

The Purpose-Driven Business

How companies are using the power of purpose to drive competitive differentiation and emotional engagement

'Purpose' is a buzzword in business today, but what exactly does it mean to have a 'purpose-driven' business?" Does it mean sacrificing profits? Does it only apply to industries where a purpose other than making money is pretty clear—like medicine?

In this piece we'll unpack what it means to become a purpose-driven business. We'll cover the industry's consensus; introduce you to some of its thought leaders, and where their current thinking comes together and where it diverges. We'll overview what purpose means now, and where it's going. If you've ever been confused about what purpose in business actually means, you've come to the right place.

Let's start with why purpose matters, and how purpose at work affects financial results.

Does Focusing on Purpose Help or Hurt Revenue?

If someone asked your team, "What's the purpose of our organization?" How would they answer?

When the majority of employees believe the primary purpose of the organization is to make money, the organization is destined for mediocrity. Harsh language, but proven true time and time again. Organizations driven by a purpose bigger than money outperform their competition in terms of customer loyalty and employee engagement, which ultimately lead to greater long-term revenue.

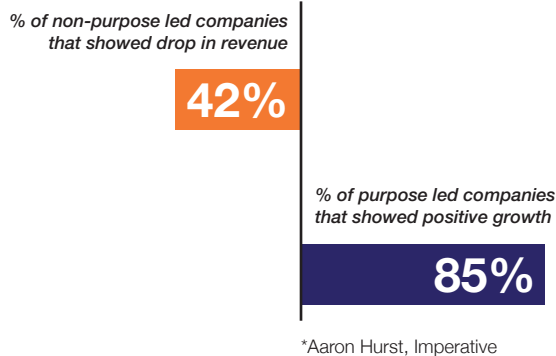
Here's what the leading research in the field revealed: Purpose leadership expert Jim Stengel's 10-year growth study determined that organizations whose purpose is to improve the lives of their customers, outperform their competition and the market as a whole.

In *Grow: How Ideals Power Growth and Profit at*

the World's Greatest Companies, Stengel documents how 50 of the highest-performing companies in the world harnessed the power of brand ideals to tower over their competitors. At the core of a brand ideal, is purpose. Stengel says, "Top performing brands are built on ideals, higher-order purposes that transcend products and services."



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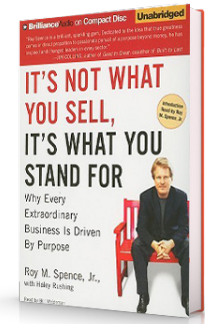
Purpose consultant Aaron Hurst, the founder of Imperative, and a leader in the purpose space found that 42% of companies that were not considered “purpose- driven” showed a drop in revenue in a calendar year. On the other side, 85% of purpose-led companies showed positive growth.

Organizations whose primary focus is on their own financial performance do not create the competitive differentiation or emotional engagement required for lasting success. An overemphasis on profit points the organization inward, employees focus on short-term gains, there is little innovation, silos build, and mediocrity eventually prevails. Meaningful competitive differentiation requires an outward focus on the people who actually drive your business, customers.

Purpose doesn’t always mean saving the world. Haley Rushing, co-founder of the Purpose Institute says, “When we did the purpose for Wal-Mart, for example, and when Sam Walton was asked about the legacy he hoped to leave with Wal-Mart, he said, ‘well, at the end of the day, I hope I could save people a little money so they could live a little better.’ We said, “that’s a pretty good purpose! To save people money so they can live better.”

Rushing who along with co-author Roy Spence wrote one of the seminal books about purpose: ***It’s Not What You Sell It’s What You Stand For***. An HBR review of *It’s Not What You Sell*, says, Spence and Rushing contend that the virtue of being clear about purpose and identity — what makes your organization different, what difference it is trying to make in its field and in the lives of its employees — creates the strength to resist mimicking the stale ideas and outmoded practices of the competition.

Spence, co-founder of GSD&M, the legendary advertising agency based in Austin, Texas, says, “We learned from Jim Collins that all of the visionary companies that will be built to last will have a purpose beyond making money.”



Purpose is like your mission on steroids, it’s your meta mission.

