

PURPOSE...

... clarity leads to purpose; placing a “higher” meaning at the center of entrepreneurial activity...

WHO
WHEN
WHERE
How
?
○
WHAT
WHY





Authors

Dr. Melanie Wiener, MBA



qualityaustria network partner,
product expert NQR, postdoctoral re-
searcher Johannes Kepler University

Dr. Franz Peter Walder



qualityaustria network partner,
Member of the Board of Quality
Austria & EFQM, entrepreneur, FACT
consulting, Conenga Group

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Foreword

The business world is characterized by a shift in values: profit and market growth are no longer the imperatives of the economy, but instead, issues such as sustainability, responsibility and fairness define the success of a company.

Placing a clear, lived “PURPOSE” i.e. “higher” meaning at the core of all activity not only considerably enhances the attractiveness of an employer, but is also increasingly demanded by customers and consumers. The study “Quality 2030”, which was carried out by the Institute for Integrated Quality Design of the Johannes Kepler University (JKU) on behalf of Quality Austria, illustrates that organizations that are “purpose-driven” are more successful in the long term. These findings are also supported by a recent study by McKinsey: just 7 percent of the Fortune 500 CEOs are of the opinion that their companies “should mainly concentrate on making profits and should not allow themselves to be distracted by social objectives”.

Organizations require clear orientation. This creates clarity as to what direction the development should take and which contributions and impacts the company wishes to achieve in its own ecosystem. This also provides the necessary “energy” and motivation that leads to success.



Orientation is particularly important in dynamic and complex environments (keyword VUCA world), since PURPOSE creates clarity as to the WHY. Why an organization is active and what long-term benefit the organization creates for its stakeholders – first and foremost customers, employees and owners. Purpose, therefore, narrates the central story.

How do we classify PURPOSE?

The basic assumption: far beyond their salary, people are fundamentally interested in the meaning and value of what they do. In order to find a meaningful WHY – i.e. purpose – in a modern and future-oriented world of work, what is required to an ever greater extent is clarity and transparency. When the PURPOSE is clearly stated and powerfully described, reflects values that one is proud to represent, there are management systems that create a helpful framework for the daily ACTIONS and leadership that encourages this, then organizations are more successful in their daily business and are much better equipped to handle crises.

Well-founded quality management provides pivotal added value when it comes to transforming the core statements of the “purpose” into the day-to-day activities. The purpose is part of the specifications in the policy.

In the EFQM Model 2020, purpose is presented as a central element of the ORIENTATION of every organization. The ORIENTATION guides the IMPLEMENTATION and leads to RESULTS.

PURPOSE

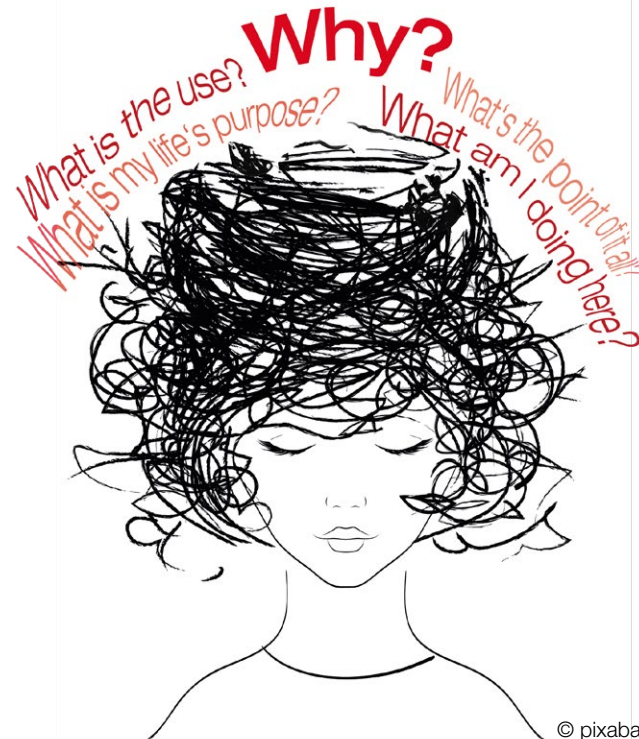
To date, a common definition of purpose has not been developed in the realm of science nor in practice, although published statements do exhibit major similarities in terms of content.

