

# PROGRESS



**Encoding  
Organizational  
Purpose**

**Designing  
for Progress  
in a World  
Demanding  
More**

# REPORT

SYLVAIN

JULY  
2021

OFF-WHITE  
PAPER 2.0

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Short on time?

If you don't have time to read the whole paper, skip to Part 1 and Part 3 for our key takeaways.

From SYLVAIN, Progress Report is a nontraditional business intelligence platform with matching tips and tools to help you implement learnings at work.

This edition has been created in collaboration with Kindred.

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# Intro - *duction*

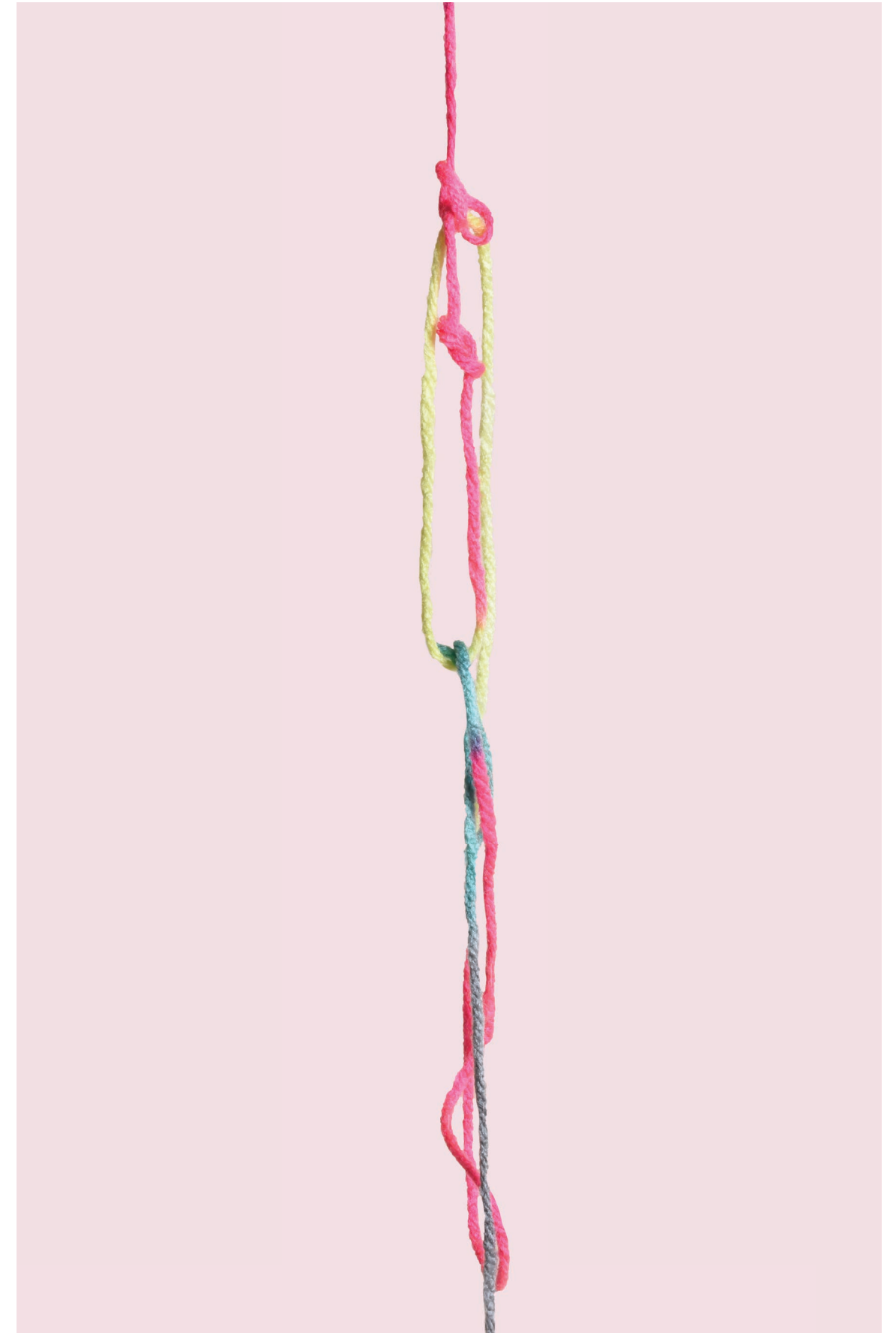
04

**In 2010, the Supreme Court issued a ruling in *Citizens United v. Federal Election Commission*. It was a final wall crumbling between the division of corporate America and the lives of the American people. The decision removed any impediments from corporations infiltrating and impacting the lobbying, campaigning, and electing of politicians in the U.S. This decision has been colloquialized to mean “corporations are people.”**

The result has been that in the past 10 years in a Citizens United America, corporations have dramatically increased their levels of power and influence. However, amidst the “dark money” explosion of PACs and SuperPACs, and the growth of cynicism in electoral politics, something else unintended has emerged: consumers are treating corporations like people.

## OK, it’s a little more complicated than that.

While no one has expectations of direct contact with Mr. Target or Ms. Patagonia, companies have been steadily infiltrating spaces that have blurred the lines between people and companies. Brands sit alongside your childhood friend in social feeds. They send you emails that sit alongside overlong and grammatically incorrect emails from your mother about your first grade teacher. They sponsor content in your podcast streams and on all of the sites and pages of publications you trust. Their ubiquity in the spaces you inhabit online means that corporations are inevitably held to the standards people hold for each other in those spaces.



Couple this with the fact that Millennials and Gen Z, cohorts highly aligned in their orientation toward social issues, are considerably more progressive than previous generations and feel like the country has been “moving in the wrong direction.” They face the climate crisis, a rising wealth gap, an educational debt crisis, generations of racial inequity in a racially diversifying cohort, and now the economic wake of the global pandemic. They’re not looking to give the benefit of the doubt to companies, they’re looking for change. Add to this that they’re more educated and digitally fluent, and we end up with a recipe for a generation that’s not just disapproving of companies, but ready to take them to task. The Millennial/Gen Z cohorts will not only write companies off by eliminating their own purchases, they’ll “cancel” them, applying social pressure to others to engage in similar behaviors.

