Purpose

• What is purpose?
  • The reason for which something exists or is done, made, or used
  • An intended or desired result; an aim or goal
  • Determination; resoluteness
Purpose

• What is your purpose?
  • At the deepest level, your purpose is a statement, or really a sense, of:
    • Why you exist
    • The difference you want to make in the world through your work and other activities
    • The overarching goal that fills you with determination and commitment
Purpose

• What is your organization’s or business’ purpose?
  • It’s a statement, or really a sense, of:
    • Why you are in business
    • The difference your business wants to make in the world through its products, services, or work processes
    • The overarching goal that fills you and other members of your company or organization with determination, commitment, and pride
Purpose-Driven Leadership

• Leading ourselves and others with purpose
  • A focus on the ultimate contribution goal we want to make
  • The process of influencing members of the organization or business (and ourselves) to work to achieve a goal that is noble and caring, a goal that contributes not just to the self-interests of employees, leaders, or the organization itself but that contributes to the greater good of the community, the society, the country, or the world
Purpose-Driven Leadership

1. Business is changing
   • Increasing expectations and opportunities for business to be purpose-driven. Employees, employers, and customers are calling for purpose-driven leadership

2. Purpose-driven leadership increases the likelihood that we actually achieve our purpose:
   • That we make a genuine contribution

3. Purpose gives us meaning, satisfaction, energy, performance
Purpose-Driven Leadership

• How business is changing and becoming more focused on purpose
• What it means to be a purpose-driven leader
• How we can cultivate our sense of purpose
• What purpose-driven leaders actually do
• The challenges of purpose-driven leadership
Purpose

• What is your purpose in taking this course?
• How do you hope to use what you learn in this module to achieve a contribution goal that you have? How do you think what you learn in this module might help you make a positive difference for your family, company, community, or the world?
Purpose-Driven Leadership

The Role of Business is Changing

Katherine Klein, Professor of Management
“There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.”

— MILTON FRIEDMAN
New View Terms

- CSR
- Social Impact
- Sustainable Business
- People, Planet, Profit
- ESG Standards
- Social Entrepreneurship
- Conscious Capitalism
- Impact Investing
- Benefit Corporations
- B-Certified Companies
The Big Idea

- Businesses can and should pursue a larger social and/or environmental purpose
Three Arguments

1. Businesses ignore social and environmental issues at their peril. Businesses are not immune to these risks.
“It is not possible to have a strong, functioning business in a world of increasing inequality, poverty and climate change.”

PAUL POLMAN
Three Arguments

1. Businesses ignore social and environmental issues at their peril. Businesses are not immune to these risks.

2. We cannot solve the most pressing and complex social and environmental challenges in the world without the involvement of the private sector. We need business innovation and capital to solve the world’s toughest problems.
“At the Rockefeller Foundation, we have a vested interest in understanding how finance can be used to solve problems that affect the world’s poorest or most vulnerable people. Philanthropy and donor governments alone no longer have the resources to solve these challenges. So we must engage the talents, resources, and expertise of the private sector.”

— JUDITH RODIN
Three Arguments

1. Businesses ignore social and environmental issues at their peril. Businesses are not immune to these risks.

2. We cannot solve the most pressing and complex social and environmental challenges in the world without the involvement of the private sector. We need business innovation and capital to solve the world’s toughest problems.

3. Businesses can do well and do good at the same time. In the long term, doing good is likely to be a key driver of doing well.
“Sustainability – a term we use to describe the business programs, products, and practices built around environmental and social considerations – is often seen as a luxury investment or a public relations device. We think that view is cynical and increasingly untenable. Sustainability programs are not only strongly correlated with good financial performance but also play a role in creating it.”

— MCKINSEY
What’s Driving These Changes

• Declining trust and confidence in government
  • Edelman Trust Report
    • Surveys in 28 countries
    • Government is less trusted than NGOs, business and media organizations
• Increasing awareness of the limits of philanthropy
  • $2.5 trillion funding gap
• Increasing awareness of the benefits to companies of pursuing a larger environmental and social purpose
What’s Driving These Changes

- How companies pursuing a larger environmental and social purpose benefit:
  - Employees
  - Customers
  - Innovation/cost savings
  - New markets
Five Models of Pursuing Social and Environmental Purpose

1. Profit Maximizers
   • They’re not pursuing social and environmental impact
   • “The business of business is business.”

2. Generous Contributors
   • Have corporate social responsibility
   • “We have a responsibility to give back. Our philanthropy benefits the world and our brand.”