“Purpose is a definite statement about the difference you are trying to make in the world. It’s your reason for being that goes beyond making money, and it almost always results in making more money than you ever thought possible.”

(Spence, R., 2009. It’s not what you sell. It’s what you stand for.)

Purpose addresses all the stakeholders and means more than simply keeping one’s sights fixed on the profit as a shareholder. Purpose creates clarity as to the “why” while simultaneously ensuring the consolidation of meaning for all the members of an organization, and is also the foundation for fundamental business decisions. Purpose thus becomes the driving force in an organization.

In order to ensure this, purpose must be the common thread that unites all aspects of a company and is understood, accepted, supported and lived by all members of the organization.



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PURPOSE: part of the “NORMATIVE” framework of every organization

Purpose:

- **WHY** do we as an organization, as a company, as a place exist?
- What is our meaningful **PURPOSE**? It is proven that a purpose that is formulated in the shape of a story has a considerably greater impact.

VISION – the WHERE TO

- **WHAT** ultimately counts and what is the end result?
- **WHERE** do we want to go, what is our overarching **CHARTER OF OBJECTIVES**?

GUIDING PRINCIPLE – FRAMEWORK for the HOW

- **HOW** do we act?
- What framework (conditions) define our daily actions?
- What are our values, our attitude, our principles?

All of this together forms the normative framework of an organization. As the illustration opposite shows, the **WHY** appeals to precisely the part of our brain that (intrinsically) motivates us and represents a stable source of motivation.

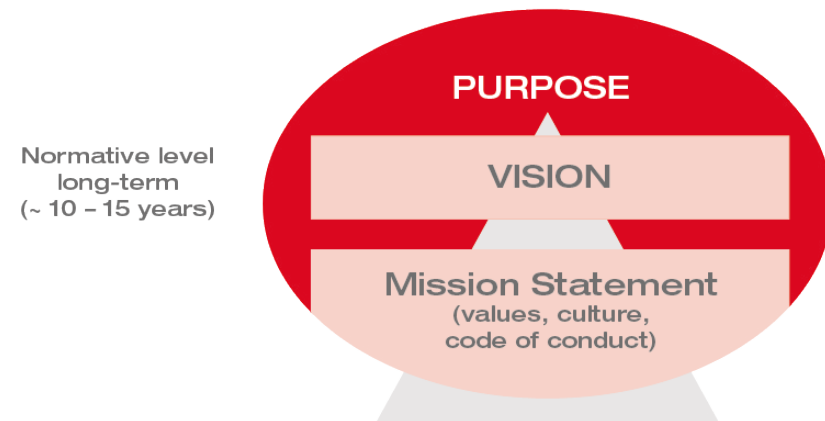


Figure 1: Purpose – embedded in a normative framework – own depiction based on FACT, 2020

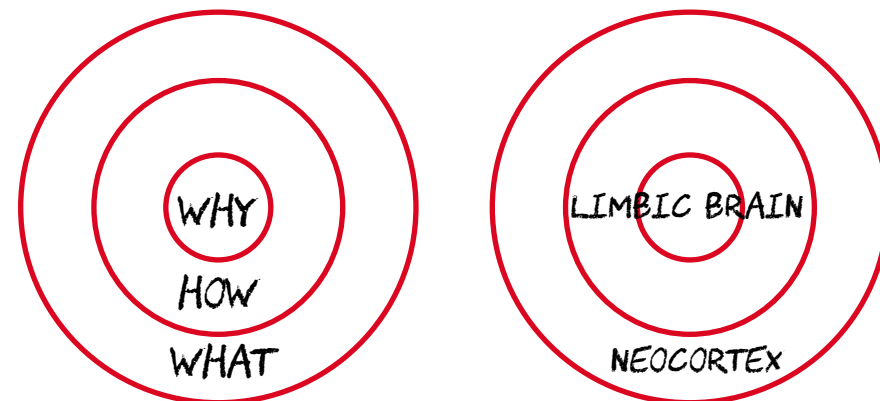


Figure 2: The WHY appeals to our emotions – own depiction based on Sinek, Start With Why, 2009

Channeling purpose, vision and a guiding principle into a strategy and implementation

Purpose, vision, the guiding principle, culture, strategy and then the operational action must be designed in a consistent way.

