

Reflections from David Grayson

David Grayson is professor of Corporate Responsibility and director of the Doughty Centre for Corporate Responsibility at Cranfield University School of Management, UK. Here he provides some personal thoughts and reflections from the Blueprint Panel Debate 'Purpose & Performance' on the 15th September, and the LBS & Blueprint Academic Conference 'Organisations with Purpose' on the 16-17th September.

Generations of MBAs have graduated from the world's business schools, comfortable in the certainty that the purpose of business is to maximise shareholder-value. Many have gone on to run businesses according to that certainty. In parallel, polls, show trust in business and business leaders is generally low. Only 32% of the UK public, for example, thinks that business acts ethically and only 52% thinks that business contributes to society¹. Observers will argue whether there is any causal connection between these two realities. Suffice to say, one of the presumed "Godfathers" of maximising shareholder value, the former CEO of GE, Jack Welch, has dismissed shareholder-value as "the dumbest idea,"² and John Kay, the economist and Financial Times commentator has argued that "profit is no more the purpose of business than breathing is the purpose of living."³ The social philosopher Charles Handy has long argued that instead of pursuing shareholder value as their purpose, each business should seek to define its own purpose⁴.

Defining corporate purpose suddenly seems ubiquitous: "the latest management fad," "the latest business accessory." Public conversation about purpose, between 1995 and 2016, has increased five-fold⁵. There is already talk of purpose-wash, when businesses abuse the concept for marketing and PR. So, what is purpose? What is the purpose of purpose? How might organisational purpose be developed? These and related topics were discussed by a group of eighty academics, business people and consultants, at a "by invitation" conference organised by Ioannis Ioannou and London Business School Leadership Institute with A Blueprint for Better Business (Blueprint) in September 2016; and at a separate Blueprint panel held immediately before the conference, for Blueprint supporters.

What is purpose?

Conference chair Prof Rebecca Henderson from Harvard has previously defined purpose as "a concrete, pro-social goal or objective for the firm that reaches beyond profit maximisation." Others have variously described purpose as 'why' a business exists, the DNA of the organisation, and changing the core motivation of the firm to sustainable well-being.

¹ Sir Michael Rake (2016) *Blueprint in Action* [Conference] A Blueprint for Better Business, 17th March

² Guerrero, F. (2009) 'Welch condemns share price focus' *Financial Times*, 12th March

³ John Kay (2014) *Putting Purpose into Practice* [Conference] A Blueprint for Better Business, 30th October

⁴ Charles Handy (1990) *What is a Company For?* [Lecture] RSA, 5th December

⁵ EY Beacon Institute (2016) *The Business Case for Purpose* Harvard Business Review. Available at: <http://bit.ly/1jEJJ1Z>

What is the purpose of purpose?

Victoria Hurth (Plymouth Business School), Jaideep Prabhu and Charlie Ebert (Cambridge Judge Business School), have undertaken interviews with large UK-based businesses leading the purpose agenda. Their provisional conclusion, outlined by Victoria Hurth at the Blueprint panel, is that purpose can *inter alia*, attract and deepen relationships with a wide range of stakeholders, be a source of differentiation in a deep and long-term way, and help organisations take the tough decisions.

Blueprint itself has suggested several purposes of purpose: to inspire people to contribute personal energy to a collective venture; reveal the human face of what the organization is working to achieve; ensure an authentic connection between what the organisation believes, what it says, what it means and what it does; enable people to make practical choices about what they do day to day, using the purpose as a constant reference point and to have a legitimate voice where matters of purpose are concerned, both within and beyond the organization; and to re-enforce the mutuality of dependence between business people and society - fostering the dignity and fulfilment of people and the flourishing of society.

Purpose can pay! Claudine Madras Gartenberg (New York University (NYU) - Leonard N. Stern School of Business), Andrea Prat (Columbia Business School) and George Serafeim (Harvard Business School), have constructed a measure of corporate purpose within a sample of US companies based on approximately 500,000 survey responses of worker perceptions about their employers. They conclude that *“organizations where employees perceive their work to have a strong meaning and contribute to the community and society and at the same time are clear about their job responsibilities and expectations outperform their competitors.”* They call those organizations *High Purpose High Clarity*⁶. In a separate paper, Caroline Flammer (Questrom School of Business, Boston University) and Pratima Bansal (Ivey Business School, University of Western Ontario) also concluded that a long-term orientation benefits firms in the long run.

How Do Organisations Go About Defining Their Purpose?