Candidly, the term “cancel culture” is a trite diminishment of the larger behavior in question. Consumers expect companies to comport themselves coherently, such that they can transact with a company without contradicting their own value systems. What’s more, they expect that if a company presents itself in media, communications, or any other context in one way, the rest of their behaviors need to be internally consistent. These are generations that have popularized terms like “authentic,” “realness,” “trill,” “keeping it one hundred,” “woke,” and x-washing (e.g., greenwashing, pinkwashing, wokewashing, etc.). If corporations are people, and these generations won’t let their friends get away with these contradictions, they won’t let influencers get away with these contradictions either; they

are 1,000% not going to give companies a pass. Companies can’t sell to primarily Hispanic communities while supporting the inhumane detention of Latino immigrants at the border—i.e., Goya. Companies won’t get away with supporting Black Lives Matter after having fired a spokesmodel for denouncing a white supremacist rally in Charlottesville, Virginia—i.e., L’Oréal.

If companies are people, they need to care about more than the bottom line. Real people exist in a complex web of community, beliefs, ambitions, and hopes for the world. Real people weigh decisions based on the impact they will have on them, their families, and the communities they live in. What has been called everything from “triple bottom line” to “the virtuous cycle” is actually a simple calculation: how do your decisions impact your finances, how do they affect the people you serve, and how do they impact the world at large? Most people would consider these factors in their everyday decisions, if they have the ability to; however, companies historically have focused almost exclusively on profit and the rest be damned.

But if companies are people, the single bottom line approach to business is an anachronistic relic of the past. It represents a world view that is increasingly creating allergic reactions in consumers and leaving stains on companies like cheap costume jewelry.

ENTER IN  
**“Organizational Purpose”**

Amidst this generational shift in the ways people view companies, there have been beacons of success. These include companies that possess a level of internal alignment between their promoted beliefs and the actions that have led to their growth. Patagonia is the gold standard, a company whose actions, including telling people not to buy a shirt, have led to growth in revenue. However, Patagonia isn't unique, they're just famous.

As Larry Fink, CEO of BlackRock, put it in his 2019 letter to CEOs, "Purpose is not a mere tagline or marketing campaign; it is a company's fundamental reason for being—what it does every day to create value for its stakeholders. Purpose is not the sole pursuit of profits but the animating force for achieving them." And data has shown that "companies with high levels of purpose outperform the market by 5%–7% per year, on par with companies with best-in-class governance and innovative capabilities."

This means organizational purpose can't just be a statement on your masthead or a superficial phrase that doesn't actually impact the organization. Implementing an effective purpose then is like deploying CRISPR into your company—deliberately and radically transformative. A true purpose must be designed directly into the DNA of an organization. It seeks and destroys the old way to clear a path for the new—something, in this moment, that companies need desperately.

**In this Off-White Paper, we will explore the process of defining company purpose, identifying and serving all of your constituencies, and most importantly, how to encode this purpose into your organization by managing stakeholders, identifying the right time horizon, incentivizing employees, and building feedback loops.**

# Disambiguating "Purp-Ose"

# Part 121

Before we begin, we have some critical housekeeping to do: clarifying what exactly we mean by “purpose.”

While it was just two years ago that Adweek deemed purpose the “buzzword of the year,” the conversation around brand purpose has been with us for much longer. In the years since Simon Sinek appeared on the scene with Start with Why<sup>1</sup>, the Purpose Industrial Complex has shaped the lexicon of consultants, marketers, and Creative Mornings-types everywhere.<sup>2</sup>

<sup>1</sup> Sinek is a noteworthy shade of the “cult of hustle” that we talked about in our Progress Report newsletter in August. These are the kind of foreshadow-y treats you get when you subscribe.

<sup>2</sup> While Sinek-isms are certainly worthy of cynicism, we should call out that he didn’t introduce the concept of purpose to the world. Rather, he was a major contributor to the popularization of the idea that the why behind a business is a crucial component of brand building.

3

It also begs the question, “Why are these called the same thing if they have entirely different meanings?” It’s helpful to think of purpose as a sort of corporate [scissor label](#), a word that attains prominence within the zeitgeist without having an established, codified definition. The role of purpose as an organizational psych tool—building clarity, coherence, and cohesion within a business—is vastly different from how brand marketers tout purpose, which usually just means “be as cool as Patagonia.” But because there is no single, universally agreed-upon definition of the word, consultancies like Kantar can leverage ambiguity into profit, convincing desperate CMOs that a brand purpose exercise is the key to solving their problems. At worst, this is bald grift. More charitably, the Kantars of the world sleep soundly at night, having duped themselves into thinking that their definition of purpose is not only correct, but beneficial to business, consumers, and the world. (Maybe that’s not that so charitable.)

Disambiguating  
"Purpose"

There are countless examples of its pervasiveness: Accenture introduced their self-proclaimed “[watershed report](#) on purpose in 2018 and [continue to report](#) on the subject. Countless consultancies have either released dedicated reports on the topic or cite purpose as a central tenet of savvy brand-building. And WARC, one of the most celebrated platforms for marketing reporting and insights, lists nearly [500 articles](#) related to the topic since 2012 alone.

It is critical to this Off-White Paper that a distinction is made. The above, which can most accurately be described as “brand purpose,” is not the subject of this paper.

What we’re describing might best be defined as “organizational purpose,” a shared ideal that all employees are responsible for achieving. This exercise has a different objective, a different approach, and a different set of outcomes. This begs the question — what’s the difference?<sup>3</sup>

|           | Brand Purpose                                             | Organizational Purpose                                                             |
|-----------|-----------------------------------------------------------|------------------------------------------------------------------------------------|
| Objective | Reconciles the brand’s behavior with culture              | Reconciles the organization with itself                                            |
| Ownership | Crafted by the marketing/brand department                 | Dictated by cross-functional senior leadership                                     |
| Outcome   | Generate brand differentiation                            | Sustainability; finance; and environmental, social, and corporate governance (ESG) |
| Org role  | Brand marketing and corporate social responsibility (CSR) | Sustainability; finance; and environmental, social, and corporate governance (ESG) |



4  
According to Edelman's most recent Trust Barometer survey, 87% of the public believes that stakeholders are more important to companies' long-term success than shareholders.