The power of clarifying the purpose comes from its application in everyday actions.

Management systems contribute significantly to the consistency and transparency of organizations. Leadership is clearly addressed and the instruments and tools for daily implementation are continuously verified via audits and reviews.

Culture is shaped by the overall behavior of the leadership.

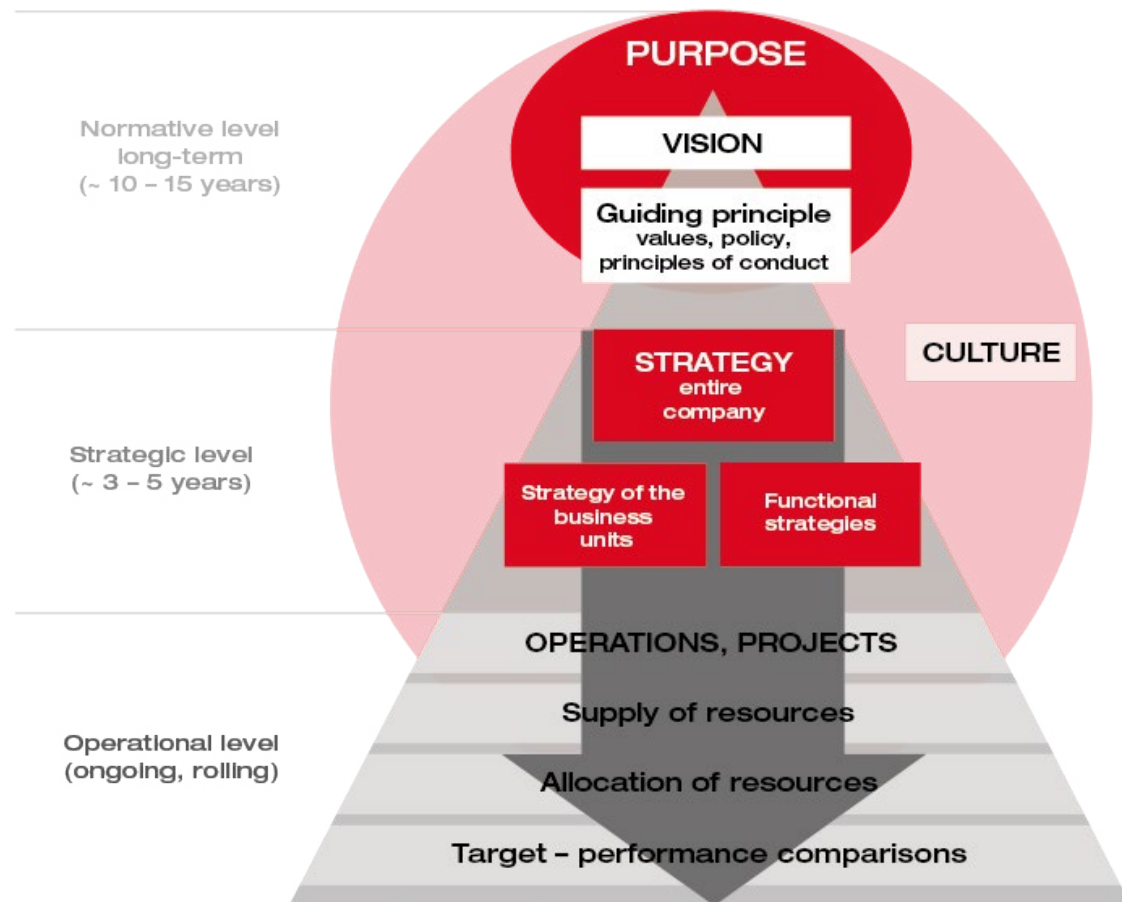


Figure 3: Channeling purpose, vision and a guiding principle – own depiction based on FACT, 2020

Purpose, culture and values – three “hard” success factors for fitness for the future

In the past, purpose, culture and values have often been described as “soft” success factors.

Now, however, in part heightened by the crisis, it is becoming clear that in reality, these are the hard success factors for organizations.

