



Harvard Business Review

REPRINT R1804E
PUBLISHED IN HBR
JULY-AUGUST 2018

ARTICLE ORGANIZATIONAL CULTURE

Creating a Purpose- Driven Organization

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When Gerry Anderson first became the president of DTE Energy, he did not believe in the power of higher organizational purpose.

We're not talking about having a clear mission that focuses largely on how a business will generate economic value. DTE had one that set out the goal of creating long-term gains for shareholders, and Anderson understood its importance.

A higher purpose is not about economic exchanges. It reflects something more aspirational. It explains how the people involved with an organization are making a difference, gives them a sense of meaning, and draws their support. But like many of the leaders we've interviewed in our research, Anderson started his tenure as president skeptical about how much it mattered. The concept of higher purpose didn't fit into his mostly economic understanding of the firm.

But then the Great Recession of 2008 hit, and he knew he had to get his people to devote more of themselves to work. Even before the financial crisis, surveys had demonstrated that DTE employees were not very engaged. It was a classic quandary: Employees couldn't seem to break free of old, tired behaviors. They weren't bringing their smarts and creativity to their jobs. They weren't performing up to their potential. Anderson knew that he needed a more committed workforce but did not know how to get one.

That was when retired army major general Joe Robles, then the CEO of USAA and a DTE board member, invited Anderson to visit some USAA call centers. Familiar with the culture of most call centers, Anderson expected to see people going through the motions. Instead he watched positive, fully engaged employees collaborate and go the extra mile for customers. When Anderson asked how this could be, Robles answered that a leader's most important job is "to connect the people to their purpose."

At USAA, he explained, every employee underwent an immersive four-day cultural orientation and made a promise to provide extraordinary service to people who had done the same for their country—members of the military and their families. That training was no small investment, since the company had more than 20,000 employees. Its lessons were continually reinforced through town hall meetings and other forums where people at all levels asked questions and shared ideas about how to fulfill their purpose.

Before the recession, Anderson would have rejected Robles's statement about purpose as empty, simplistic rhetoric. But having run into a dead end in figuring out how to make his own organization thrive,

Anderson was reexamining some of his basic assumptions about management, and he was open to what Robles was saying.

When Anderson returned to DTE's Detroit headquarters, he made a video that articulated his employees' higher purpose. (He got that idea from Robles, too.) It showed DTE's truck drivers, plant operators, corporate leaders, and many others on the job and described the impact of their work on the well-being of the community—the factory workers, teachers, and doctors who needed the energy DTE generated. The first group of professional employees to see the video gave it a standing ovation. When union members viewed it, some were moved to tears. Never before had their work been framed as a meaningful contribution to the greater good. The video brought to life DTE's new statement of purpose: "We serve with our energy, the lifeblood of communities and the engine of progress."

What happened next was even more important: The company's leaders dedicated themselves to supporting that purpose and wove it into onboarding and training programs, corporate meetings, and culture-building activities such as film festivals and sing-alongs. As people judged the purpose to be authentic, a transformation began to take place. Engagement scores climbed. The company received a Gallup Great Workplace Award for five years in a row. And financial performance responded in kind: DTE's stock price more than tripled from the end of 2008 to the end of 2017.

Why did purpose work so well after other interventions had failed? Anderson had previously tried to shake things up by providing training, altering incentives, and increasing managerial oversight, with disappointing results. It turned out that his approach was to blame—not his people.

That's a hard truth to recognize. If, like many executives, you're applying conventional economic logic, you view your employees as self-interested agents and design your organizational practices and culture accordingly, and that hasn't paid off as you'd hoped.

So you now face a choice: You can double down on that approach, on the assumption that you just need more or stricter controls to achieve the desired impact. Or you can align the organization with an authentic higher purpose that intersects with your business interests and helps guide your decisions. If you succeed in doing the latter, your people will try new things, move into deep learning, take risks, and make surprising contributions.

Many executives avoid working on their firms' purpose. Why? Because it defies what they have learned in business school and, perhaps, in subsequent experience: that work is fundamentally contractual, and employees will seek to minimize personal costs and effort.

Those are not necessarily faulty assumptions—indeed, they describe the behavior in many environments reasonably well. However, they also amount to a self-fulfilling prophecy. When managers view

employees this way, they create the very problems they expect. Employees choose to respond primarily to the incentives outlined in their contracts and the controls imposed on them. Consequently, they not only fail to see opportunities but also experience conflict, resist feedback, underperform, and personally stagnate. So managers, believing that their assumptions about employees have been validated, exert still more control and rely even more heavily on extrinsic incentives. Employees then narrowly focus on achieving those rewards, typically at the expense of activities that are hard to measure and often ignored, such as mentoring subordinates and sharing best practices. Overarching values and goals become empty words. People do only what they have to do. Results again fall short of expectations, and managers clamp down further.