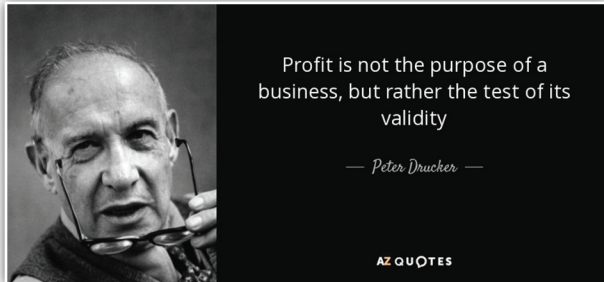
Purpose At Work: Creating a Great Corporate Culture

To understand why purpose-driven companies outperform profit-driven companies, it helps to look at a side by side. Imagine two firms, Company A and Company B. They compete in the same marketplace, for the same customers.

The leadership at Company A says, “Our purpose is to provide a return to shareholders.” Employees are measured on their ROI. Company B’s leadership says, “Our purpose is to improve the lives of our customers.” Employees are assessed based on the impact their actions have on customers. Which company is going to develop better systems and products, the team

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focused on short-term earnings, or the team focused on customer impact? Which group of employees is going to be more emotionally engaged, the team whose leaders view them as assets in the service of earnings? Or the team who believes they improve customer's lives?



Peter Drucker famously said, “Profit is not the purpose of a business, rather the test of its validity.” Drucker cautioned against making profit the endgame saying that it was not only meaningless, but also potentially dangerous. As Drucker asserted many times, “the true purpose of a business is to create and retain customers.”

Our own firm’s study of sales organizations validates Drucker’s wisdom. McLeod & More’s research revealed salespeople who sell Noble Purpose, who truly want to improve the lives of their customers, outsell salespeople focused on targets and quota. In our study of over 500 sales organizations all over the world we found irrespective of industry, company size, or market, salespeople driven by a higher-level purpose of positive customer impact, outperform their peers, and their competition.

Purpose-Driven Strategy

In *It’s Not What You Sell: It’s What You Stand For*, Roy Spence says, “Purpose doesn’t make decisions easy, it makes them clear.” Strategy is about making choices. When your purpose is clear, you know what to say yes to and what to say no to.

Leaders often ask, does purpose drive strategy, or does your strategy inform your purpose? The short answer is purpose comes first. The longer answer is, it’s an iterative process.

Former Procter & Gamble North America VP of Sales Gary Cofer says, “Without a clear purpose, you are making choices in a vacuum.” When Cofer began his current role as the Chief Commercial Officer for the market research firm GfK, he brought his senior leadership team together to create their purpose and strategy. He says, “It starts with purpose, then you have to look at the numbers, they have to add up. If they are not adding up, you have to ask, are the choices big enough, are they bold enough? What are the missing pieces? Are we in the right places? Through a series of questions, you have to make the whole thing stick together.” He concludes, “Choice is hard. Most companies don’t do it because it is so hard. There’s no one and done.”



Gary Cofer

From his days as a P&G leader, Cofer knew the value of purpose to make choices and drive engagement. P&G proclaims their purpose on their web site: “To provide branded products and services of superior quality and value that improve the lives of the world’s consumers, now and for generations to come.” With a global workforce of over 100,000 employees and 21 brands that have more than a billion dollars in net annual sales, plus thousands of additional products, Procter & Gamble uses purpose as a rallying cry. Their site says, “Our Purpose unifies us in a common cause and growth strategy of improving more consumers’ lives in small but meaningful ways each day.”

