to learn which actions support progress—such as setting clear goals, providing sufficient time and resources, and offering recognition—and which have the opposite effect.

Even small wins can boost inner work life tremendously. On the flip side, small losses or setbacks can have an extremely negative effect. And the work doesn't need to involve curing cancer in order to be meaningful. It simply must matter to the person doing it.

The actions that set in motion the positive feedback loop between progress and inner work life may sound like Management 101, but it takes discipline to establish new habits. The authors provide a checklist that managers can use on a daily basis to monitor their progress-enhancing behaviors.

HBR Reprint R1105C



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