

Your Purpose Is At Risk Of Being Pointless

F forbes.com/sites/deniselyohn/2020/09/01/your-purpose-is-at-risk-of-being-pointless

September 1, 2020

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43 views | Sep 1, 2020, 09:25am EDT

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Your purpose is at risk of being pointless if you don't use a single overarching purpose, ensure.. [+]
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“Purpose” is trending. In the past couple weeks alone, major business journals including McKinsey Quarterly, Knowledge@Wharton, and strategy+business have spotlighted the importance of corporate purpose. If you're a business leader, it's clear you need to be

thinking about the purpose of your enterprise now more than ever. But having a purpose statement doesn't automatically translate into leading an organization purposefully — and your purpose is at risk of being pointless if you don't:

- Use a **single overarching purpose**
- Ensure **stakeholders** buy into it
- Implement **strategies** for operationalizing it

Why Is Purpose So Important Now

Purpose had probably already gotten your attention before Covid-19 hit. Last year BlackRock CEO Larry Fink stirred the pot with his 2019 annual letter on corporate governance. He stated, “The importance of serving stakeholders and embracing purpose is becoming increasingly central to the way that companies understand their role in society.”

Then, Business Roundtable released a new “Statement on the Purpose of a Corporation” signed by nearly 200 CEOs who committed to lead their companies for the benefit of all stakeholders – customers, employees, suppliers, communities, and shareholders.

Now you're dealing with business disruptions caused by the combination of a global pandemic, civil unrest, and economic slump. You're being forced to rethink your company's relevance to society and the value it creates. What is “essential” about your business? Are you doing work that really matters? How are you helping people, communities, and the world heal from all the pain and suffering?

Moreover, you're probably challenged with engaging employees. As previously reported, only 36% of employees are currently engaged and 14% are actively disengaged, meaning they “have miserable work experiences and spread their unhappiness to their colleagues.” This historic low in employee engagement is not surprising. In this new era of workplace safety concerns, new operations, and virtual work, how are you supposed to keep employees unified, focused, and motivated?

And these days companies are being held to higher standards by the media and the public in general. In recent years, with growing access to tools that enable people to peak behind corporate curtains, leaders have met increasing criticism for the way they run their companies. During the height of the coronavirus pandemic, the news focused on if and how businesses were offering community aid. Now with the focus on racial equity, companies are being forced to address racism and operate with authentic diversity and inclusion. If you are like most other executives, you're now expected to prioritize sustainable value creation and to address the interests of all stakeholders, not simply investors.

So there's more reason now than ever before to ensure you have articulated a valuable, inspiring, and relevant purpose for your organization. But simply talking about purpose without walking it is, at best, hypocritical. Unilever CEO Alan Jope explained this well when he observed, "Purpose is one of the most exciting opportunities I've seen for this industry in my 35 years of marketing. Done properly, done responsibly, it will help us restore trust in our industry, unlock greater creativity in our work, and grow the brands we love. However...woke-washing is beginning to infect our industry."

At worst, a disconnect between what you say your purpose is and how you actually run your business opens you and your organization to risk and potential crises. Just ask the folks at Facebook, who say its purpose is to bring the world closer together but have been boycotted by advertisers for allowing hate and vitriol to spread on its site.

Here are three requirements to ensure the purpose of your organization actually makes a difference.

1. Single purpose

Use a single overarching purpose across stakeholders and functions.

If your organization is like most others, you probably have a corporate mission or purpose statement that outlines the scope of your business — what your organization does, produces, or sells — and perhaps sets a goal to achieve certain business performance targets. For example, a typical mission statement might read, "To build shareholder value by delivering products and solutions in innovative and cost-effective ways."

Separately, your company probably expresses a purpose or essence for your brand that describes what you want your brand to be known for. For example, that same company's brand strategy might indicate it wants its brand to stand for safety and trustworthiness. Both statements describe worthy aspirations but they don't seem to have anything to do with each other.

