
Practical Law

Business view: Corporate purpose isn't this

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This article examines what corporate purpose is, and what it isn't, and what it means for in-house counsel.

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The idea that meaningful purpose helps organisations stand out, connect and prosper isn't new. What's more, it can be a powerful force that helps attract the right talent and fulfil a company's corporate, societal and stakeholder aims.

Jurisdiction

International

There are many examples of companies around the world talking about purpose in a good way. John Lewis is one. Despite being set out by its founder John Spedan Lewis 80 years ago, the John Lewis founding principles define how the business runs today. The ultimate purpose of the partnership is the "happiness of all its members", which bolsters its customer strategy to "deal with customers honestly", securing their loyalty and trust.

Companies need purpose

But there are also examples of companies going rogue with their purpose, for example, Volkswagen. It originally set out to enhance people's lives through great engineering: making high-quality cars accessible to all. Yet in 2007 it shifted gears and it vowed to become the world's largest automaker by 2018.

The company reached its competitive target three years early, but what lengths did it take to get there? And what did it lose by replacing authentic purpose with, what was perceived by some as, bullish aims? With the original purpose intact, "Why," employees would have cried, "are we introducing cheatware, if low emissions are part of a better world?"

Corporate purpose is more than a set of aims with an end date, and it needs redefining. Corporate purpose answers the fundamental question: why do we exist? And how would we be missed if we disappeared? This is what purpose isn't.

Purpose isn't words

A worthwhile purpose leads to action. It is often communicated with a company's mission or vision statement, but it is also found in unarticulated places. The tone of an email, the drafting of standard terms and conditions, the approach to dispute resolution, the decisions made during the management of a crisis: any of these can reveal and reflect the company's purpose. It must be a business purpose, rooted in what the organisation can deliver.

Whether you are a legal counsel, head of legal or general counsel on the board, ask yourself: what value is at stake? What is our contribution?

Purpose can be found everywhere. Take Nestlé, which was founded in 1866 to save the life of a baby by producing infant cereal for babies who could not be breast fed. It came when infant mortality below 12 months in Switzerland was at 16%. Today, Nestlé celebrates 150 years in the business of innovative, science-based products. Its core message has evolved, but remains unchanged in the fundamentals: to enhance the quality of people's lives through its food, beverage, nutrition, health and wellness products.

While an organisation's history can certainly help position a firm, so too can its notable leaders. IBM is one example of a giant organisation reframing its purpose when a leader stopped to consider it deeply.

In 2002, Sam Palmisano was appointed CEO, largely to refocus the company's future direction. Palmisano asked: what does tomorrow look like? He knew he needed a stronger purpose to define IBM's existence. In 2004, he decided to sell IBM's PC business to Lenovo, which left the world confused. No one knew what the company

cracked it: using technology to improve how the world functions. This became the short and snappy “building a smarter planet”. Yes, these are words, but the meaning behind them carries weight. It is why IBM matters.

Today, IBM buys ideas from entrepreneurs who happily sell to the firm. Employees feel good about their work and investors do too. No company is perfect, but this is a good example of a purpose that stands for more than just words.

Purpose isn't feelings alone

We know that words are not enough. But feelings won't cut it either. A purpose must channel a spirit that drives something to be done.

Stories are a powerful way of doing this job. Leaders and influencers throughout an organisation should become Chief Storytelling Officers, inspiring managers to retell the stories of defeats and victories. Recounting vulnerable times invites people (customers, employees and shareholders) into an insider's network, it makes people trust and belong. For people to feel, and ultimately act, they must understand where the organisation fits into the wider environment, where it has been and where it is going.

Take SAP, the German business software giant. Its purpose is to “Help the World Run Better”. Emotive indeed, but does it mean anything? Yes, if you hear the stories of how SAP's software has helped customers reduce waste, make the most of scarce resources, and transform lives. Here, the role of SAP's top team is to put a spotlight on the work of their tens of thousands of employees. Over the decades, SAP's purpose has been communicated in a simple story, repeatedly, with constant evolution to address changing contexts.

If you read SAP's 'words', they formulate a big promise to “help to predict and prevent disasters, eliminate gender inequality, and educate people who might never have been inside a classroom”. The words create a feeling, and then, they invite you to act: “We are committed to these goals, and we invite you – as a business person, an educator, or an everyday citizen – to join us,” its purpose states.

Purpose isn't fixed

Video killed the radio star, Netflix killed the video store Blockbuster, and Facebook outperformed Myspace: businesses that existed years ago are dead today. Companies that do not evolve fast enough simply do not survive. When an organisation evolves, its purpose must, too.

The global drinks company Diageo, which was rooted in the Grand Met-Guinness merger, is a great example. Grand Met, already a prominent drinks business at the time of the merger, had very different origins. Its founder, Maxwell Joseph, began in the hotel business, progressing to property, restaurants, pubs and then into liquor. Within any given business, the strategy will change, but what does that mean for purpose?

This question leads to our next point.

Purpose isn't strategy

Purpose is neither the same as business definition nor the same as strategy, but both are an expression of what the business stands for. So, if your company is changing its direction, you need to ask: is the company reaching its limits?

Take Unilever as an example. Paul Polman took the reins at Unilever in uncertain times. Revenues were at an all-time low. Some said the business had lost its focus on consumers and the world they lived in. The problem, Polman said at the time, was that it did not carry the kind of message a company like Nestlé did. Polman's solution was to place society, and therefore people, at its heart – of Unilever's business model, words and overall purpose. And so Unilever focused on how to sell more products that are good for customers and launched its Sustainable Living Plan.

Unilever's purpose, to make change on a global scale – deforestation, climate change, water, sanitation, hygiene and more – was to double the size of the business while helping more than one billion people to improve their health and well-being, halving the environmental footprint, and enhancing suppliers' livelihoods. A strategy yes, but something much more connected than that.

It's yours too. As an in-house lawyer, you're a channel for your organisation's purpose and if it doesn't connect with you, how can it connect with others? Purpose needs to belong to the people who represent the organisation in every territory. The front-line sales people, the upper echelons of leadership and the customers who feel strong brand affiliation. Part of being in-house is being part of the business and owning its purpose.

Corporate purpose answers the organisational question of "what's the point?" But what is the link between your personal story and the story told about your company? To answer that, focus on your legacy: your "I'll be known for this" mantra.

A leader's personal imprint is purpose. It will change, but what you pass on can retain its roots and heritage. That is important: reflecting on your past to plan for the future. Make sure you can answer: what's the reason for being? Because while purpose isn't words and feelings, isn't fixed or simply the latest plan, and certainly isn't 'theirs'; it is the very reason your company exists.

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