In this article we provide a framework that can help managers break out of this vicious cycle. In our consulting work with hundreds of organizations and in our research—which includes extensive interviews with dozens of leaders and the development of a theoretical model—we have come to see that when an authentic purpose permeates business strategy and decision making, the personal good and the collective good become one. Positive peer pressure kicks in, and employees are reenergized. Collaboration increases, learning accelerates, and performance climbs. We'll look at how you can set off a similar chain of events in your organization, drawing on examples from a range of companies.

HOW TO DO IT

When organizations embrace purpose, it's often because a crisis forces leaders to challenge their assumptions about motivation and performance and to experiment with new approaches. But you don't need to wait for a dire situation. The framework we've developed can help you build a purpose-driven organization when you're *not* backed into a corner. It enables you to overcome the largest barrier to embracing purpose—the cynical "transactional" view of employee motivation—by following eight essential steps.

1. ENVISION AN INSPIRED WORKFORCE

According to economists, every employer faces the "principal-agent problem," which is the standard economic model for describing an organization's relationships with its workers. Here's the basic idea: The principal (the employer) and the agent (the employee) form a work contract. The agent is effort-averse. For a certain amount of money, he or she will deliver a certain amount of labor, and no more. Since effort is personally costly, the agent underperforms in providing it unless the principal puts contractual incentives and control systems in place to counter that tendency.

This model precludes the notion of a fully engaged workforce. According to its logic, what Anderson saw

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at USAA is not possible; it would be foolish to aspire to such an outcome.

One way to change that perception is to expose leaders to positive exceptions to the rule. Consider this July 2015 blog post by Mike Rowe, host of the Discovery Channel show *Dirty Jobs*, about an experience he had at a Hampton Inn:

“ I left my hotel room this morning to jump out of a perfectly good airplane, and saw part of a man standing in the hallway. His feet were on a ladder. The rest of him was somewhere in the ceiling.

I introduced myself, and asked what he was doing. Along with satisfying my natural curiosity, it seemed a good way to delay my appointment with gravity, which I was in no hurry to keep. His name is Corey Mundle....We quickly got to talking.

“Well, Mike, here’s the problem,” he said. “My pipe has a crack in it, and now my hot water is leaking into my laundry room. I’ve got to turn off my water, replace my old pipe, and get my new one installed before my customers notice there’s a problem.”

I asked if he needed a hand, and he told me the job wasn’t dirty enough. We laughed, and Corey asked if he could have a quick photo. I said sure, assuming he’d return the favor. He asked why I wanted a photo of him, and I said it was because I liked his choice of pronouns.

“I like the way you talk about your work,” I said. “It’s not ‘the’ hot water, it’s ‘MY’ hot water. It’s not ‘the’ laundry room, it’s ‘MY’ laundry room. It’s not ‘a’ new pipe, it’s ‘MY’ new pipe. Most people don’t talk like that about their work. Most people don’t own it.”

Corey shrugged and said, “This is not ‘a’ job; this is ‘MY’ job. I’m glad to have it, and I take pride in everything I do.”

He didn’t know it, but Corey’s words made my job a little easier that day. Because three hours later, when I was trying to work up the courage to leap out of a perfectly good airplane, I wasn’t thinking about pulling the ripcord on the parachute—I was thinking about pulling MY ripcord. On MY parachute. ”

Corey Mundle is a purpose-driven employee. Instead of minimizing effort as a typical “agent” would, he takes ownership. The fact that people like him exist is important. When coaching executives on how to do purpose work in their organizations, we often tell them, “If it is real, it is possible.” If you can find one positive example—a person, a team, a unit that exceeds the norms—you can inspire others. Look for excellence, examine the purpose that drives the excellence, and then imagine it imbuing your entire workforce.

2. DISCOVER THE PURPOSE

At a global oil company, we once met with members of a task force asked by the CEO to work on defining the organization’s purpose. They handed us a document representing months of work; it articulated a purpose,

a mission, and a set of values. We told them it had no power—their analysis and debate had produced only platitudes.

The members of the task force had used only their heads to invent a higher purpose intended to capture employees’ hearts. But you do not invent a higher purpose; it already exists. You can discover it through empathy—by feeling and understanding the deepest common needs of your workforce. That involves asking provocative questions, listening, and reflecting.

