

# Making Purpose Statements Matter

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How do you ensure that your purpose statement remains meaningful and relevant? We asked these experts to share their insights.

What is the Purpose of ‘Purpose’?

*by Denise Lee Yohn*

Purpose, it seems, is the new black. Every corporation seems to be talking about purpose. But purpose statements aren’t supposed to be fashionable—they should be powerful. Your purpose should drive your business. It should guide strategic decision-making; shape your organizational culture; undergird relationships with customers, employees, investors and other stakeholders.

Most company purpose statements don’t. According to research by The Harris Poll, only 24 percent of B2B business leaders said their purpose is embedded in their business. How can you help your organization transform its purpose from incidental to instrumental? Consider three questions:

- What kind of purpose do we need?
- Who are our most important purpose stakeholders?
- How will we measure the impact of our purpose?

## The Purpose of Your Purpose

Many companies fail to make the most of the opportunity that a purpose statement represents because they are unclear about what their purpose is for—or what it should be for—in the first place.

You might think you need an idealistic purpose that aims for some social good because that kind of purpose tends to get the most attention these days. When you hear the purpose of Starbucks is “To inspire and nurture the human spirit,” or Unilever’s is “To make sustainable living commonplace,” you might feel like you need a similar cause-based purpose.

But the authors of a recent *Harvard Business Review* article observed that there are other types of purpose statements to consider. Your purpose can also convey your competence—the function that your business serves. Walmart’s statement, “To save people money so they can live better,” speaks to its competence in providing products at a great value. Your purpose can also indicate your *culture*—the intent with which you operate your organization. Charles Schwab uses this kind of purpose when it says its aim is “to champion every client’s goal with passion and integrity.”

If you only want to use your purpose as a cause but the function and culture of your organization isn’t aligned with such a lofty notion, chances are the statement will remain simply a rallying cry or inspirational message instead of the driver of your company. Instead, you should consider what kind of purpose would be pragmatic and authentic to your organization. Calibrate the level of ambition behind your purpose with your company’s intent and capability to execute on it.

A purpose statement that is based on your organization’s competence or culture doesn’t have to be any less inspiring or differentiating. The competence-based purpose of Nike, “To bring inspiration and innovation to every athlete in the world,” has fueled that company’s success for more than 50 years.

### **Who Should Be Engaged?**

Over half (56 percent) of B2B business leaders in the Harris Poll study said that purpose feels like a PR exercise instead of a business strategy. Purpose statements often end up serving only as public relations tools because they’re directed at the wrong audience.

The primary stakeholders of your purpose are your employees, core customers and board of directors. Focus on these groups as you develop and share it to maximize its impact.

**Employees.** Your purpose should help attract prospective employees and help with retention by motivating and aligning current employees. People want to know that the work they do matters. So make sure that your purpose explains the valuable impact of employees’ day-to-day work. The connection doesn’t need to be direct, but it should be clear.

**Customers.** Your purpose should also resonate with your core customers. It should reflect a deep understanding of your customers’ needs, desires and expectations of your business.

A good way to ensure that customers buy into your purpose is to make them its focus, clearly putting them at the forefront of your statement and referencing how the organization benefits them. “Raising the world’s expectations for how much good food can do” (Tyson Foods’ purpose) seems less about the value the company creates for customers than “Nourishing families so they can flourish and thrive” (the purpose statement at Kellogg’s).

A customer-relevant purpose may seem obvious but in an analysis 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. It's not surprising, therefore, that many purpose statements seem nice-to-have vs. necessary.

**Board of directors.** Finally, engaging your board of directors with your purpose is instrumental in its impact. But 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" (emphasis added).

But corporate boards are now being asked explicitly by powerful asset managers to enforce accountability on issues such as purpose, so board members must vet their company's purpose statement and be able to use it as a measure of non-financial performance.

### **How Do You Measure Success?**

This raises the last consideration for your purpose: How you will know if your organization is successful in fulfilling its purpose?

Your purpose should factor into decisions across a full range of company activity, including strategic (product/service portfolio, asset utilization, capital allocation), operational (processes, supply chain, distribution, customer experience), and organizational (organizational design, talent acquisition and retention, culture and employee experience, performance management).

You should implement performance indicators and reporting systems that measure the impact of your purpose in these different areas. You might not be able to quantify changes in all these variables, so prioritize those that are most relevant and concrete. The link between your purpose and a KPI may not be explicit, and the KPI might not capture the full impact of your purpose, but the metric should provide some evidence that you are moving in the right direction.

For example, a company with a purpose that centers on creating world-changing technologies might track the percent of investments it makes in R&D. If your purpose focuses on increasing access to resources, a key measurement of success might be your market penetration in underserved regions. Or you could start measuring a purpose of empowering people to do more by surveying your employees about whether they feel empowered and productive.

By identifying the measures of success, you can uncover disconnects between your purpose and primary business goals. If they're out of sync, it's likely your purpose will be overshadowed. What's more, the process of identifying success metrics for your purpose can facilitate alignment among company leaders about expectations for how your purpose will be operationalized and the trade-offs that will need to be made to pursue it.

The way most companies develop a purpose seems to emphasize vision and virtue. But the process should involve less imagination and more interrogation. Examine the why, who and how of your purpose to ensure it has power.