3. Impact Innovators
   • Have become interested in pursuing a social and environmental purpose
   • “Our traditional business pursuits come first, but increasingly we are looking for and finding new ways to do well and do good.”
Five Models of Pursuing Social and Environmental Purpose

4. Impact First
   • Created for their social impact and to solve a social problem
   • “We are in the business of social impact. We designed the business in order to meet our social and/or environmental impact goals.”
   • Greyston: “We don’t hire people to make brownies. We make brownies to hire people.”

5. Impact Investors
   • Investing in purpose-driven companies
   • “We are want to align our investments, not just our philanthropy, with our larger social or environmental purpose. We seek to make a financial AND social return.”
Environmental and Social Challenges

• Three impact goals
  1. To overcome environmental challenges
  2. Meet individuals’ basic needs
  3. Ensuring fair and equal opportunity
Key Takeaways

• There is a new view
  • Declining trust in government
  • Increasing awareness that philanthropic dollars aren’t sufficient
  • A sense that business can do well and do good at the same time

• Different Forms
  • Generous Contributors
  • Impact Innovators
  • Impact First Businesses
  • Impact Investors
Key Takeaways

• Working to address three problems
  • How to increase **environmental sustainability**
  • How to alleviate poverty and meet **basic needs**
  • How to increase **equal opportunity for all**
Purpose-Driven Leadership
Cultivate Your Purpose
Katherine Klein, Professor of Management
Cultivate Your Purpose

• Cultivate: to promote the growth of something, to work on its development
  • Reflect on your skills and strengths and the causes you care most deeply about
  • Uncovering and honoring what you care about most in the world
Cultivate Your Purpose

What is your purpose?

• A statement, or a sense of:
  • Why you exist
  • The difference you want to make in the world through your work and other activities
  • The overarching goal that fills you with determination and commitment
“Your brand, what you’re driven to achieve, the magic that makes you tick. It’s … the strengths and passions you bring to the table no matter where you’re seated. It’s what everyone close to you recognizes as uniquely you and would miss if you were gone.”

— NICK CRAIG & SCOTT SNOOK
Cultivate Your Purpose

What is your organization’s purpose?

• It is your organization’s reason for being

• It describes the fundamental benefits that your customers and other stakeholders gain from your company now and into the future

• It’s the difference your business wants to make in the world through its products, services, or work processes

• The overarching goal that fills you and other members of your company or organization with determination, commitment, and pride
Organizational Purpose Examples

CVS Health: Retail pharmacy chain

• “Helping people on their path to better health.”
• Stopped selling cigarettes - giving up $2 billion in annual revenue
  • Improved employee hiring and retention
  • Improved brand
  • Attracting new business partnerships
  • Cigarette sales declined
Organizational Purpose Examples

Etsy: Online marketplace

- Over 1.5 million sellers from 83 countries
- “To reimagine commerce in ways that build a more fulfilling and lasting world.”
Organizational Purpose Examples

Roshan: Afghanistan's leading telecommunications provider
• Over 6.5 million active subscribers
“Our goal was to spearhead economic development and to facilitate greater social cohesion in Afghanistan. We believe that the ability to speak with friends and family, wherever they are, is a right that every Afghan deserves. Our mandate is to not only operate a best-in-class telecommunications network, but to also use communications as a catalyst for development in a country ravaged by 30 years of war.”

— ROSHAN CEO
Organizational Purpose Examples

Unilever: Multinational consumer goods company
• “To make sustainable living commonplace.”
“We are living in a world where temperatures are rising, water shortages are more frequent, food supplies are increasingly scarce and the gap between rich and poor increasing. Populations are growing fast, making basic hygiene and sanitation even more of a challenge.”

— UNILEVER
“At Unilever we can see how people the world over are already affected by these changes. And the changes will pose new challenges for us too, as commodity costs fluctuate, markets become unsustainable and raw materials harder to source.”

— UNILEVER
“We believe that business must be part of the solution. … Sustainable, equitable growth is the only acceptable business model. Our vision is to grow our business, while reducing our environmental footprint and increasing our positive social impact.”