5  
Kantar describes the second step of a brand purpose exercise as "develop an irresistible brand." This is telling language: before you can "activate" purpose, you have to make sure it's irresistible to the end consumer; you have to make sure people like it. While organizational purpose considers culture writ large as an input, the goal is significantly more functional: make the business more successful. In a word, survive.

## OBJECTIVE

Ostensibly, both brand purpose and organizational purpose have the same central philosophy: there needs to be a core idea at the center of your business that serves as an engine for all that you do. This, however, is where the commonality mostly ends.

Although consultancies work hard to differentiate brand purpose from corporate social responsibility (CSR), both activities treat “brand” as the immutable quality of activation. Brand purpose looks to case studies like Patagonia and Ben & Jerry’s and says, “See, these companies stand for something, and consumers like that.

What does your brand stand for?”

Organizational purpose looks at those same case studies and says, “Look how these companies have structured their systems around a unifying thesis.

What would it take to evolve the core functions of your business to operate in an equally coherent way?” This re-orientation toward centering organizational purpose is aligned with recognizing the importance of all stakeholders to success in an evolving economy.<sup>4</sup>

## OWNERSHIP

Because the development of brand purpose is tied to responding to consumer attitudes about the world at large, the exercise is typically relegated to the department that has the strongest understanding of the brand’s consumers: marketing. For this reason, brand purpose is typically folded into a positioning exercise, nestled among communications, tonality, and key messages. This, in practice, makes brand purpose a departmental exercise instead of an institutional one. Organizational purpose recognizes the importance of altitude and acts as a filter for the entire company’s behavior — not just the things consumers see. Organizational purpose coheres brand values with institutional behavior by acting as a shared non-negotiable, rather than a departmentally owned principle.

## OUTCOME

Brand purpose believes the upsides are immediate: as soon as you’ve figured out what you care about, you can shout it to the world. This is because the fundamental belief of brand purpose is that it’s good for the brand. Organizational purpose believes the benefits take longer to reap, but are also not short-lived. The fundamental belief of organizational purpose is that it’s critical for business survival. This is a critical differentiator. When Larry Fink is talking about “purpose,” he’s not talking about a cool mission that will get you in the good graces of the wokest consumers. He’s talking about embedding a philosophy or idea into the heart of the organization to ensure that the business thrives, not just that it wins the public over.<sup>5</sup>



6

A list of recent brands that come to mind: Anthropologie, AWAY, Everlane, Outdoor Voices, Reformation, Marni, Refinery 29, Bando, Equinox/SoulCycle, The Whitney, Marin, Aritzia, L'Oréal, Trader Joe's, Conde Nast, Urban Outfitters, Gucci, Man Repeller, Commes des Garçons, Dolce and Gabbana.

The critical flaw of brand purpose is its prioritization of the zeitgeist. Those who tout brand purpose see this as a feature, rather than a bug; by orienting the brand's purpose around a buzzy topic of a given moment, consumers will feel like the brand reflects their values. In a post-Citizens United world, demonstrating humanity is the secret to good purpose.

This is wrong in both theory and practice. First, theory: developing organizational purpose requires a much more robust exercise beyond just “what do consumers say they care about right now.” It involves a careful study of markets, a robust understanding of consumer needs, and deep knowledge of the societal and economic forces shaping a category. Second, practice: because brand purpose is a gussied-up marketing exercise that has limited implications for how a company operates, it doesn't take long for stated purpose and practiced behavior to fall out of sync. There are countless examples of companies who have invested in developing brands that align with the values of mainline culture, only to be lambasted for the myriad ways their internal culture, ways of working, and business practices don't align with their publicly facing brand.<sup>6</sup>

Overemphasizing the zeitgeist (i.e., what people say they care about) rather than the market (i.e., what people demonstrate they care about, as proven by their spending) is the Achilles heel of brand purpose exercises. There's no crystal ball to definitively say what matters most to people, but you can bet that the *Wall Street Journal* is a better indicator than *Now This*.

The truth about developing organizational purpose is this: the process is painful. Tellingly, the term “purpose” implies a reason for being. It is the literal “why” you are doing something. It’s hard to decide why you exist after you already exist. You can’t determine what a machine is designed to do after you’ve designed the machine. Developing an organizational purpose, then, can only happen at one of two junctures: before you’ve begun the venture (where it is the reason you are starting and designing the venture), or when a company is willing to reorient and re-establish itself entirely. There are huge incentives for doing this (read: survival, growth, success) but there are also gargantuan hurdles. For organizational purpose to work, you have to strip the business down to its studs, reimagining how every system functions, how incentives are structured, how culture is built. Nothing is off limits: you have to be willing to go as far as asking yourself not just what products you sell but *how and why you produce them*.<sup>7</sup> Anything less than this is not a true organizational purpose exercise. Without a reorientation, you end up with a mealy-mouthed execution: all heat, no light.

This raises a fundamental question: if developing organizational purpose requires a reimagining of everything from distribution and supply chain to company snacks,<sup>8</sup> what does organizational purpose actually...accomplish?

7

GM’s recent announcement of a full transition to electric vehicles by 2035 is a great example of this. A company that since its inception has staked its claim on the combustion engine is committing to be entirely carbon neutral by 2040—a pivot if there ever was one.

8

There’s more thought leadership around corporate food programs than you’d think, from HBR case studies to companies like (now defunct) [We Factory](#) that consult on the precise formula for good snacks.



There's lengthy discussion of the myriad benefits of organizational purpose. Less proliferate is what organizational purpose accomplishes. In brief, organizational purpose creates cohesion and clarity across the business, fueling and filtering company behavior, decision making, and external communication.