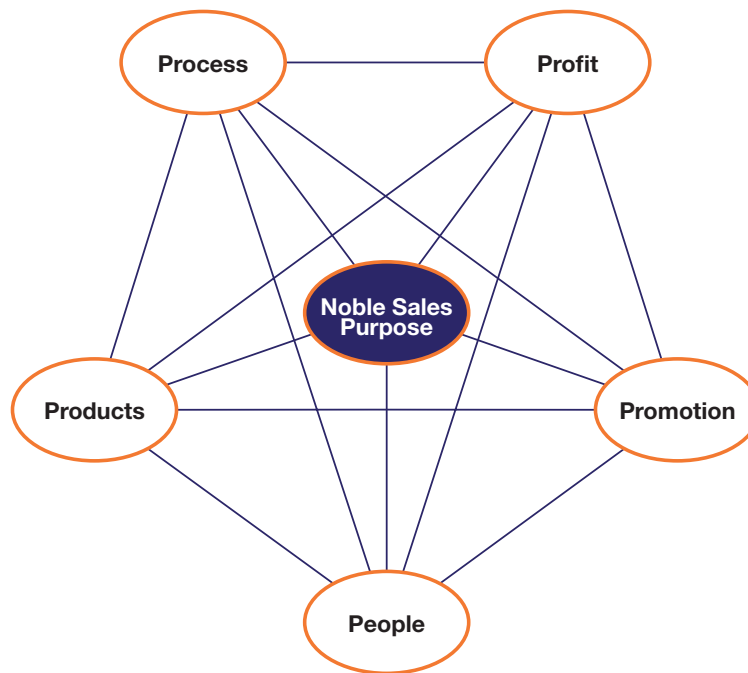
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Cofer says when he joined GfK, “I asked my team, wouldn’t you rather be involved in something more than just a job, something that provides meaning?” His team responded with enthusiasm. “Talented people are going to gravitate to companies that provide meaning,” says Cofer. “Purpose helps people become more engaged, the result is they do better work, they become more self-directed and they get better results.”

“The discipline” says Cofer, “comes from taking the time up front to be rigorous.”

Purpose in Commercial Models

Purpose sits at the center of a commercial model. It creates organizational alignment providing common ground, and preventing organizational silos. We use a 6P model for helping leaders make strategic decisions:



Without a sense of purpose, the outer 6 P’s push and pull against each other. Nothing connects them. You wind up with lack of alignment, silos, and often turf wars of competing agendas, the most typical being the push for profit eroding the focus on people, products etc. Putting purpose at the center aligns each area to support the same endgame. Instead of competing, they inform each other. Decision about products, promotions, process, and people are filtered through a lens of purpose. Profit becomes a measure of how well you’re performing against your purpose.

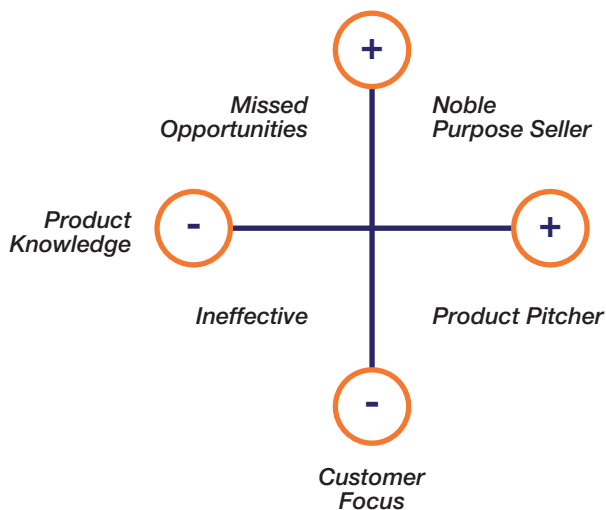
A Customer Focus Is Not Enough

In a provocative HBR piece *Sales - Where Strategy Goes To Die*, strategy consultant Scott Edinger writes, “Too often, communication from the C-suite to sales is focused entirely on numbers and the need to increase them, which sends a clear, though sometimes unintended message: any revenue is good revenue. When that happens, the strategy is subsumed in favor of short-term and sub-optimal sales that create a cascade of organizational problems.”

Clarity of purpose can keep your strategy alive in the face of competitive threats and hanging market conditions. Edinger confirms, “Corporate strategy, conceived in the boardroom, most often dies when handed over to a sales team on the front lines.”

In sales, the question is often, which comes first, customer, product, or quota. Traditional thinking suggests putting the customer first drives the best long-term results. But our field research with sales teams found, being customer-focused

was not enough. Customer-driven sellers can be reactive, giving in quickly to customer requests or demands. This causes them to miss larger strategic opportunities. Product-pitching sales teams miss opportunities because they don't understand the customer. Yet customer-focused sales teams people can also miss opportunities because they're not thinking long-term enough.