— UNILEVER
Wrapping Up

• Worksheet
• Interview with Derek Handley
Test Your Assumptions

- It’s easy to tackle the wrong problem
  - May do no benefit or cause harm
- Current problems purpose-driven companies are trying to tackle
  - Improving sanitation in the world’s worst slums
  - Creating job opportunities for chronically unemployed
  - Providing lighting to people who have no electricity
  - Preventing unwanted pregnancies
Test Your Assumptions: Daily Table Example

• Doug Rauch, the founder of Daily Table
  • Knew he wanted to make a difference in the world
  • Knew that a lot of food goes to waste
    • 40% of food in the US goes uneaten
  • Assumed a few things:
    • Many Americans are hungry
    • If you can get more food to food banks and other organizations, the problem would be solved
Test Your Assumptions: Daily Table Example

• Hypothesis:
  • Many Americans are hungry; on many days, they can’t get enough calories to eat

• The truth:
  • Many Americans aren’t starving, they are food insecure and can’t get healthy food
Test Your Assumptions: Daily Table Example

• Hypothesis:
  • If you can get food to food banks, you can solve the problem

• The truth:
  • Food banks don’t need more food; they need fresh produce and vegetables
  • People don’t like going to food pantries and shelters
Test Your Assumptions: Daily Table Example

• Revised plan:
  • Created Daily Table
    • Opened in June, 2015 near Boston, Massachusetts
    • A store that sells healthy food cheaper than “fast food”
“At Daily Table we believe that delicious, wholesome and affordable food should be available to all. We are on a mission to help communities make great choices around food by making it easy for them to choose tasty, healthy, convenient and truly affordable meals and groceries. And we do this in a respectful manner that honors our customer, engendering dignity.

— DAILY TABLE
Test Your Assumptions

• Write your assumptions down
• Test your assumptions
  • Talk to experts
  • Identify common misconceptions
• Read research
  • What’s been tried and hasn’t worked
• Consult leaders who work and live in the communities
• Talk to your target audience
• Test your impact strategy
• Try, try again
Test Your Assumptions

• Enduring problems are usually multidetermined
• When you think you have the simple, easy answer to a complex problem, you probably don’t
Wrapping Up

• Test your assumptions
  • Write down your hypotheses
  • Talk with experts
  • Read research reports
  • Talk with community leaders
  • Talk with recipients
  • Try, try again!
Purpose-Driven Leadership
Find the Win-Win

Katherine Klein, Professor of Management
Finding the Win-Win

• Hybrid organization
  • Organization with a social mission combined with commercial (for profit) activities

• Shared value (Michael Porter and Mark Kramer)
  • A management strategy in which companies find business opportunities in social problems
  • Focuses company leaders on maximizing the competitive value of solving social problems
Why It’s Hard to Achieve the Win-Win

• Funders
  • Donors may not want to give to profit-seeking organizations
  • Investors may not want to invest in organizations not designed solely to maximize profits

• Employees
  • May be confused about what the top priority of the organization is

• Customers
  • May be confused about whether they are beneficiaries, or customers expected to demand and push for what they want, what they paid for
How Do You Find the Win-Win?

• A leader must have BOTH business acumen and deep commitment to purpose
  • Attending to the business fundamentals
  • Refusing to give up on their larger purpose
• Mindset is key
• And so is asking the right questions
Questions to Ask

• **Product design**
  • Could our product design incorporate greater social benefits?

• **Customers and markets**
  • Are we serving all the communities that would benefit from our products?

• **Supply chain and production**
  • Do our processes and logistical approaches maximize efficiencies in energy and water use?

• **Community**
  • Could our new plant be constructed in a way that achieves greater community impact?

• **MINDSET!**

Michael Porter and Mark Kramer
Questions to Ask

• Articulate and embody the dual commitment to profit and purpose. Speak to and unite “capitalists” and “idealists”

• Build conversations and ties between those in the company who know the social mission best and those who know the business side best

• Experiment and monitor
Win-Win

• Great leaders consistently challenge two assumptions:
  • The assumption that making a profit is impossible for a purpose-driven company
  • The assumption that making a profit is inappropriate for a purpose-driven company
• They pursue profit AND purpose
Purpose-Driven Leadership
Bring It Home

Katherine Klein, Professor of Management
Bring It Home

• You need to bring your purpose inside the company. You need to walk the talk, aligning what you and your organization say (about your purpose) with what you and your organization do (how you behave)
How to Bring Purpose Home

• Three ways:
  • Personal behavior – how you treat others, how you lead
  • Culture – your vision and more
  • Creating and ensuring accountability – do what you say you will do
Practicing What You Preach

• Personal behavior
  • We trust and respect people who practice what they preach
  • Behavioral integrity

• Culture
  • Policies, practices, and norms reflect the organization’s larger purpose