When you use multiple statements like this, you leave it to employees to figure out which one to get behind. In an HBR article entitled "Why Are We Here," Kellogg School of Management professors observe, "One of the challenges that many companies face in distilling their purpose for their employees is the variety of 'statements' that they issue."

Moreover, conflicting or diffused statements destroys any possibility of you building customer trust and brand authenticity. Unilever's Jope observed, "There are too many examples of brands undermining purposeful marketing by launching campaigns which aren't backing up what their brand says with what their brand does."

Your purpose as a business, brand, employer, investment, corporate citizen, etc. should be articulated as a single overarching purpose. If you think about it, the interests of all the groups in your company's ecosystem are interdependent, so your purpose should address them as a whole. If you streamline and synthesize your intentions into a single overarching purpose, you infuse your purpose with the potential to unify, align, and engage everyone.

2. Stakeholder buy-in

To power your purpose, ensure key stakeholder groups – especially customers, employees, board members – embrace and endorse it.

It isn't necessary or even appropriate to "test" your purpose among customers because it should be derived from the aspirations and vision of the company's leaders. But you should ensure your purpose is grounded in a deep understanding of your customers' needs, desires, and expectations. And if and when you share your purpose with customers, they should find it strongly compelling and resonating. The best way to ensure customers buy in to your purpose is to make them its focus, clearly putting them at the forefront and referencing how the organization benefits them. This may seem obvious but in an inquiry of nearly 2,000 CEOs' descriptions of their organization's purpose, more than half of respondents failed to mention who the company was meant to serve or help.

Testing your purpose with employees is also not advised, but you should increase the likelihood that employees will embrace it by connecting it to their day-to-day work. This starts with making the purpose clear about the value your company creates and for whom – and then ensuring you show how employees enable the organization to create that value. Without connecting the dots, you leave employees guessing what your organization is trying to accomplish and how their jobs support those goals. At best, your employees will become demotivated and disengaged; at worst, their confusion or improvisation leads them to work at cross purposes.

Your board members, on the other hand, should be engaged in vetting your purpose, if not in developing it. CEO tenure averages only about five years while board member tenure is over twice as long (according to Harvard Business Review and CGLytics respectively), so boards have not only more longitudinal perspective and power, but also a fiduciary responsibility to attend to their companies' purpose and the organization's ability to deliver on it.

What's more, strategy+ business reports that boards are now being asked explicitly by powerful asset managers to enforce accountability on issues such as purpose. In the 2020 proxy voting season, some of the largest asset managers outlined a new set of metrics for reporting on non-financial performance.

Right now, it doesn't seem like many of your counterparts understand the importance of board buy-in on purpose. According to an [analysis](#) published in the Harvard Law School Forum on Corporate Governance, the vast majority of signatures of CEOs on the Business Roundtable statement were not approved by the companies' board of directors. The researchers conclude, "The most plausible explanation for the lack of board approval is that...CEOs didn't regard the statement as a commitment to make a major change in how their companies treat stakeholders. In the absence of a major change, they thought that there was no need for a formal board approval."

3. Strategies to operationalize

Prevent a pointless purpose by developing and implementing strategies to operationalize your purpose.

The consultants at McKinsey [explain](#), "Purpose should guide everything else and be evident in all a company does. A fully embedded purpose should show up across all elements of the organization's DNA."

Your purpose strategies should span the full range of company activity:

- Corporate – product/service portfolio, asset utilization, capital allocation
- Operational – operating processes, supply chain, distribution, customer experience
- Organizational – organizational design, talent acquisition & retention, culture & employee experience, performance management

To support all these strategies, you should implement performance indicators and reporting systems that reflect and support your purpose. Consider what data and evidence are critical to understanding your organization's non-financial performance; what performance targets and incentives are needed to ensure employees are aligned and focused on your purpose; which stakeholder groups should receive what information to support the accountabilities implicit in the pursuit of your purpose.

In a recent McKinsey [survey](#), 82% of U.S. workers said that it's important for companies to have a purpose, but only 42% reported that their company's stated purpose had real impact. Now that the stakes are so high and the world is watching, it's time to close that gap.

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