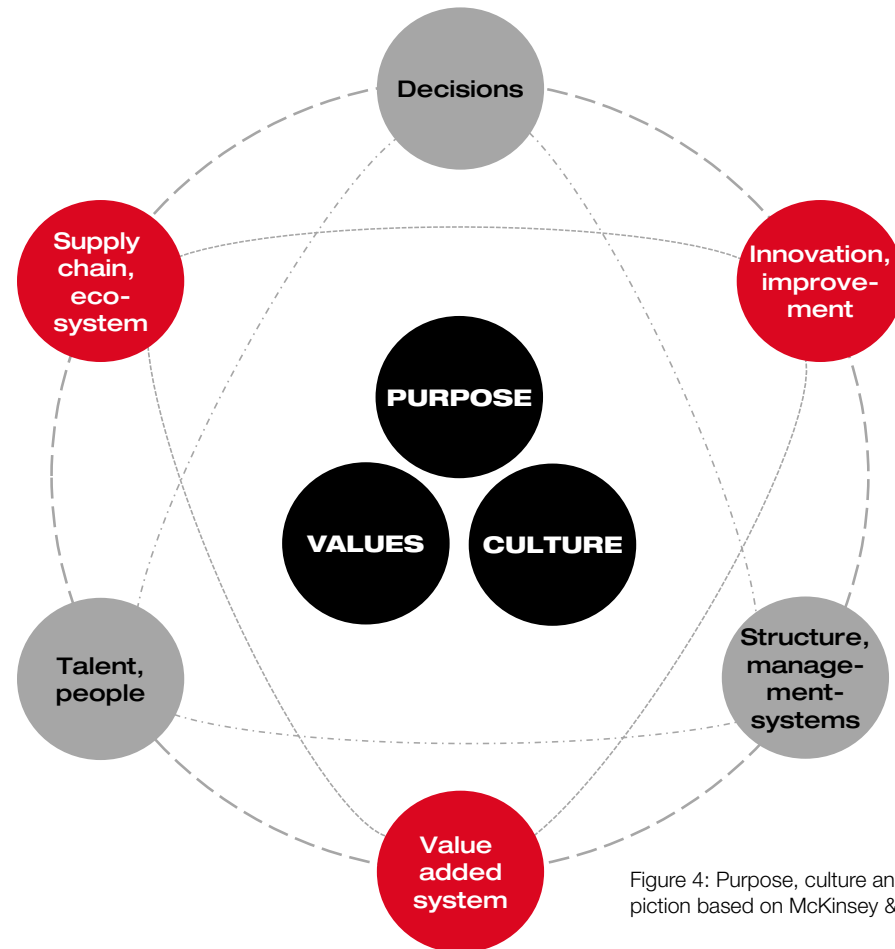


Figure 4: Purpose, culture and values – own depiction based on McKinsey & Company, 2020

PURPOSE: Status in organizations

According to a recent survey of employees,

- only 28% feel informed about the purpose and in agreement with it.
- only 39% understand their valuable contribution to the company.
- only 34% believe that they make a substantial contribution to the company's success.
- only 22% say that they are able to make use of their strengths in their work.

It is very easy to deduce from these results that there is great potential waiting to be utilized by companies in this area.

Source: Own depiction based on
McKinsey & Company, 2020



PURPOSE: Status in organizations

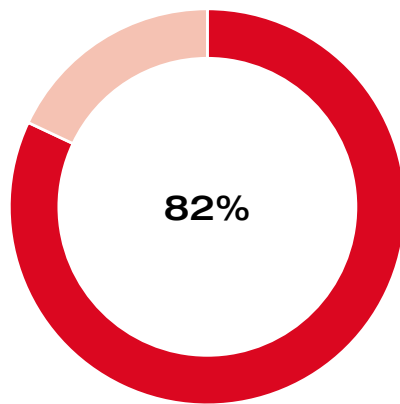
Although the COVID-19 crisis has alleviated the pressure somewhat, it is just a matter of time until companies are confronted with a shortage of skilled workers once more, according to the unanimous opinion of experts.