# What organizational

## Purpose Does

# Part 2

# 22

## 1. ORGANIZATIONAL PURPOSE IDENTIFIES THE IMPETUS FOR LONG-TERM BUSINESS SUCCESS.

Because organizational purpose is concerned with the financial outcomes of a business, the responsibility of the exercise is to identify why the business should exist. This is the most daunting reality of an organizational approach (as opposed to brand purpose): it's a bet on what's going to make the company succeed. It's the equivalent of putting all your money on red, except that you have to define what exactly red is. A successful Organizational Purpose exercise articulates what core idea will infuse the business and animate its behavior. For GM, it's going carbon neutral by 2040. For Patagonia, it's a sort of environmental Hippocratic Oath.<sup>9</sup>

Both of the above examples are wide in scope and somewhat courageous. They also happen to both be mission-oriented, with a specific focus on environmental protection. But not every organizational purpose needs to meet these criteria. One of the most famous examples of Organizational Purpose is Johnson & Johnson's credo,

developed in 1943, which states, "In meeting the needs of patients, doctors, nurses, mothers, fathers and all others who use our products and services, everything we do must be of high quality." When Robert Wood Johnson II wrote this, he wasn't thinking about what could win him brownie points in the short term. He was developing a centralized philosophy that would drive and shape the organization, picking the thing that he thought would give them the best chance at success. He was explaining his moonshot.

## 2. ORGANIZATIONAL PURPOSE ACTS AS A BEHAVIORAL FORCING FUNCTION.

<sup>9</sup> If we're being technical, Patagonia defines itself against four core values: "build the best product, cause no unnecessary harm, use business to protect nature, not bound by convention."

In order for organizational purpose to be successful, it has to apply cross-functionally across the business. We'll continue to use GM as an example: if GM hopes to become carbon neutral by 2040, everything about its business has to change. Yes, its products, but also things like hiring practices (i.e., increased investment in engineers to conceptualize and design electric vehicles), company culture (i.e., aligning employees with the goal), ways of working (i.e., implementing new processes for production), operations (i.e., exploring new ways to cut down on carbon emissions beyond manufacturing), and more.

In this way, Organizational Purpose acts as a forcing function for all behavior across the business. Activated

correctly, every business decision at GM is filtered through the question, “Will this help us become carbon neutral by 2040?” This presents immediate upsides for efficiencies because it creates an unambiguous litmus test for whether a specific investment, hire, or other decision is worthwhile. Does it advance the organization’s purpose?

Yes? Do it. No? Don’t.



### 3.

## ORGANIZATIONAL PURPOSE CREATES INTERNAL COHESION.

Organization purpose introduces clarity into an organization. When all employees are aligned toward a unified philosophy and working towards a universal mandate, there’s no ambiguity around what success looks like. While each department will still have individual goals, benchmarks, and job-specific remits, the defining logos and ethos of the organization are unified.

One study explored in the Harvard Business Review crystalizes the difference between companies where employees find value in the work and enjoy both their company and coworkers (they term this “purpose-camaraderie”) and companies where management has a clear vision for the company and sets clear expectations around that vision (“purpose-clarity”). The study finds a correlation between stock market performance and companies with high purpose-clarity, but not those with just purpose-camaraderie alone.

The point: organization purpose creates cohesion (and contributes to financial performance) because it’s top down. By articulating a unified philosophy at the highest level of the company and filtering it down through the organization, companies need not rely on the collective fumes of individual employee passion. Action, not emotion alone, creates coherence.

## ORGANIZATIONAL PURPOSE BUILDS TRUST WITH CONSUMERS.

In a post-Citizens United world, Organizational Purpose addresses the evolution in consumer expectation for businesses by providing a succinct explanation of the standard the business can be evaluated against. It defines the moonshot the company is taking and demonstrates why that should matter to an individual consumer. More simply put, Organizational Purpose explains to the world what you stand for. In doing so, it allows the organization to set the standard by which it will be evaluated in the marketplace; it says, “This is what we’re promising; we expect you to hold our feet to the fire to get it done.”

As we’ve established in the previous section, the mistake of brand purpose is viewing this as purely a marketing function, rather than treating purpose as a filter for the entirety of the company’s behavior. Because of this, consumers are wary of expansive promises and too-good-to-be-true claims about mission and values. When companies consistently fall short of their stated principles, consumers perceive purpose as a kind of grin-fuck:<sup>10</sup> words that are designed to provide the brand with cover while the company continues to act with impunity. We call this the “Walk Talk Delta.”

The Walk-Talk Delta is the disparity between what a brand says and what they do, the gap between their brand marketing and their demonstrable impact, the differential

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This incredibly crass term was new to several of this paper’s authors. Urban dictionary entry [here](#), but in short, it means when somebody says one thing with a smile and then does the complete opposite the moment it becomes convenient.



between external presentation and internal behavior. Whenever an organization’s external presentation of values, principles, ethics, or politics is belied by their behind-the-scenes actions, the delta increases. Whenever a business is able to credibly demonstrate the way that their external presentation is made manifest within the walls of their company, the Delta decreases. In this way, the Walk-Talk Delta is ultimately a surrogate for trust. When what an organization says doesn’t match what an organization does, consumers won’t trust the organization.



| Company          | Talk                            | Walk                                                                                                        | Delta |
|------------------|---------------------------------|-------------------------------------------------------------------------------------------------------------|-------|
| Apple            | Privacy                         | Sandboxed operating system, limited data sharing with third parties, sign in with Apple                     | Small |
| Wells Fargo      | Ethics                          | Fake account scandal                                                                                        | Big   |
| Facebook         | Community                       | Poor moderation and weaponized data impacting geopolitics around the world.                                 | Big   |
| Starbucks        | Equality / Supporting Employees | Jumping too quickly on addressing BLM and LGBTQ+ issues before thoughtfully approaching topics              | Small |
| Fashion Industry | Sustainable / "Eco-Friendly"    | Fast fashion, contribution to carbon emissions and pollution, greenwashing, materials not sourced ethically | Big   |

Additionally, the Walk-Talk Delta is the engine of cancel culture; in a moment when the livelihoods of a significant portion of the country are dictated by the whims of those in seats of power, consumers expect those who steep themselves in change language to put their money where their mouths are.<sup>11</sup> In a moment where many feel powerless, holding brands publicly accountable for incongruence can feel powerful. This makes it increasingly more difficult for brands to sweep missteps under the rug. If the receipts are out there,

11 We mean this literally. Take, for example, the popularity of the [open your purse](#) meme last summer to heckle/demand that businesses and celebrities speaking out in support of Black Lives Matter to do more than simply make a statement.



someone will inevitably find them, simply because there’s an incredible interest and status generated from bringing bad behavior to light.<sup>12</sup>

Organizational Purpose is as close to a brand panacea as you can get. Because Organizational Purpose is encoded into the organization, there’s no space between Walk and Talk. Companies can always do better, but Organizational Purpose ensures that there are no over-promises and no room for under-delivery. Every touchpoint and experience a person has with the organization is symmetrical: in service of the same philosophy, and working toward the same goal. Because Organizational Purpose reconciles the organization with itself, words and actions are inextricably linked. Ergo, low Delta, high trust.