Purpose-driven salespeople focus not just on what customers want, but on the potential impact they can have on their clients. They combine product knowledge with a customer-driven ethos to be more proactive.

Three years ago, Patrick Hodges was the Sales Director for a single Blackbaud division. Hodges made the decision to embrace and leverage purpose. Over 24 months, Hodges drove his team to double-digit sales growth, outpacing the industry and the rest of the organization. His portfolio increased to two divisions; he drove bigger results. Now two promotions later, he's the Chief Sales Officer, and reports directly to the CEO.

Hodges, says, “Other people in our space may have similar products. Our salespeople face getting no after no after no. But when they have a sense of purpose in their personal psychology, they're more resilient. They get more personal fulfillment in their job.”



Patrick Hodges

Hodges says, “Most software companies want mercenaries, people who will just sell the heck out of your stuff. But the reality is your people may be just one phone call away from changing jobs.” Hodges recognized, without emotional engagement, Blackbaud was at risk for losing their top performers. Under Hodges' leadership he decreased sales turnover, and helped make Blackbaud a destination employer, who was voted a top place to work.

Hodges confirms, “Engaged salespeople sell more.”

How to Make a Purpose Statement

A true purpose, what we refer to as a Noble Purpose, is both aspirational and practical. For example, Flight Centre, the world's largest travel agency claimed for their Noble Purpose: *We care about delivering amazing travel experiences.* We worked with their senior team to put strategies, metrics and training in place to improve their 80,000 global employees' ability to care, deliver, and produce amazing experiences for clients.

F. Hoffman Roche's purpose is, *"Doing now what patients need next."* Their succinct statement acts as a galvanizing force for their team around the globe. It's a lens for strategic and daily decisions, and it's the bedrock of their sales and marketing narrative.

Compare Flight Centre and Roche's succinct purpose statements with the meaningless mission statements pasted on most lobby plaques. Most companies try to kitchen sink their mission, throwing every possible outcome and stakeholder into the mix: We want to be the leader in our space, be a great employer, give back to the community, be innovative, etc. Some version of, we want to make money and be nice people while we're doing it. It's milquetoast messaging that has no impact on behavior or daily operations.

To be effective a purpose must be both aspirational and specific. We coined the phrase Noble Purpose to help our clients point their teams in the direction of customers. To be effective a Noble Purpose must:

1. Be Short
2. Describe the impact you have (and wish to have) on customers
3. Provide a lens for decision-making
4. Promote product and service innovation
5. Translate into behaviors

Other examples of effective purpose statements are:

Nike: Bring inspiration and innovation to every athlete in the world.

CVS: Helping people on the path to better health.

Foundation Supportworks: We are redefining the contracting industry.

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How Purpose Drives Profit

An effective purpose statement and strategy shifts employee mindset from internal to external to customer impact. Mindset is the underpinning of behavior. Consider how these mindsets will affect outcomes:

	Profit Focus	Purpose Focus
Sales Narrative	I need to meet my quota. I'm here to close the deal.	I am here to add value. Customer-impact is our endgame.
Marketing Messaging	I need to get the attention of potential customers.	I want to show customers how their lives will be different after doing business with us.
Leadership	We need to improve the bottom line.	We need to deliver better results for our clients.
Customer Service	I help customers solve problems.	I help our customers be successful.
Operations	I enable our business to function.	I improve our clients' businesses and lives.

The differences in language seem subtle. The difference in results is dramatic. Overemphasis on profit narrows perspective, it points employees inward. A customer-driven purpose sparks innovation; it galvanizes employees to think bigger and inspires commitment to a larger endgame. A customer-impact focused purpose puts your organization on the path to competitive advantage. It gives your team something to rally around, which increases emotional engagement.

Gary Cofer says of his experience at GfK, "It takes years to realize full benefits, but I saw benefits in our work group at once. Very early on, because they created the purpose and were making choices about what was important, they began living it."

Cultivating Competitive Differentiation and Emotional Engagement

We tend to think of competitive differentiation and emotional engagement as separate entities. Competitive differentiation is the responsibility of product development or marketing, while emotional engagement is the purvey of culture, leadership and HR.