Employees – especially high potentials – are often in a very good position to negotiate and are able to choose their future employer. The salary does not play the primary role in these negotiations. What is becoming ever more important is the PURPOSE of the potential employer. This development is significant amongst younger em-

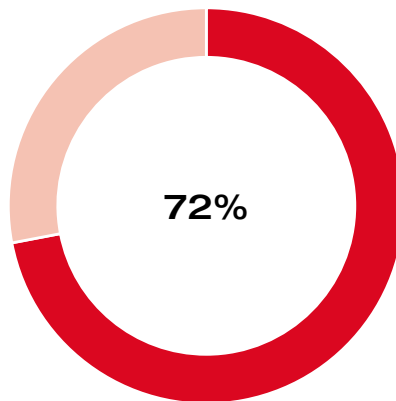
ployees of the generations Y and Z.

It is sobering in this context, therefore, that while the people surveyed are seeking a PURPOSE-DRIVEN organization, only slightly over half of the companies have formulated a purpose statement, and less than half consciously draw on the purpose for decisions and in the implementation of daily activities.

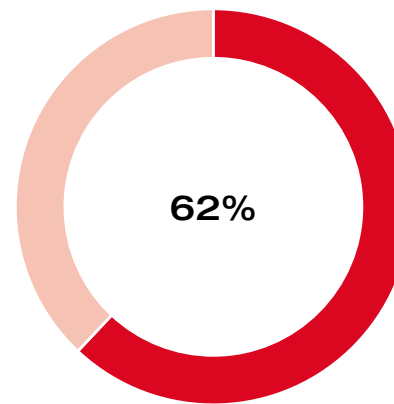
The survey participants indicated...



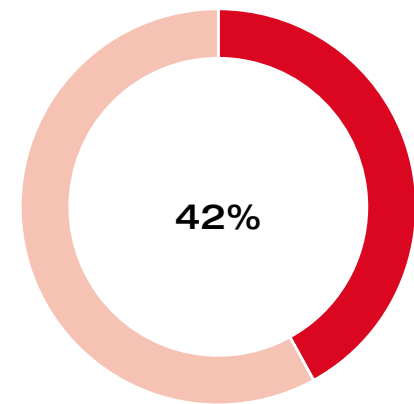
... it is important for an organization to have a purpose



... purpose should have a greater meaning than just profit



... work for an organization that has a purpose statement



... that in their organization, purpose truly forms a decision-making basis for daily actions.

Figure 5: Purpose: Shifting from why to how – own depiction based on McKinsey & Company, 2020

What contents are / will be relevant for purpose

Formulating PURPOSE as a story is helpful.

When clarifying and formulating the PURPOSE, companies need to answer the following question: Does our PURPOSE, our story suit the VALUES and NEEDS of our target group and our (potential) employees?

"Younger generations actively look for environmentally friendly, socially conscious brands."

(Source: Institute for Integrated Quality Design, Quality 2030 study)

Contents that can be referenced in the WHY:

- Comprehensive sustainability (ecology, social issues and economy)
- Decarbonization, climate protection, "only one planet", fairness, social responsibility, circular economy
- Fair trade
- Ultimately represented by the SDGs, the European Green Deal and vibrant CSR

Culture and values in the organization:

- Open, transparent, trust-based and not hierarchy-based
- Authenticity, integrity
- Invites staff to actively get involved, promotes personal initiative
- Innovative, curious

The ecosystem pays attention to consistency in the PURPOSE

What it comes down to is trust.

A purpose that only addresses a few strategic focus areas or that is not implemented in the organization and ecosystem in a serious, believable way will no longer suffice in future – according to the results of the Quality 2030 study.

The consistent implementation of the articulated purpose is monitored by all stakeholders in the ecosystem: customers, employees, owners, suppliers and partners as well as the corporation. Everybody keeps a close eye on consistency and credibility, since this establishes trust. This means that particularly in challenging times, organizations need to stand by their position and their promises.

The image opposite depicts an overview of the ecosystem.