12

Take, for example, the boisterous condemnation of Robinhood amidst the Gamestop fiasco. When retail investors interested in purchasing stock in a number of high-profile securities found themselves suddenly unable to do so, Robinhood faced significant criticism of kowtowing to the demands of hedge funds with a lot to lose. Robinhood’s eventual defense (clearinghouse collateral requirements, an outmoded T+2 settlement window) were irrelevant: the company’s poor communication and lack of transparency around decision making risked nearly eight years of goodwill. If you’re the company that claims to champion the little guy, any behavior that undermines that posturing is bad news bears.

ONE QUESTION REMAINS

**How do you encode organizational purpose into the heart of the business?**

# Part 3

## Encoding Organizational Purpose

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Next we outline four steps to encoding organizational purpose into a business. In short, it's a delicate equation of which stakeholders to involve, how long a timeline to give yourself, how to bring employees along for the ride, and how to get the world excited. Let's dive in.

1. ADOPT THE RIGHT ALTITUDE AND APERTURE

Organizational Purpose only works when it’s true across the organization. Relegated to the desk of the global brand manager, a purpose exercise is destined to fail because it’s downstream of and siloed from key functions of the organization (e.g., operations, sales, manufacturing, etc.). Organizational Purpose must be defined at the highest echelons of the company: it’s a C-suite exercise. The J&J credo is a great example of this: it was penned by the CEO and mandated across the organization. While there are costs to this approach (meetings are harder to schedule, time is more valuable, and skill sets may not match 1:1), the alternative is far more costly: a badly implemented or hollow purpose that attracts negative press and erodes consumer trust. Operating at altitude is challenging, but anything less dooms the process before it even begins.

13

A darling of the field of cognitive science, distributed cognition refers to an approach to thinking that engages a group beyond any one individual. Specifically, it’s built on the premise that spreading the effort across a larger network reduces the cognitive load for each individual node of that network, allowing more to get done.

ACTION STEP

Use a responsibility assignment matrix to delineate key players' roles in defining purpose.

The leaders involved in defining organizational purpose don’t all have the same job to do. On one end of the spectrum, some need to be in the weeds crafting the specific language; at the other end of the spectrum, some just need to be kept in the loop. By breaking down the exercise into its component parts (e.g., initial research, conceptual development, language crafting, rollout strategy), and identifying the most relevant individuals for the exercise (e.g., CEO, senior leaders, department heads), it’s easier to identify the level of involvement for each person.

A RASCI matrix is one helpful tool for defining each individual’s role in the purpose exercise. Each person’s relationship to each component of the exercise is organized into one of five categories: responsible (who does the work), accountable (who runs the show), supportive (who provides aid to the “responsible”), consulted (who gives counsel and advice), informed (who needs to be kept up to date). This not only decreases confusion about responsibility, but also allows for more robust interdepartmental collaboration at the outset—sales can support marketing, product can consult with operations, etc.—which sets the stage for the type of cooperation that organizational purpose depends on.

Aperture, or the breadth of domains involved in the process, is equally important. If Organizational Purpose is to be filtered across all functions of the business, representatives from each of those functions must play a part in its development. This helps reduce blindspots (i.e., sales likely won’t know what Organizational Purpose will mean for manufacturing, and vice versa), but also distributes the cognition<sup>13</sup> of development across a wider team, which can lead to a much more robust and holistic output. This broad coalition of leaders creates a unified front, where all of leadership is responsible for implementing Organizational Purpose across the business, ensuring that employees understand the practical realities of how their work will evolve.

## 2. ALIGN ON THE TIME HORIZON

Organizational purpose is an exercise in delayed gratification. This isn't just in the emotional sense: the benefits of organizational purpose are far-reaching and long-term. Financial incentives in the short term can at times be diametrically opposed to organizational purpose. When companies build a purpose that they aim to immediately capitalize on, or in service of immediate quarterly performance metrics, there are obvious negative external consequences.

More significantly, though, are the repercussions for the organization's workforce, who view short-term purpose exercises as low-integrity lip service. A study published in the Journal of Financial Economics found that internal perceptions of integrity have a significant impact on productivity, profitability, industry relations, and attractiveness toward prospective talent.<sup>14</sup>

Ultimately, Organizational Purpose is an investment in long-term outcomes agnostic of, or even at the expense of, short-term profits. Aligning against a lengthier time horizon is difficult and expensive, but shifting an organization's

purpose takes time. The alternative is costly in a different way, sacrificing integrity and trust on the altar of short-term profit.<sup>16</sup> To revisit GM yet again, their mission to transition entirely to electric cars will take them 14 years. A decent rule of thumb to consider: if your Organizational Purpose can be accomplished within the tenure of the current CEO, it probably isn't audacious enough.<sup>17</sup>

### ACTION STEP

## Structure succession and executive incentives and compensation for a longer time horizon

52% of S&P 500 companies are measuring environmental, social, and corporate governance (ESG) performance. One of the advantages of the ESG framework is its long-term horizon. It requires quantifiable benchmarks for purpose alignment, while fully acknowledging the change won't be within a single quarter. On the contrary, 99% of the S&P 500 measuring ESG incorporate the metrics in leadership's annual incentive plans. However, only 3% of the S&P 500 incorporate ESG into long-term incentive plans. The shift to a longer-term focus must reflect in executive compensation and succession planning. The Long Term Stock Exchange (LTSE) is developing and affirming long-term planning standards that empower high-performing companies. Operationalizing measures that minimize pressure to hit short-term targets and support responsible stewardship is a fundamental cultural shift that supports everything else.