Three of the businesses using Blueprint: the budget airline easyJet, reinsurer Flood Re, and the world's largest mobile phone company outside of China: Vodafone described their approach to defining their own purpose. This had begun with senior management discussion – typically in a one or two day workshop – of the Blueprint principles and framework, and how their company was performing against these. Senior managers then described their own individual purpose as a precursor to exploring the organisation's purpose. Similar processes were outlined in papers from Dana Borne (Harvard Kennedy School), Nick Craig (Authentic Leadership Institute) and Brooke Dickens (Harvard College); and from Agustin Jimenez (consultancy firm: CAUAC) and Carlos Largacha-Martinez (Humanistic Management Centre). These are based on their work on helping organisations define purpose, principally in the US and Colombia. Might this approach produce a camel - the proverbial horse designed by committee? Joel Podolny, who straddles academia and business as a former long-term professor of organisational behaviour and now head of Apple's corporate university cautioned:

⁶ George Serafeim (2016) 'Does Purpose influence Corporate Performance?' *LinkedIn Pulse*, 3rd October. Available at: <http://bit.ly/2fyZSoS>

“I can obviously see how such a methodology is likely to result in a high level of buy-in on an end result, but I worry that it is less likely to result in something that is extraordinary. I have had the good fortune to talk to people on teams that have pursued the extraordinary, and they will tell you that in that pursuit, they discovered things about themselves of which they were completely unaware. Put another way, it was through the actual pursuit of an extraordinary organizational purpose that they discovered a truly meaningful personal one. So, if you reverse the process and anchor an organizational purpose in personal purposes — many of which will necessarily be grounded in people’s comfort zones, insecurities, and so on — I think it is less likely that you will arrive at an organizational purpose that elicits the extraordinary.”

Podolny, therefore, suggests that:

“A much better approach {to defining organizational purpose} is getting your most exceptional, visionary individuals — and that would be some number between 1 and let’s say 6 or 8 — and have them come up with a purpose that inspires the extraordinary from the broader organization. They, of course, can and probably should talk with those in the broader organization as they are formulating that purpose and vision, but they don’t arrive at it by allowing those in the broader group to put post-its next to the phrases that they most like.”

There seemed to be considerable buy-in for the notion that it would be wiser not to start work on purpose at all, rather than to do it badly or inauthentically.

The role of middle-management in implementing Purpose

Several contributors emphasised the critical importance of middle-management. In a case study of a 100 year+ international mining company, Nadine Mayes (University of Cape Town Graduate School of Business) found that whereas the senior management team had integrated social, environmental and economic impacts into their thinking and decision making, middle management were principally focussed on the economic impacts or mainly economic impacts with bits of the social and/or environmental dimension added on. What matters is not just purpose but what is underneath the meta-frame of integrative purpose: the processes and mechanisms to embed purpose in decision making and operating practice. This is corroborated in the Gartenberg, Prat, Serafeim paper:

Several contributors emphasised the critical importance of middle-management. In a case study of a 100 year+ multinational mining company, Nadine Mayers (University of Cape Town Graduate School of Business) found that middle managers were pertinent to the integration of economic and social-environmental dimensions for corporate sustainability. Whereas the organisation had integrated all three dimensions in rhetoric, strategy and standards, middle management were focussed on either economic, or social-environmental dimensions and social-environmental dimensions were mostly added-on, rather than integrated into decision-making processes. This is corroborated in the Gartenberg, Prat, Serafeim paper:

“The positive relation with future financial performance is driven by middle managers holding those **{High Purpose High Clarity}** beliefs. Given that middle management connects top level management vision with ground level implementation we view this as evidence on the importance of building implicit and relational contracts and trust inside organizations.”

This does hint at the “on-going hard graft” to implement purpose described by Agustin Jimenez which he finds missing in most organisations. Absent from the discussion was the role of boards as creators, or co-creators, and guardians, with the senior management team, of organisational purpose. Are boards deeply engaged in purpose and researchers are not identifying this; or are boards only tangentially engaged – and if the latter, what does this say about corporate governance theory and practice?

Barriers to delivering on Purpose

Beyond endurance for the “hard graft” and how to ensure middle management awareness, understanding, internalisation, application and engagement with purpose, an intriguing hint of another barrier to embedding purpose came from Vodafone’s Matt Peacock: namely, the absence of NGOs who at a deep level understand the transformative nature of business with purpose - and which have the mind-set, capacity and skills to “radically engage” (as Lord Browne of Madingley defines⁷) with such businesses. Whilst not referenced in this conference, this links to ideas about tri-sector skills and the notion of tri-sector athletes developed by Professor Joseph Nye at the Harvard Kennedy School of Government and popularised by Dominic Barton, the global managing partner of McKinsey and Co⁸.

Learning from hybrid organisations

Can there be some alignment around an openness to more varied business models and forms; and also to a greater diversity of business purpose? This may include more hybrid organisations and crucially within such hybrids, a spectrum where some organisations will (un)successfully reconcile the paradox of organisational and societal purpose but with different prioritisation of different stakeholders. Zachariah Rodgers (Stanford) explored these questions using research into 1600 micro-finance initiatives affiliated to the World Bank, suggesting organisations align predominantly on business or societal performance, drawing an analogy with “FAMILY business versus family BUSINESS; or RELIGIOUS university versus religious UNIVERSITY.”

How purpose can help an organisation

Apple’s Joel Podolny reminded us of how a clear and deeply embedded purpose can help an organisation in a time of crisis, citing how the Johnson & Johnson Credo⁹ helped J&J to handle the Tylenol crisis in the 1980s when a handful of individuals died of cyanide poisoning due to the fact that someone had laced the Tylenol tablets after the tablets left the factory.