Figure 6: The ecosystem of the organization – own depiction based on EFQM, 2020

Developing purpose

Clear specification and formulation – as compact as possible, by no means superficial

- The formulated statements shine a spotlight on the organization's uniqueness, its WHY – where does the company come from, which stories exist (“...become what you are...”) and should remain
- Powerful statements that are underpinned by clear stories and images enable explanation and transmission
- The contents must be practicable in daily actions in a way that is compatible with the values

Directed towards the addressees – this means all stakeholders

- WHY does the organization, the company exist from the perspective of the stakeholder
- WHERE does the organization, do the people in the organization want to go and what does this mean for the stakeholders
- What benefit does the organization create for the stakeholders and how is this realized (values, attitude, principles)

Ensure consistency – purpose, vision, values, policy and strategy

- The vision describes the WHERE TO and provides a perceptible timeframe
- The strategy says a lot about the HOW, and builds the bridge to the structure
- The structure (organization, processes, systems) follows the lead of the strategy and thus also the purpose
- This consistency must be noticeable in the daily ACTIONS, in daily life

Active integration in daily leadership work: consistently implemented and reflected

- For credibility and trust, it is essential that on a day-to-day basis, in all critical as well as simple leadership situations, the leadership provides guidance in order to ensure the connection to the purpose
- Leadership shapes the culture and ensures the vivacity of the purpose
- Regular reflection is both a task and a tool

Purpose – the common thread running through the organization

A fully embedded purpose should show up across nine different elements of the organization’s DNA:

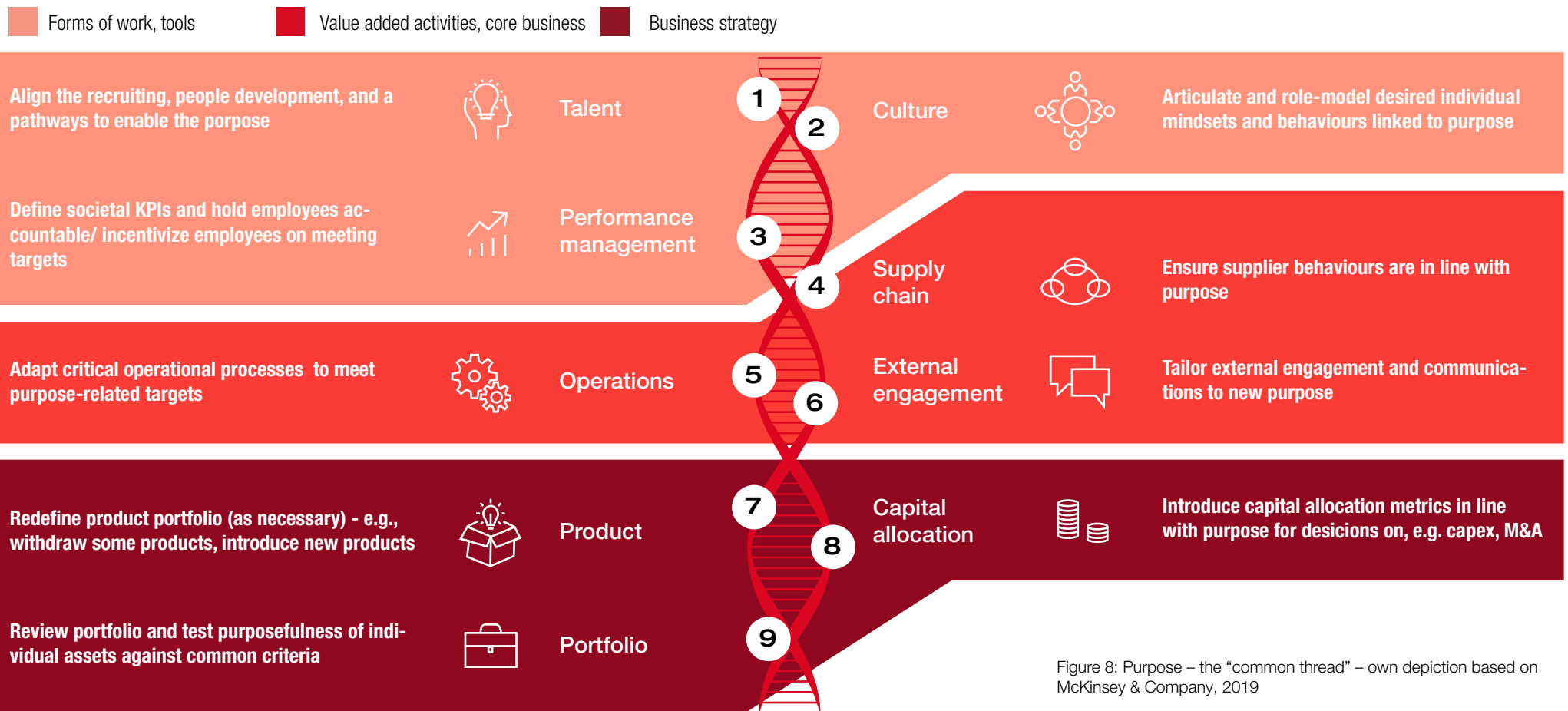


Figure 8: Purpose – the “common thread” – own depiction based on McKinsey & Company, 2019