### CASE STUDY

General Electric put itself on the map for an ambitious commitment to sustainable solutions and renewable energy — a worthy brand purpose. The move framed GE as an eco-friendly sustainability game-changer. However, the organization did not successfully integrate this brand-purpose thinking into their organizational practices. The path to its goals included continued investment in carbon-heavy fuels such as oil sands or oil and gas in general, and the organization favored narrative over transparency. GE's board unanimously voted out its eleventh CEO, the initiative's spearhead, after just 14 months and a loss of \$100B in market value. New GE leadership has acknowledged, in its own words, that the company's focus has shifted from "good management to empowered, accountable employees." It is yet to be seen if the company will be able to achieve its evolution into a more sustainable company. In the end, the company faced an overall whopping \$500B loss in market capitalization since 2000.

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14

You can read all the gory details [here](#), including some absolutely riveting details about standard deviations, Tobin's q, profitability, and unionization.

15

Did you know that "Tobin's q," the ratio between a physical asset's market value and its replacement value, is also sometimes called "Kaldor's v"? What's up with all these dudes assigning their ideas to single letters? Keep your eyes peeled for "Steven's j," the ratio between how many editorialized footnotes I write in these papers and how long it takes our copy editor to mark them all as off-topic.

16

Something, something, the nature of capitalism, etc.

17

Look, this isn't that hot of a take. The average tenure of a CEO in 2018 was 10.2 years. That said, this same WSJ article makes the case for longer CEO tenures. Regardless, the point we're making: go long on the horizon.

## FILTER THROUGH THE ORGANIZATION

Activating organizational purpose may be the toughest part of the equation. Each employee has to be brought into the fold and bought in to the new vision. This is, of course, challenging. On a human level, people are, you know, *different*, but also, different job responsibilities inevitably require different calibrations to the organization's purpose.

Developing an incentive structure is the clearest way to promote employee adherence: creating meaningful, tangible value for individuals gives them a reason to adopt the philosophical dictate. A more judicious take is that incentives also show that the company values the actions and attitudes of its employees. The company is bought into a new Organizational Purpose, it's committing to it for the long run, and it's putting its money where its mouth is.

More tactically, creating systems for adoption within each department is critical. Knowing that each business unit has specific codified processes in place that will need to be reworked and reestablished, and creating a pathway to do so as painlessly as possible reaps dividends.

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An oldie but goodie: Zappos famously gave its customer service reps license to act out its organizational values by encouraging them to add fun and a "little weirdness" to their interactions with customers. This worked wonders in creating not only an internal culture where employees felt trusted to put organizational values into practice, but also in developing a great reputation for being a customer-centric company.

### ACTION STEP

## Give employees permission to leverage and activate purpose through a "purpose pledge."

Employees need to feel empowered to put purpose into practice. Putting each department's purpose POV in a document and encouraging each employee to sign it is a way to demarcate a shift in organizational thinking. For this to be successful, this POV needs to be more focused on what employees are permitted to do, rather than what they'll be expected to do. Granting each individual license to put principle into action makes the idea both personal and ownable — it's about reinforcing the value of purpose by showing the small (and big!) ways that each person can help the organization live into its defined beliefs.<sup>18</sup>

### ACTION STEP

## Develop department-specific OKRs and organize into a Distribution Map

According to PWC's Putting Purpose to Work study, 79% of business leaders believe that purpose is central to business success and an organization's existence; yet, only 34% agree that purpose is a guidepost for leadership decision making. Potential is buried by the hesitation to encode it into organizational decision architecture. Creating coherence across the organization means letting each team apply purpose to their specific vertical of the business in the ways that make the most sense for them. The organization's HR function will apply purpose differently than Finance, which will be different from how Product approaches the problem, etc. By inviting each vertical to define department-specific Objectives/Key Results or Key Performance Indicators (OKRs and KPIs, respectively), the business is better positioned to be able to meaningfully activate purpose. More importantly, you create shared ownership of this new purpose through active participation in the path to realization.

Building internal clarity is an additional critical function that allows different departments to understand how different teams are activating the organization's purpose. Each department's OKRs can be organized into a Distribution Map — think of it as a type of org chart — to demonstrate how each vertical's approach feeds into the same purpose, and to create cohesion across the organization.

# 4. ACTIVATE THROUGH BRAND MARKETING LAST, AND BUILD FEEDBACK LOOPS THAT KEEP THE BUSINESS HONEST.

Thinking back to the Walk-Talk Delta, announcing an organization’s new purpose to the world is the Talk. As we’ve noted, without the requisite Walk to go with it, Talk is at best static, at worst, hollow — and the first step to a brand finding itself on the business end of a pitchfork.

One of the best emergent benefits of developing an organizational purpose that’s primarily concerned with walking the walk is that it makes talking the talk that much easier. When an organization has a central purpose that guides behavior, the marketing talking points write themselves.<sup>19</sup>

The goal then becomes a matter of ensuring that the ideas are landing with consumers, and that they feel like they have skin in the game to hold you accountable. One way to accomplish this is to build feedback loops: rather than simply communicating purpose to the world, create opportunities to ensure that purpose is being activated effectively, and in turn perceived by your customers in the world.

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A great example of this is Waze, who launched the Waze for Cities initiative to give local municipalities access to their data to help them better design traffic patterns and facilitate faster response times for first responders. This was Waze’s purpose in action, which had the added benefit of being a really great marketing talking point.

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A great parallel example is how Netflix approaches “culture.” By thoroughly outlining what Netflix’s ideal culture looks like, the company creates a clear framework to evaluate employee behavior against, and empowers employees to use the template as a way to assess decision making (i.e., “is this in line with or opposed to our values?”) They also make great use of footnotes for editorial commentary, so we’ve got a soft spot for them.

An external feedback loop addresses consumer criticism by proactively welcoming it. When businesses communicate purpose and simultaneously provide avenues for feedback and critique, the organization signals a desire to keep their Walk-Talk Delta low. One way to accomplish this is more transparent communication: articulating the specific ways in which purpose is affecting all avenues of the business, and providing regular updates on implementing changes and progress.

