



WHY ORGANISATIONAL PURPOSE MATTERS AND THE BARRIERS TO ACTIVATING IT

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What is Purpose and Why Does It Matter?

Shared purpose reflects the reality that business and society are intrinsically connected and that it is only this connection that can serve as a sustainable basis for value creation in business.



What Is It?

“an **aspirational** reason for being that is grounded in **humanity** and which inspires a **call to action**”



Why It Matters?

Purpose galvanises people to ignite long lasting positive change, driving innovation and growth.

SOURCES:

- LRN (2014) The Freedom Report: An Empirical Analysis of How Freedom Impacts Business Performance.
- Tideman, S. (2016) Business as an Instrument for Societal Change: In Conversation with the Dalai Lama.
- Sisodia, Wolfe & Sheth (2007). Firms of Endearment

Why Does It Matter?

Organisations that embody purpose see significant and measurable results.

Attract and retain the best employees

1.4 x



1.4 times more engaged
1.7 times more satisfied
3 x more likely to stay

Attract, retain and engage customers

89% of clients believe a purpose driven company will deliver the highest quality products / services

72% of global consumers would recommend a company with a purpose, a 39% increase from 2008

84% of emerging market consumers make cause related purchases at least annually

Increase returns for shareholders

10 x 

Purpose led companies outperformed the S&P 500, 10 times between 1996 and 2011

120%

Meaningful brands connected to human well being outperformed the stock market by 120% in 2013

SOURCES:

- The Energy Project, What is Your Quality of Life at Work (2013)
- Edelman (2013). The Good Purpose Study
- Sisoia, R (2007). Firms of Endearment
- Havas (2013). Meaningful Brands Index

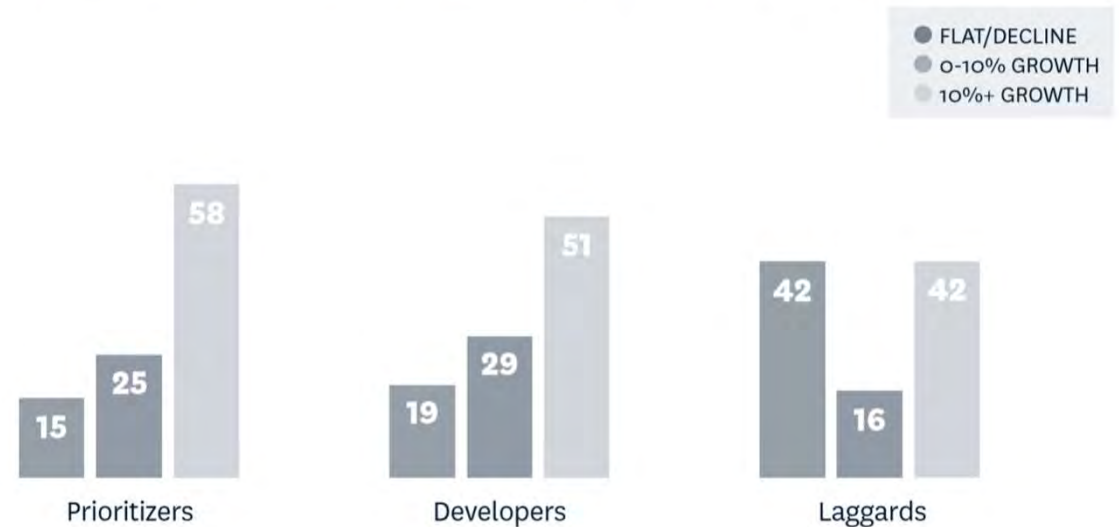
Why Does It Matter?

Prioritizers have more successful at:

- financial growth;
- expanding geographically;
- changing leadership;
- acquisition and mergers;
- launching new products; and
- major transformation initiatives.

PRIORITIZERS HAD AN EDGE ON REVENUE IN THE PAST 3 YEARS

Percentage who indicated how their revenue has changed in the past three years.



BASE: ALL SAYING ORGANIZATION HAS/IS WORKING ON A STATED OR IMPLIED PURPOSE. N=431

Prioritizers are also more successful at expanding geographically, changing top leadership, acquisition and mergers, launching new products and major transformation initiatives.

SOURCE:

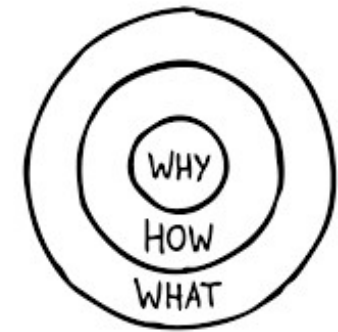
- HBR (2016). The Business Case For Purpose.

Why Does It Matter?

Purpose Is A Key Intrinsic Motivator

“It’s an inside out strategy rather than outside in: you don’t just look at where the opportunities are and where you could make a lot of money as a way to decide where you ought to be. You decide where you want to be strategically based on what you want to do.”