Purpose and management systems

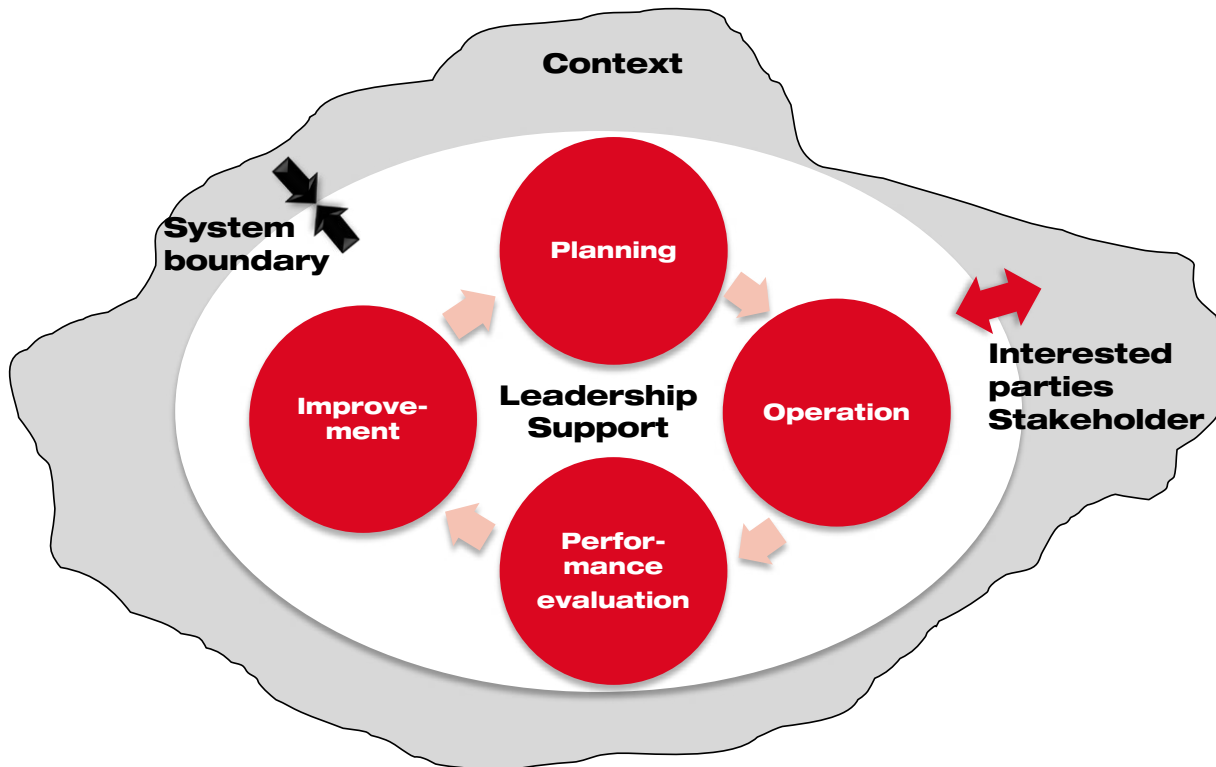


Figure 7: Purpose and management systems
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Purpose runs through the entire organization like a “common thread”. Management systems make a vital contribution to the consistency and transparency, and form an excellent framework with many points of reference.

Context: In our age of intensive flux and change, it is important to observe trends and developments.

- Purpose represents a stable frame of reference during times of change.
- Purpose addresses the stakeholders and their intersection with the organization and the management system.

Leadership:

- By definition, leadership defines the policy, and this must correspond to the meaning and context – i.e. the purpose
- Culture, values and communication are clearly addressed by the purpose

Support: Resources are provided in accordance with the purpose, communication is put into practice, and the awareness is clearly oriented towards the purpose.