Conversely, an internal feedback loop is a tool for analyzing how successfully purpose is being activated within an organization. This starts with developing a clear framework or criteria for success: how will we know if our internal departments are pulling their weight?<sup>20</sup> Remember, purpose is a *shared ideal that all employees are responsible for achieving*. Having a dedicated committee or task force responsible for regularly auditing company success, as well as inviting employees to submit comments or concerns, goes a long way.

## ACTION STEP

# Develop and test against a “Net Purpose Score.”

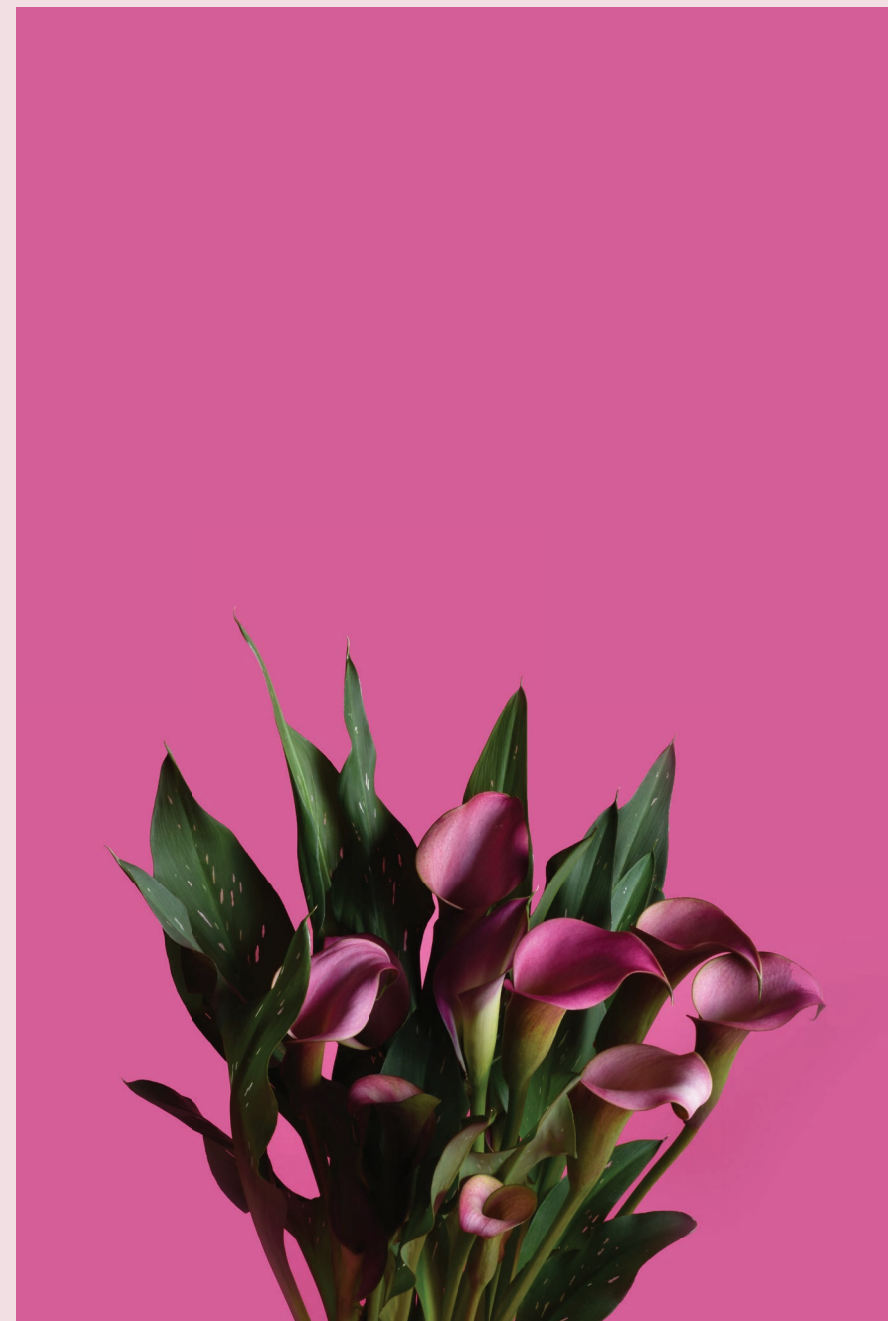
Most large companies are in the habit of testing consumer attitudes/ beliefs about the success of the business. One common KPI to measure loyalty is Net Promoter Score (NPS), which typically explores a customer’s interest in recommending a product or service to someone else. Developing a “Net Purpose Score” operates similarly, asking instead if customers believe that the company is living up to their stated organizational purpose. Testing against this measure both internally and externally provides a quantitative feedback loop to understand whether purpose is being activated effectively.

21 Starbucks is a great example of a company that recognizes employee wins. In addition to a number of informal processes for recognition, partners (Starbucks’ term for employees) who provide noteworthy moments of service that exemplify the brand’s values can be nominated by their managers to receive special commendations and benefits. Additionally, the brand utilizes their [Starbucks Stories](#) platform to publicly celebrate moments where employees help bring the brand’s values to life.

## ACTION STEP

# Celebrate purpose wins

In addition to the quantitative feedback offered by the Net Purpose Score, organizations can collect qualitative/anecdotal feedback on ways in which purpose is successfully being activated within the organization. This process is twofold: first, organizations can create an internal culture of recognition by creating a program that celebrates and rewards employee success;<sup>21</sup> second, businesses can share key milestones and noteworthy wins through external channels — think PR, marketing, or even less commonly recognized channels like earning calls. This is an easy way to build on the incentive structure that lives within the organization, creating visible, tangible expressions of team members who are exceeding expectations.



Because of brand purpose exercises, consumers are primed to have a decidedly mixed response to a company making any kind of announcement about purpose. As a result, it's easy to be cynical about the value of the exercise. In over a decade of a concerted effort by dedicated teams, there are countless brands that have had their work torn to shreds by consumers who simply don't believe them. In some cases, they were right to. In others, meaningful work went unnoticed because the world refused to acknowledge it was good.