Michael Beer, Cahners-Rabb Professor of Business Administration

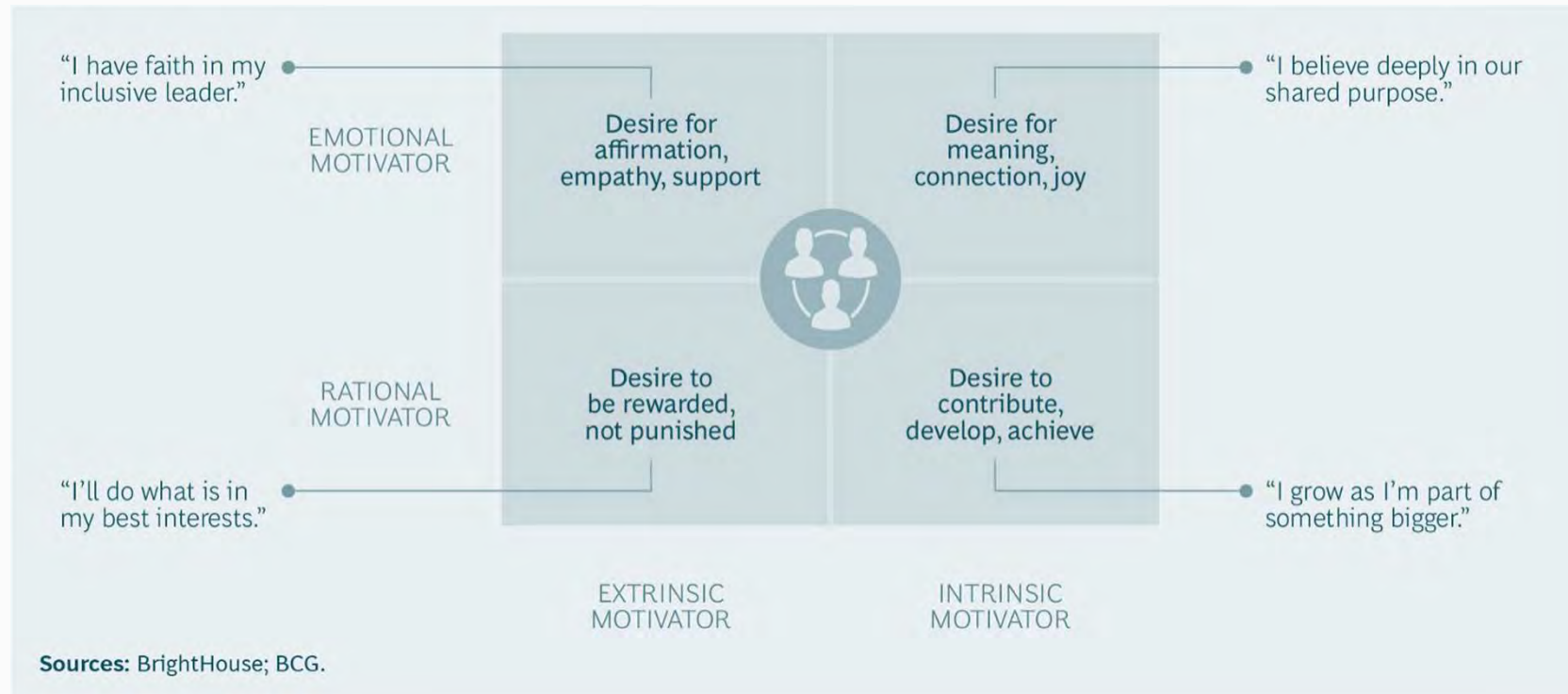


“Once they’re past a certain financial threshold, many people are as motivated by intrinsic meaning and the sense that they are contributing to something worthwhile as much as they are by financial returns or status”

Rebecca Henderson, Harvard Business School

Why Does It Matter?

Purpose Is A Powerful Intrinsic Motivator



MIND THE GAP

While Executives agree that purpose could be a powerful lever in business, they are yet to embed throughout their organisation that would allow them to see the benefits.



50% of Executives report:
“Our organisation’s
strategy is reflective of our
sense of purpose”



46% of Executives report:
“My organisation has a
strong shared sense of
purpose”



41% of Executives report:
“There is a disconnect
between our senior
executives and our
employees over purpose”



37% of Executives report:
“Our business model and
operations are well aligned
with our purpose”

BARRIERS TO EMBEDDING AND ACTIVATING PURPOSE

Activating purpose starts with leadership behaviour. It is activated internally by leaders who believe and whose daily behaviour and decisions reflect the company's purpose and values.

WHERE PURPOSE IS NOT WELL UNDERSTOOD:

- Poor communication from leadership
- Short term shareholder pressure hinders management's ability to focus on long term value creation
- Insufficient buy-in across the organisation

WHERE PURPOSE IS ARTICULATED AND UNDERSTOOD:

- Short term shareholder pressure hinders management's ability to focus on long term value creation
- Systems / infrastructure not aligned with purpose
- Staff performance targets / incentives not aligned with purpose
- Lack of meaningful metrics to capture / track long term value creation

SOURCE:

- HBR (2016). The Business Case For Purpose.
- Tomorrow's Company (2016). Roundtable Summary: Embedding Purpose and Values.

WHERE TO FOCUS EFFORT FOR PURPOSE INTEGRATION

While Executives reported that a gap between ideal and actual integration for all functions and activities, many executives replied that companies need to offer better leadership development and training, along with performance metrics.



OUR EXPERTISE: PURPOSE INTEGRATION & I/O PSYCHOLOGY

GROUP 1: Leadership Development and Training

- How can we as Psychologists help embed purpose into leadership development and training?
- How can we assist leaders in communicating purpose inside and outside the organisation?
- How can we help communicate an organisations shared purpose inside the organisation we work with or in? (Consider both upwards communication, downwards communication and cross functional communication)

GROUP 2: Performance Metrics and Rewards

- What can we do to help assess the alignment between organisational metrics and incentives and purpose?
- What are some options that could help make the tie between purpose and performance explicit for employees?



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