Deborah Ball, a former dean of the School of Education at the University of Michigan, provides a good example. Like most companies, professional schools experience “mission drift.” As a new dean, Ball wanted to clarify her organization’s purpose so that she could increase employees’ focus, commitment, and collaboration.

To “learn and unlearn the organization,” as she put it, she interviewed every faculty member. She expected to find much diversity of opinion—and she did. But she also found surprising commonality, what she called “an emerging story” about the faculty’s strong desire to have a positive impact on society. Ball wrote up what she heard and shared it with the people she interviewed. She listened to their reactions and continued to refine their story.

This was not just a listening tour. It was an extended, disciplined, iterative process. Ball says, “You identify gold nuggets, work with them, clarify them, integrate them, and continually feed them back.” She refers to the process as “collective creation,” borrowing a phrase from agile and design-thinking methodologies.

As that work continued, it became clear that the school had strengths it could use for social good. For example, it had the capacity to influence how other institutions around the world trained teachers, addressed issues of educational affordability, and served underrepresented populations. Ball concluded that these foci had the greatest potential to integrate faculty members’ efforts, draw impressive new hires, and attract funding for research. So she highlighted them as crucial elements of the school’s collective identity.

3. RECOGNIZE THE NEED FOR AUTHENTICITY

Purpose has become a popular topic. Even leaders who don’t believe in it face pressure from board members, investors, employees, and other stakeholders to articulate a higher purpose. This sometimes leads to statements like the one produced by the task force at the oil company. When a company announces its purpose and values but the words don’t govern the behavior of senior leadership, they ring hollow. Everyone recognizes the hypocrisy, and employees become more cynical. The process does harm.

Some CEOs intuitively understand this danger. One actually told his senior leadership team that he didn’t want to do purpose work, because organizations are political systems and hypocrisy is inevitable. His

IN BRIEF

THE PROBLEM

You’ve surely seen this happen more than once: Employees get stuck in a rut, disengage from their work, and stop performing to their potential. So managers respond with tighter oversight and control, yet nothing improves.

THE REASON

Most management practices and incentives are based on conventional economic logic, which assumes that employees are self-interested agents. And that assumption becomes a self-fulfilling prophecy.

THE SOLUTION

By connecting people with a sense of higher purpose, leaders can inspire them to bring more energy and creativity to their jobs. When employees feel that their work has meaning, they become more committed and engaged. They take risks, learn, and raise their game.

statement illustrates an important point: The assumption that people act only out of self-interest also gets applied to leaders, who are often seen as disingenuous if they claim other motivations.

A member of the team responded, “Why don’t we change that? Let’s identify a purpose and a set of values, and live them with integrity?” That earnest comment punctured the existing skepticism, and the team moved ahead.

For an illustration of a purpose that does shape behavior, let’s look at Sandler O’Neill and Partners, a midsize investment bank that helps financial institutions raise capital. The company was successful in its niche and focused on the usual goal of maximizing shareholder value. However, on September 11, 2001, disaster struck. Located in the Twin Towers in New York, the company felt the full brunt of the terrorist attack. Jimmy Dunne, soon to lead the firm’s executive team, learned that over one-third of Sandler’s people, including its top two executives, were dead, and the company’s physical infrastructure was devastated. Many of its computers and customer records were gone.

As the crisis unfolded, despite the exceptionally heavy demands of attending to business, Dunne made the decision that a Sandler partner would attend the funeral of every fallen employee, which meant that he attended many funerals. As a result of witnessing so much suffering, he began to realize that the purpose of his firm was not only to satisfy customers and create shareholder value but also to treat employees like valued human beings.

That led to some sharp departures from protocol. For example, he asked his CFO to pay the families of all the dead employees their salaries and bonuses through December 31, 2001—and then asked if the company could do the same for all of 2002. The CFO said the firm could survive, but doing this would be inconsistent with its fiduciary responsibility to the partners. So the firm offered to buy out the ownership stake of any partner at par. Not one accepted.

If your purpose is authentic, people know, because it drives every decision and you do things other companies would not, like paying the families of dead employees. Dunne told us that often an organization discovers its purpose and values when things are going badly—and that its true nature is revealed by what its leaders do in difficult times. He said, “You judge people not by how much they give but by how much they have left after they give.”

4. TURN THE AUTHENTIC MESSAGE INTO A CONSTANT MESSAGE

When we spoke with the CEO of a global professional services company about how to build a purpose-driven organization, his first question was “When will I be done?”