Yet these two lynchpins for success – differentiation and engagement – both spring from purpose. When the North Star of your business is a customer-driven purpose, it becomes a galvanizing force for the entire organization.

People are looking for meaning at work. Organizations who frame that meaning around the impact they have on customers stand out. They engage customers and employees alike; they transcend their market to become more than a mere transaction. They become coveted brands and destination employers.

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The collective research proves what we already know in our hearts to be true; ***you cannot spreadsheet your way to passion.***

It's time to admit the truth. The narrative of earnings and bonuses that was supposed to improve employee performance had the opposite effect. It stripped the joy and meaning from work in ways that have a chilling effect on morale, performance, service, and ultimately profit itself. We allowed the money story to replace the meaning story, and in doing so eroded the very thing that can make a business great: passion.

Measuring money does not produce money. Leaders can attempt to bypass emotions in favor of metrics, but money is not produced in a vacuum. It's the output of a multifaceted ecosystem. We must not confuse the result with the process. Great organizations are driven by qualitative strategies; their success is measured by quantitative results.

Purpose is a hot topic. Yet in many organizations it rarely makes it beyond the slogan phase. This is a huge error. Purpose begins as words, but to be effective; it must be translated into actions.

Using Purpose to Create Competitive Advantage

Every organization wants a competitive advantage. Lack of differentiation results in continual price concessions and decreasing customer loyalty, over time profit and market share erode. Organizations that find themselves commoditized should look closely at their sales narrative. In many cases lack of differentiation is the result of an internal product pitching focus. Sales and marketing teams pitching features are having the wrong conversation. Differentiation is determined through the eyes of the customer, not the seller.

On the flip side, here's what happens when you infuse purpose:

- **Sales**

A purpose-driven rep can win you customers for life because their focus is on helping the customer be successful with the solution, not just getting them to buy it. The opposite is also true, spray and pray sellers, who pitch features and benefits find themselves quickly commoditized. That's why salespeople who believe their true purpose is to add value to the customer, outsell salespeople who are focused on targets and quotas alone.

- **Marketing**

Purpose-infused marketing speaks into the heart of the customer because it is about the customers. With the lens of purpose, marketers go deeper, and the messages themselves add value. Marketers simply trying to drive clicks and leads find themselves constantly searching for the next tagline, the next vehicle. Messages begin to sound either benign or desperate.

- **Product development**

Clarity of purpose prompts product developers to focus on customer-impact. Lack of purpose leaves product teams floundering, and often simply following the market. It's worth noting, Alexander Graham Bell invented the telephone because his wife was deaf and he was trying to find tones she could hear. One of our greatest inventions never would have happened if he'd sat in his office trying to hatch a scheme to simply make money. The drive to improve someone's life or business produces the best innovation.

In the conclusion of a global study, Imperative CEO Aaron Hurst writes, “As the economy evolves, purpose and recruiting purpose-oriented talent will be a competitive differentiator.”



Aaron Hurst, Imperative

Purpose: The Emotional Underpinning of Employee Engagement

In May of 2014 *The New York Times* article “Why You Hate Work” by Tony Schwartz and Jerry Porath went viral, because it gave voice to what we all know to be true: A lot of people hate their jobs. Schwartz’s firm, The Energy Project, partnered with the Harvard Business Review survey of more than 12,000 mostly white-collar employees across a broad range of companies and industries, to find out why. Schwartz and Porath cite lack of purpose as one of the key reasons people are disengaged. They write, “Put simply, the way people feel at work profoundly influences how they perform.”

Lack of purpose erodes morale, decreases productivity, and increases turnover. Conversely, Schwartz and Porath discovered, “Employees who derive meaning and significance from their work were more than three times as likely to stay with their organizations — the highest single impact of any variable. These employees also reported 1.7 times higher job satisfaction and they were 1.4 times more engaged at work” (Porath & Schwartz, 2014).

Purpose drives engagement, which increases retention. Reid Hoffman, co-founder of LinkedIn, “Companies that understand the increasing emphasis of purpose in today’s professional landscape improve their ability to attract such employees and also their ability to retain them for longer periods of time.”

It’s stunning to think, of all the tools available to leaders for improving performance and retention, purpose provides the highest gain, yet has one of the lowest costs.