• Accountability
  • People, structures, and metrics that help ensure follow-through on commitments
Leader Behavior

• What you ask of your employees will be asked of you
  • How you respond to others:
    • Listen
    • Respect
    • Openness to feedback
  • Be open and vulnerable
    • Edelman Trust Research
      • Share personal stories, be vulnerable, be open and share experiences
Building the Culture

• Vision
  • Communicate a vision that others can see
  • Beneficiary contact: make it real

• Participative management practices that invite employee input
  • Formal or informal structures

• Psychological safety
  • Critical for learning, engagement, and trust
Accountability Mechanisms

• Four ways to ensure accountability
  • Metrics and transparency
    • B corporations- certified by a non-profit organization called B-Lab
      • Must meet rigorous standards of social and environmental performance
  • Legal structures
    • Benefit corporations- built into the company’s by-laws
  • Board of directors
    • Committed to your profit AND purpose
  • Customer
    • Will make it known if you are not authentic
Bring It Home

- Leaders who bring it home
  - Chad Dickerson, Etsy
    - Interviewed at the Net Impact Conference
  - Kat Taylor, Beneficial State Bank
  - Jostein Solheim, Ben & Jerry’s
Purpose-Driven Leadership
Evaluate, Revise, and Renew

Katherine Klein, Professor of Management
Evaluate, Revise, and Renew

• Five-step process:
  • Know your goal
  • Figure out the logic model
  • Gather data
  • Assess your performance
  • Revise and improve
Evaluate, Revise, and Renew

• Know your goal
  • What is the operational impact that you expect to have?
  • Etsy
    • How many sellers do you want to have?
    • How many countries?
    • Is gender important?
    • Is it important whether they are in business for fun or economic gain?
    • Is it important how much money they make?
    • Is it important how many remain sellers year after year?
Evaluate, Revise, and Renew

• Build out the logic model
  • The causal chain that connects your bold ambitions to intended impact
Evaluate, Revise, and Renew

• Five links in the chain:

1. **Inputs** – resources needed to operate your program or business
2. **Activities** – what your organization or business does or makes
3. **Outputs** – the number of products or services your organization or business makes, sells, or offers
4. **Outcomes** – the immediate benefit to recipients of your products and services to beneficiaries, customers, employees, stakeholders
5. **Impact** – the long-term benefit to recipients, communities
Evaluate, Revise, and Renew

- KIPP Public Charter Schools in the United States
  1. **Inputs** – teachers, curriculum, school buildings, students, funding
  2. **Activities** – teaching, student retention
  3. **Outputs** – number of students taught, number of graduates
  4. **Outcomes** – learning, ready for college or career
  5. **Impact** – college and career ready, able to live empowering lives
Evaluate, Revise, and Renew

- MTV: American cable and satellite TV channel
  1. **Inputs** – TV producers, distribution network, etc.
  2. **Activities** – reality TV shows, specifically “16 and Pregnant”
  3. **Outputs** – millions of viewers see the show
  4. **Outcomes** – viewers learn that being 16 and pregnant is a bad idea
  5. **Impact** – reduction in teenage pregnancies in states with many viewers
Evaluate, Revise, and Renew

- TOMS Shoes
  1. **Inputs** – shoe production, sales, customers, marketing
  2. **Activities** – buy one, give one model
  3. **Outputs** – millions of poor children and adults get free shoes
  4. **Outcomes** – happy children and adults
  5. **Impact** – disrupts local economy, creates dependence
Evaluate, Revise, and Renew

• TOMS Shoes: Revised model
  1. **Inputs** – shoe production, sales, customers, marketing
  2. **Activities** – buy one, give one model
     • Shoes manufactured in India, Ethiopia, Kenya, and Haiti
  3. **Outputs** – millions of poor children and adults get free shoes
     • But only in very poor, rural communities, AND jobs created
  4. **Outcomes** – happy children and adults, AND jobs
  5. **Impact** – supports local economy
Purpose-Driven Leadership
Module Wrap-Up

Katherine Klein, Professor of Management
Wrapping Up

• Your purpose
  • At the deepest level, your purpose is a statement, or really a sense, of:
    • Why you exist
    • The difference you want to make in the world through your work and other activities
    • Overarching goal that fills you with determination and commitment
Wrapping Up

- Five steps to become a purpose-driven leader
  - Cultivate your purpose
  - Test your assumptions
  - Find the win-win
  - Bring it home within your organization
  - Evaluate, revise and renew