We responded by telling a story about another CEO, who had been trying to transform his construction

company for a year. He showed us his plan and asked our opinion. We told him he deserved an A–. Why wasn’t it an A? After giving speeches for a year, he thought he was finished—but his people were just beginning to hear his message. He needed to keep clarifying the organization’s purpose for as long as he was CEO. When we told him that, he sank into his chair.

In contrast, Tony Meola, the recently retired head of U.S. consumer operations at Bank of America, is a leader who understands the ongoing nature of purpose work. He says one thing that makes it relentlessly difficult is that it involves getting institutions to shift direction—and existing cultures tend to impede movement. As extensions of the culture, managers, too, end up resisting the change. Other impediments are organizational complexity and competing demands.

Meola overcame those obstacles by clarifying the purpose of his division: treating operational excellence as a destination and allowing no other pressures to distract from it. He emphasized operational skills and leadership in employee training and development, and he brought that focus to every conversation, every decision, every problem his team faced, always asking, “Will this make us better operators?” He says, “When you hold it constant like that, when you never waver, an amazing thing happens. The purpose sinks into the collective conscience. The culture changes, and the organization begins to perform at a higher level. Processes become simpler and easier to execute and sustain. People start looking for permanent solutions rather than stop-gap measures that create more inefficiencies through process variations.”

Embracing this mindset meant saying no to anything that didn’t reflect it. In the division’s call center, for example, there had been a proposal to invest additional resources in technology and people so that the group could solve customers’ problems faster and better. But the project was rejected because when managers and employees used their stated purpose as a filter and asked themselves whether that investment would make them better operators, the answer was no. What the company really needed to do, they determined, was examine how the operations themselves could be improved to eliminate failures that produced call center inquiries in the first place.

When a leader communicates the purpose with authenticity and constancy, as Meola did, employees recognize his or her commitment, begin to believe in the purpose themselves, and reorient. The change is signaled from the top, and then it unfolds from the bottom.

5. STIMULATE INDIVIDUAL LEARNING

Conventional economic logic tends to rely on external motivators. As leaders embrace higher purpose, however, they recognize that learning and development are powerful incentives. Employees actually want to think, learn, and grow.

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At the St. Louis–based not-for-profit The Mission Continues, whose purpose is to rehabilitate and re-integrate into society wounded and disabled war veterans, new hires are assigned a large amount of work. The underlying philosophy is that when a leader gives someone a difficult challenge, it shows faith in that person’s potential. The job becomes an incubator for learning and development, and along the way the employee gains confidence and becomes more committed to the organization and the higher purpose that drives it.

By helping employees understand the relationship between the higher purpose and the learning process, leaders can strengthen it. People at The Mission Continues are required to reflect on that relationship often. Every two weeks they produce a written document describing their purpose, their strengths, and their development. The exercise is not repetitive, because the experiences change, as do the lessons learned. This practice is consistent with research on effective leadership development approaches. In modern organizations, new experiences tend to come easily, but reflection does not.

At The Mission Continues, the employees have become adaptive and proactive. There is less need for managerial control, because they know the purpose and see how it has changed them for the better. You can liken this clear sense of direction to “commander’s intent” in the military. If soldiers know and internalize a commander’s strategic purpose, they can carry out the mission even when the commander isn’t there. This means, of course, that the leader must communicate the organization’s higher purpose with utter clarity so that employees can make use of their local information and take initiative. Research by business school professors Claudine Gartenberg, Andrea Prat, and George Serafeim shows how critical this is in corporations, too—it is not unique to nonprofits.

6. TURN MIDDLE MANAGERS INTO PURPOSE-DRIVEN LEADERS

To build an inspired, committed workforce, you’ll need middle managers who not only know the organization’s purpose but also deeply connect with it and lead with moral power. That goes way beyond what most companies ask of their midlevel people.

Consider KPMG, a Big Four accounting cooperative with thousands of partners. For decades those partners approached leadership like accounting. They were careful in their observations, exact in their assessments, and cautious about their decisions, because that was the cultural tone set at the top. Senior leaders were not inclined to get emotional about ideals, and neither were the partners. As a result, employees at all levels tended to make only safe, incremental improvements.

But then KPMG went through a transformation. The company began to explore the notion of purpose.



Searching its history, its leaders were surprised to find that it had made many significant contributions to major world events. After conducting and analyzing hundreds of employee interviews, they concluded that KPMG’s purpose was to help clients “inspire confidence and empower change.”