“Johnson and Johnson’s response to the crisis — leading the pharmaceutical industry in setting new safety standards, and then themselves going beyond those safety standards — is considered the gold standard of crisis management at all levels in the company. Jim Burke, then CEO of Johnson and Johnson, credited not simply the fact that J&J had a Credo, but that they had a Credo Challenge that went on throughout the company for x years in the time prior to the Tylenol crisis. Burke encouraged his management team to

⁷ Browne, Nuttall & Stadlen (2015) *Connect: How companies succeed by engaging radically with society*. London: WH Allen

⁸ Nick Lovegrove & Matthew Thomas (2013) ‘Why the World needs Tri-Sector Leaders’ *HBR Blog*, 13th February. Available at: <http://bit.ly/1vJWwht>

⁹ Johnson & Johnson (2016) *Our Credo*. Available at: <http://bit.ly/2fjH5wO>

challenge the credo, to call out where they were not living up to it, where it was not relevant and so on.

My takeaway from the J&J story is that the words of the credo or purpose matter less than the conversation about how the company is living up to the credo, and what matters most about the conversation is the degree to which it provides a basis for continual critique and challenge. It must allow employees to look at work product that may be strategically “good enough” and still say that it is not organizationally “good enough”.

Linking purpose to wider philosophical context

A key feature of the LBS-Blueprint conference was the explicitly inter-disciplinary nature of the event. There was a rich session with philosophers. Kleio Akrivou (Henley and University of Navarre) suggested “organisations with a moral purpose require an ethically demanding concept of organisational culture.” Friedrich Glauner (Tubingen) argued that rather than talking about corporate responsibility, we start thinking about future viability” and that future viable business models would have to deliver net positive impact. Andre Habisch (Catholic University of Eichstatt-Ingolstadt) reminded us of the Practical Wisdom of the great religious and philosophical traditions about how business should be conducted – and why. He suggested this transcends efficiency and means, economics and ethics, profits and purpose. He referred to a series of eight Practical Wisdom for sustainable management conferences organised by the Academy of Business in Society (ABIS) and Yale between 2009-14;¹⁰ and a separate German Academic Exchange Service (DAAD)-funded Christian-Islamic Dialogue and Exchange project since 2013 about a spiritual and ethical renewal of management development.¹¹

In an Invited Talk, Nava Ashraf from the London School of Economics explored what creates for some people, an understanding that there does not have to be a conflict between self-interest and societal interest, versus others who see such a conflict. She suggested the answer lies in ideas around Abundance and Scarcity. There are powerful links here to the work of Wharton’s Adam Grant, notably his 2013 book “Give and Take.” Nava Ashraf described several trials and field experiments in the UK and in Africa to test for “altruistic capital” – the intrinsic desire to serve (Ashraf & Bandiera 2015). She asked if by marrying personal and organisational purpose, we can “unlock the deeper talents of people to make a greater contribution to the world?”

Elephants (half) in the room

In this writer’s view, there was a partially addressed elephant in the room about where purpose fits into the crowded landscape of ethics, responsibility, sustainability, renewal of capitalism and so forth. Whilst the exciting ferment of ideas is valuable, the lack of a coherent narrative and commonly used language serves neither business nor society. Aside from the proliferation, some concepts such as “Corporate Social Responsibility,” have become so hollowed out of meaning or become widely used to mean something much less than originally intended; and should, therefore, be retired. Meantime, as Victoria Hurth has argued, “*in recent years, ‘Corporate Responsibility’ has aimed to break with CSR and*

¹⁰ The Academy of Business in Society (2016) *Practical Wisdom for Sustainable Management*. Available at: <http://bit.ly/2fcku84>

¹¹ Katholische Universität (2016) *Practical Wisdom for Sustainable Management*. Available at: <http://bit.ly/2fABZeW>

interrelate business success and sustainability – it is how this term relates to purpose that will be trickier to pin down.”¹²

Some Outstanding Questions

At the end of a fascinating conference, amongst the questions that remain outstanding are: is the articulation of purpose easier in certain business sectors/activities than for others? Is it easier to be a purpose-driven business in boom times rather than bust? Is there a greater likelihood of an organisation embedding its purpose long-term, if it is re-discovering an earlier, powerful purpose, like Michaelangelo discovering his statue of David out of the slab of marble? How does purpose survive, let alone thrive when organisations are constantly forming and re-forming through mergers & acquisitions and de-mergers? Why do some companies seemingly abandon their purpose and even lose institutional memory of it? Does purpose lead to a long-term orientation or is it vice-versa?

Carrying Forward The Debate

Individual conference papers are already being published as working papers. Some will become published academic journal articles. Conference conversations will produce new collaborations between participants. Members of the core A Blueprint for Better Business team are, in parallel, drafting a book capturing their insights on the origins, evolution and applications of Blueprint. The Purpose debate continues.

David Grayson October 2016

¹² Hurth, V. (2016) 'CSR vs purpose: an evolution or different concept altogether?' *Growth Business*. Available at: <http://bit.ly/2fACeqm>