# Conclusion

# Part 4

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But look around. It's abundantly clear that our world is in desperate need of an antidote to the rampant cynicism that feeds and shapes our culture. Things feel dark and overwhelming, and the hits just keep coming.

A large swath of our country feels powerless amidst the upheaval. It's this powerlessness that breeds cynicism and contributes to the belief that the world just can't get better. This sense of powerlessness is also likely a key driver in why people are asserting the power of voting with their dollar when evaluating purchases. "Canceling," however effective, is often an attempt of the powerless to speak truth to power.

The antidote to cynicism is action: the choices by those in positions of power to step up to the plate and do the right thing. To move beyond language, beyond signal, beyond talk, and to do the work of making the world more fair, more equitable, more good. This action, at scale, breathes color into the pallor of cynicism. Perhaps more importantly, it's the seed of the optimism that we desperately need: the belief, in spite of overwhelming anecdotal evidence to the contrary, that change is possible—that things can get better.

Organizational purpose, undertaken with integrity and implemented with clear intent, is a catalyst for action. When it's optimized for outcomes over optics, when it's not a Q2 talking point, purpose can dramatically influence the ways

that organizations interact with the world at large. At scale, organizational purpose can have massive downstream effects on the wellbeing of people and the planet.

Suffice it to say, we join the host of business leaders, organizational psychologists, and general body of intelligence that believes in the power of purpose. But more importantly, we believe in you, and in your ability to help make progress in a world that desperately needs it. So much so, in fact, that we wrote 7,500 words to be able to prove it. Call us crazy, but we think the world can be better.



IN ONE WORD

**We're Optimists**

| Chobani                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | IKEA                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Bombas                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Unilever                                                                                                                                                                                                                                                                                     | Mahindra                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Aspiration                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
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| <p>Chobani’s purpose is evident in its organizational culture and its business practices. The company’s value proposition to move toward a transformational food system, being “<u>about more than yogurt</u>,” is one that speaks for itself through every facet of its function. Through its <u>impact initiatives</u> such as its <u>incubator program</u> or <u>Tent partnership for refugees</u>, Chobani is truly working for the “betterment of our planet, our people, and our communities.” Hamdi Ulukaya, Chobani CEO, isn’t looking for short-term solutions either, “Unlike the objective of far too many companies, manufacturing is not about a quick 'exit.' It is centered on long-term value creation.”</p> | <p>The company had several reiterations of its structure, along with failings, which evolved into its current sustainability-focused global brand. IKEA is encouraging its stakeholders to implement a healthy, sustainable, circular economy, while the company itself continues to build on its efforts to become “people and planet positive.” IKEA established <u>long-term promises for 2030</u>: to inspire and enable people to live more intentionally and grow the business through sustainable strategies across its value chain. IKEA’s sustainability model focuses on environmental, societal, and economic impacts, with consumption and production considerations for a better life for people’s wellbeing, as well as the planet’s. “We work long term for positive change, focusing on the root-cause of issues and not only treating the symptoms.”</p> | <p>Bombas’s mission of “Make a Purchase, Make a Difference” has always been to support those experiencing homelessness. The brand integrated its mission into its business strategy and internal culture of social impact shared values. Bombas donated 40M+ pairs of socks to more than 2,500 community organizations. During the COVID-19 pandemic, the company <u>pivoted its giving efforts in 2020</u> by adding 1,159 new giving partners, 300+ hours of virtual and in-person volunteering, and donating pizza to shelters. According to <u>Great Place to Work</u>, 96% of employees at Bombas say it is a great place to work compared to 59% of employees at a typical U.S.-based company. Bombas even dedicates resources to improving operational efficiency between its giving partners and other corporate donors.</p> | <p><u>Unilever</u> integrated its once separate corporate social responsibility department into its entire business model, combining doing good with its business impact. Now Unilever is growing 50% faster than its other brands and delivering more than 60% of its company’s growth.</p> | <p>The Indian automotive company, <u>the Mahindra Group</u>, hopes to “Rise for Good.” “We believe that ‘doing good’ goes beyond philanthropy and CSR. It is more than just random acts of kindness. ‘Doing good’ is a purpose, an attitude, and a way of life. A guide for conducting business. And ourselves.” The company contributed to its efforts for education and skills development, health, and environmentally conscious long-term strategies through employee volunteerism and its purpose-driven business model. Anand Mahindra, Chairman, Mahindra Group has stated, “The world is made better every time we choose to do good.”</p> | <p>This <u>climate-focused digital banking platform</u>, pledged to donate 10% of every dollar to Americans wanting to build a better life. The certified B-Corporation is changing the way consumer banking functions through its social responsibility framework. Aspiration <u>raised over \$100M</u> in support of backing sustainable business practices and rewarding its customers in return. Every time a customer swipes a card, they have the option to plant a tree. And they can rest safe in the knowledge their money is not invested in extraction or other climate crisis-contributing business models. Celebrities like Robert Downey Jr. and Leonardo DiCaprio back the venture as a viable investment for a <u>better planet</u>.</p> |
| PURPOSE SOCIAL IMPACT                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | SUSTAINABILITY ACTIONS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | PURPOSE PLEDGE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | PRODUCTION                                                                                                                                                                                                                                                                                   | FARM EQUIPMENT TRUCKS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | THE ALTERNATIVE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |



**SYLVAIN** seeks to leverage the might of corporations for the greater good. And that starts with actions of leaders, throughout business and culture. For that reason, Kindred was the undeniable choice as a partner on this edition of Progress Report.

#### Kindred

Kindred is the membership that provides leaders and their organizations with the support, upskilling, and community they need to navigate complex decisions in a rapidly changing world, and prepares them for demands for accountability from employees, investors, and customers.

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#### SYLVAIN

SYLVAIN is a strategy and design consultancy. We help companies seize the reality and potential of their business, products and brands. And we do that through science and whimsy. Founded in 2010, wholly independent, and a Certified B Corporation.

We believe that knowledge is power — if you apply it. Enter the Progress Report. In our Off-White Papers, we provide practical guidance on how to respond to our rapidly-changing world. Now that's progress.

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# Encoding Organizational Purpose

JULY  
2021

OFF-WHITE  
PAPER 2.0

**Designing  
for Progress  
in a World  
Demanding  
More**