These five words evoked a sense of awe in the firm, but KPMG’s top executives avoided the temptation to turn them into a marketing slogan. Instead, they set out to connect every leader and manager to the purpose. They began by talking openly about their own sense of purpose and meaning. When this had an impact, they recognized that the partners needed to do the same with their teams. When senior management shared these expectations, the partners were open to them but did not feel equipped to meet them. So the accounting firm invested in a new kind of training, in which the partners learned how to tell compelling stories that conveyed their sense of personal identity and professional purpose.

Though applying that training was difficult—it was a real stretch for experts in investment, real estate, tax, risk consulting, and so on—the culture did change. Today the partners communicate their personal purpose to their teams and discuss how it links to their professional lives and the organization’s reason for being. In doing so, they are modeling a vulnerability



EVERY ORGANIZATION HAS A POOL OF CHANGE AGENTS THAT USUALLY GOES UNTAPPED. ONCE ENLISTED, THEY CAN ASSIST WITH EVERY STEP OF THE CULTURAL CHANGE.

and authenticity that no one had previously expected to see at the middle levels of this accounting firm.

7. CONNECT THE PEOPLE TO THE PURPOSE

Once leaders at the top and in the middle have internalized the organization's purpose, they must help frontline employees see how it connects with their day-to-day tasks. But a top-down mandate does not work. Employees need to help drive this process, because then the purpose is more likely to permeate the culture, shaping behavior even when managers aren't right there to watch how people are handling things.

Our best illustration again comes from KPMG, where employees were encouraged to share their own accounts of how they were making a difference. This evolved into a remarkable program called the 10,000 Stories Challenge. It gave employees access to a user-friendly design program and invited them to create posters that would answer the question "What do you do at KPMG?" while capturing their passion and connecting it to the organization's purpose.

Each participating employee created a purpose-driven headline, such as "I Combat Terrorism," and under it wrote a clarifying statement, such as "KPMG helps scores of financial institutions prevent money laundering, keeping financial resources out of the hands of terrorists and criminals." Beneath the statement, the employee would insert his or her picture. Each poster carried the tagline "Inspire Confidence. Empower Change."

In June company leaders announced that if the staff could create 10,000 posters by Thanksgiving, two extra days would be added to the holiday break. Employees hit that benchmark within a month. But then the process went viral—after the reward had already been earned. Twenty-seven thousand people produced 42,000 posters (some individuals made multiple submissions, and teams produced them as well). KPMG had found a brilliant way to help employees personally identify with its collective purpose.

Once the firm's overall transformation had taken root, surveys showed that employees' pride in their work had increased, and engagement scores reached record levels. The firm eventually climbed 31 places, to the number 12 spot, on *Fortune's* 100 Best Companies to Work For list, making it the highest ranked of the Big Four. Recruiting improved, and as turnover decreased, costs dropped.

8. UNLEASH THE POSITIVE ENERGIZERS

Every organization has a pool of change agents that usually goes untapped. We refer to this pool as the network of positive energizers. Spread randomly throughout the organization are mature, purpose-driven people with an optimistic orientation, people like Corey Mundle at Hampton Inn. They naturally inspire others. They're open and willing to take initiative. Once enlisted, they can assist with every step of the cultural change. These people are easy to identify, and others trust them.

We have helped launch such networks in numerous organizations, including Prudential Retirement, Kelly Services, and DTE Energy. Typically, at an initial meeting, senior leaders invite network members to become involved in the design and execution of the change process. Within minutes, there is buy-in. Regular meetings are scheduled. The energizers go out, share ideas, and return with feedback and new ideas. They're willing to tell the truth and openly challenge assumptions.

There is often another benefit, as the experience of one human resources director illustrates. After establishing a network of positive energizers in a major professional services firm, she called us to report that she felt overwhelmed—in a good way—by the interest and commitment of the people she had assembled. They were an amazing resource that, until now, had gone completely unrecognized. They cared as deeply as she did about the organization's purpose and getting colleagues to embrace it. She said, "I no longer feel alone."

ALTHOUGH A HIGHER purpose does not guarantee economic benefits, we have seen impressive results in many organizations. And other research—particularly the Gartenberg study, which included 500,000 people across 429 firms and involved 917 firm-year observations from 2006 to 2011—suggests a positive impact on both operating financial performance (return on assets) and forward-looking measures of performance (Tobin's Q and stock returns) when the purpose is communicated with clarity.

So purpose is not just a lofty ideal; it has practical implications for your company's financial health and competitiveness. People who find meaning in their work don't hoard their energy and dedication. They give them freely, defying conventional economic assumptions about self-interest. They grow rather than stagnate. They do more—and they do it better.

By tapping into that power, you can transform an entire organization.  **HBR Reprint R1804E**

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