How a CEO’s Focus on Organizational Purpose Elevates Performance

Engagement—or more importantly, the lack thereof—is a perennial issue for American businesses. Roughly 50 percent of the country’s workers are not engaged at work, according to results of Gallup’s *The State of the American Workplace* survey. Worse yet, another 20 percent are actively disengaged. To get a sense of the potential impact of these impersonal statistics, imagine 20 percent of your employees roaming the halls spreading discontent and another 50 percent showing up for work intending to simply put in the minimum required of their jobs and go home.

Sound like a pretty dismal scenario? Yet, that’s exactly what’s going on at most workplaces in America—and a simple reason is at the crux of the problem. To feel passionate about both their work and the company that employs them, employees need more than defined responsibilities and goals; they need the kind of inspiration that comes from alignment around a clearly defined purpose—one they can feel passionate about.

“Inspiration is, in a large part, rooted in a sense of purpose, about serving something larger than you,” Jim Hart, president and CEO of Senn Delaney, a Heidrick & Struggles company, told CEOs gathered for a recent *Chief Executive* roundtable held in partnership with Senn Delaney. As an example, Hart pointed to SunEdison, a company that builds and operates solar plants around the world and defines its purpose as to “Transform Lives Through Innovation.” To illustrate the way that purpose plays out, the company put together a video about the impact that bringing electricity to an impoverished village in India had on the local community, from giving children the light they needed to study in their homes to enabling residents to feel secure walking home at night.

**Key Takeaways**

- Does your organization have a clearly defined corporate purpose?
- Do your employees understand the “why” behind what your company does?
- Do they understand their role in achieving it?
- Are you willing to make the hard decisions necessary to remain true to your organization’s purpose?
“SunEdison embarked on the process of defining their purpose and, as a result, their values and how they were going to align all of that,” explains Hart. “In six months, they saw a 26 point improvement on strategic alignment, a 17 point improvement on employee engagement, a 12 point improvement on agility and innovation, a 16 point improvement in collaboration, a 19 point improvement in ethics, a 19 point improvement in positive spirit of the organization and a 12 point improvement in [financial] performance. Their CEO has said that ‘probably the two greatest things that have occurred are that the level of energy and alignment and of performance inside the company are off the charts.’”

The Purpose Problem
Unfortunately, identifying a purpose isn’t as straightforward as it sounds, noted several roundtable participants. Tom Harrison, chairman emeritus of Omnicom, recounted a conversation with a client during a branding exercise during which board members were asked three questions and had no trouble with the first two: “What does the company do?” and “How do you do it?” The third—“Why do you do what you do?”—stumped them. “They couldn’t really articulate an answer,” says Harrison. “So I said, ‘Until we can get to the ‘why’ we can’t even begin to look at the branding process, because you need to understand the purpose for which you exist. It’s hard to do, but when you get it, like this company [eventually] did, it is really a home run.”

For many companies, “purpose” is defined at inception. “Often, the purpose of an organization is its story,” noted Laura Garnett of Garnett Consulting, who cited Starbucks and Zappos as examples. “Why was the company started? Who was the founder? What was the founder’s passion—his or her personal story—and then that lives on as the purpose of the organization for the next CEO and the next after that. When companies start without that original purpose or story, then they lose out because they have to manufacture it later on.”

In a similar vein, companies that start out with a clearly defined purpose often lose sight of it over time. In such cases, the company often begins to flounder as employees lose a sense of direction, as well as the incentive necessary to drive success. “Sometimes you can bring back the purpose, the story of how they started, and rally the troops around the individuals that are still there that are very focused on that,” noted Len Tannenbaum, CEO of the investment firm Fifth Street Finance.

In other cases, it is employees themselves who can most effectively identify the purpose that they can rally around, noted David Deutsch, president of David N. Deutsch & Company. “I ask my people,” he said. “I say, ‘So if we were going to go out of business tomorrow what would people miss the most?’ And then that gets people thinking [about] what the secret sauce is. That’s how we come about it.”

Defining a purpose is just the beginning. As a company grows and evolves, hanging onto that sense of purpose despite external—and internal—pressures is a constant challenge for leaders. “I founded my company for a reason, and I don’t want that to change,” says Shane Mayes, CEO of Onshore Outsourcing. “We’re growing pretty quickly, and we have smart managers coming on board who are way smarter than me, and who find more efficient ways to make money. But those are not always consistent with why I created the company and what I’m trying to do, which is something I’m trying to never lose. Our purpose, our reason for existence, has helped us transcend different evolutions of our business model already, and I think it can go forever. That’s my dream.”

While the road to establishing an organization’s purpose, aligning employees behind it and sustaining that alignment over time can be arduous, the benefits are well worth the journey. “A clear and compelling, heartfelt purpose becomes a magnetic north to align people around, and then you all move in the same direction,” explains Hart, who notes that companies that have a defined and well communicated purpose enjoy many benefits, including improved financial performance, customer trust and brand reputation. “A clear purpose inspires employees—increasing their engagement, satisfaction and productivity—reduces turnover and attracts the best talent.”