Mistakes Organizations Make Using Purpose

A great purpose captures aspirations and is central to the revenue model. People crave purpose, yet they’re often confused about how to get started. Here are the three most common mistakes:

1. A vague purpose

“We make a difference” is not a purpose statement. Your purpose must be specific. HOW do you make a difference? How are your customers improved from doing business with you? How does that tie to every single job in your organization? What kinds of behaviors demonstrate working with purpose?

2. Equating purpose with philanthropy

Social responsibility is important, but it’s not an organizational purpose. Purpose is not a give back. Be a good, or ideally great, corporate citizen, focus on the triple bottom line. But your purpose does not sit on the other side of the table from profit. Your purpose must sit squarely in the center of your commercial model. The products you sell must add value to customers. If you are living your purpose and adding value to customers, you should be financially rewarded.

3. Making purpose a project

Yes, you will need a team to get the ball rolling on creating a purpose-driven organizational culture. But, unlike many initiatives, purpose is not a one and done project. It’s a way of thinking and behaving that will extend far beyond, and if done right, exist long after your current base of employees jumpstarts it.

How to Get Purpose Into a Business

Once you have a clear purpose, there are three areas to focus on:

1. **Activate**

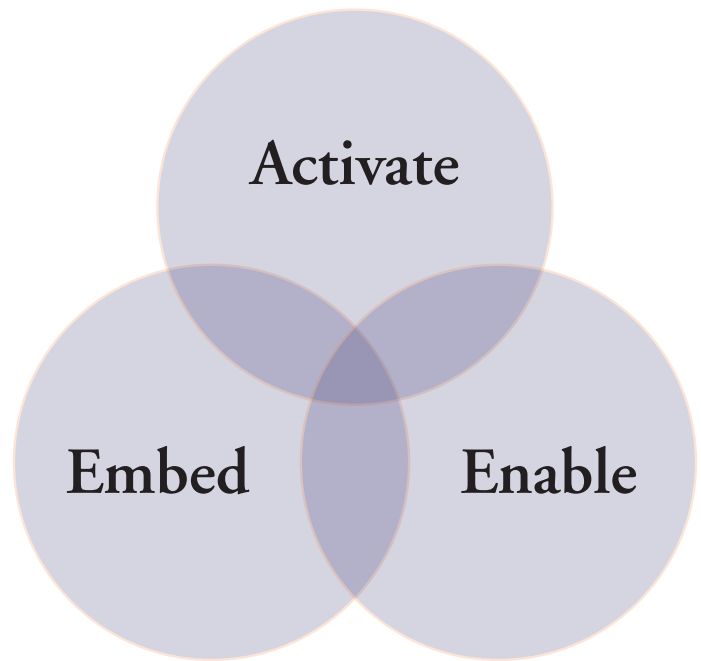
Each team and job function should have clarity about how they contribute to the purpose. Your purpose is your endgame, the North Star for every job and every department. People should strive to achieve your purpose every single day, in every interaction and with every initiative.

2. **Enable**

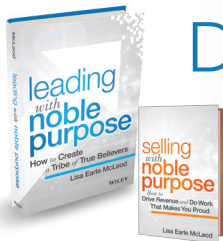
On a practical level, your policies, procedures and processes should support your purpose. Where are you in alignment? Where are you out of alignment? Your operation should be helping your people achieve your purpose.

3. **Embed**

Purpose can, and should, be emotional. Winning hearts and minds of your team, is the route for winning the hearts and minds of your customers. Embedding into the soul of your organization requires constant care and feeding. Leaders who tell stories about making a difference to customers, keep their purpose alive in an emotionally engaging way.



Purpose is the new narrative of business. It enables you to deliver better results and become a leader worth following. People want to make money. They also want to make a difference. Your Noble Purpose enables you to do both.



Do you *have* a Noble Purpose?

...or do you just sell stuff.

Lisa Earle McLeod is the global expert in Noble Purpose. She is a keynote speaker and consultant who help leaders increase competitive differentiation and emotional engagement. She is the author of the bestsellers Selling with Noble Purpose and Leading with Noble Purpose. Her clients include Google, Flight Centre and Roche.

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