

Thinking Clearly About Your Company's Purpose

Graham Kenny

I've started a few businesses, and I can genuinely say that I didn't start them out of a sense of moral purpose. Two other p's are what drove me and, I would say, are what drive the other entrepreneurs I know: problem and profit.

Starting a business begins by identifying a problem to be solved: a better concrete transit mixer, an easier way to book accommodation online, an automatic way to change gears in a car. But this problem has to be big enough, and valuable enough, for customers to pay — hence, the profit.

Purpose comes later, and it's to do with organizations, when you have staff who work for the firm. Employees aren't necessarily driven by the same intrinsic interest that the entrepreneur has for the product or, indeed, by the business's profitability.

Much has been written about organizational purpose. Judging by the number of books on the subject, there's a whole "purpose industry" out there. However, for many managers and employees there's something about what these books are saying that doesn't ring true. I sense this in working with organizations as a consultant. Whenever senior executives start talking about purpose in meetings, you can see their subordinates groaning inwardly at yet another display of management BS.

Their scepticism is understandable, and I often share it. But I don't believe that purpose is a meaningless construct. What happens, I think, is that in choosing one organizational purpose over others, managers fall into a framing error in which they end up comparing two unlike things.

Let's say that you and your colleagues are executives at a major foodstuff manufacturer trying to define the company's organizational purpose. You start by agreeing that the purpose of business has to be about more than "making money." So far, so good. But then you ask: "What's more likely to motivate employees? Generating greater profits and better returns to shareholders, or producing nutritious food that enhances the health and well-being of our customers?"

It's a no-brainer, of course. The customers win. But there's a trick at play here that isn't immediately obvious to the people participating in the exercise. Look at the statement again, carefully, and you'll realize that one part of the statement deals with the *benefits* of one stakeholder group, customers; the other part deals with a *metric* for the other stakeholder group, shareholders. It's a classic heart-versus-head situation. And heart wins.

Let me restate the proposition in a way that will demotivate you just as easily in the direction of *both* stakeholders: "What's more likely to motivate employees? Generating greater profits and better returns to shareholders, or producing greater revenue from customers?" Now they're both metrics. Empathy doesn't come into play. You can't empathize or find purpose in a number. Purpose disappears.

Now we'll restate it another way, so that we compare benefits instead. Think about your shareholders as people. Who are they? They come in many shapes and sizes, but many are individuals who invest savings directly in the stock market, or people who invest indirectly through fund management companies. They want to build up a pot of savings to assure their future in old age.

Understanding this better, and personalizing shareholders in this way, might lead me to restate my original proposition like this: "What's more likely to motivate employees? Generating better returns so that savers can provide for their futures, or producing nutritious food that enhances the health and well-being of our customers?" Now we have a true dichotomy, because now the proposition addresses the *benefits* of both sets of stakeholders. Now we have two purposes that are equally valid.

When you present the choices properly, it soon becomes clear that there is no one overarching purpose for an organization in any sector. All organizations have multiple purposes depending on their list of key stakeholders. You can write a valid purpose statement for employees, suppliers, shareholders, or whoever is key for a particular organization — as well as for customers. It's discovered by addressing this question: "What difference does our organization intend to make in their lives?"

Let me be clear. Nothing in what I have said means that you can't prioritize one difference over another. In fact, with very good reason, management may *choose* to emphasize purpose for customers over purpose for other stakeholder groups, as this engages and motivates staff. But it's very important to have clarity about what you're choosing between. Creating a false dichotomy may well set you up to choose badly. Companies may end up prioritizing shareholders when they should put customers first, and vice versa. So when you're in a discussion about purpose or mission, make sure that the proposed statements are comparing apples with apples — and not with oranges.

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HBR ARTICLE SEPTEMBER 8, 2016