All further elements: The strategy and objectives as well as the KPIs and reviews are designed with the purpose in mind and are correspondingly implemented in daily value added activities. In management assessment in particular, reference is made to the purpose as a framework.

Purpose as part of the **ORIENTATION** in the **EFQM Model**

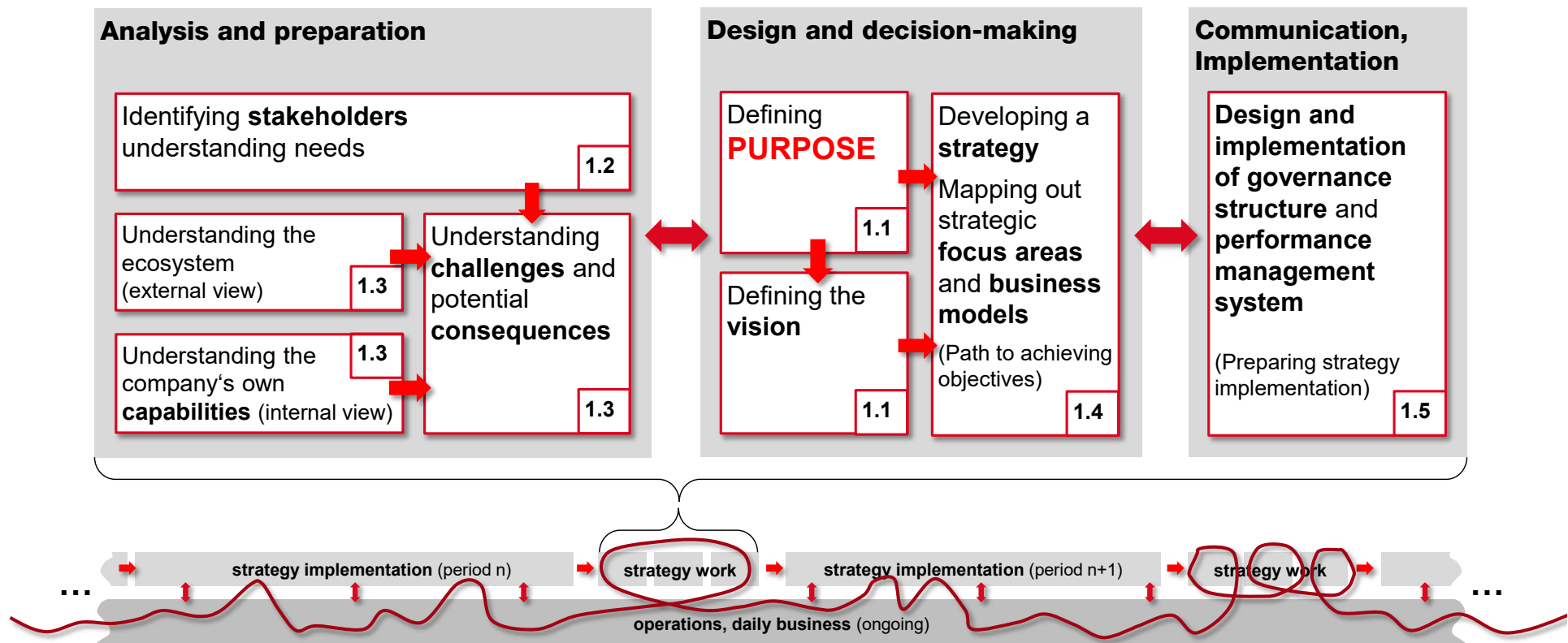


Figure 9: Purpose as part of the orientation – own depiction based on EFQM, 2020

In order to successfully establish purpose in an organization – regardless of the content of what gives it meaning – management systems offer a helpful framework for the implementation thereof. To lay this foundation and profit from the advantages that a purpose-driven organization enjoys (more successful in daily business, better handling of crises, resilience, ...), every organization should ask itself the following questions:

- What contribution do we make to the ecosystem; why precisely us?
- What story do we tell? (and it is not a fairy tale! Transparency and honesty)
- Does our story suit the values and needs of our target group and our (potential) employees?

Now more than ever, good answers to these questions are required.



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