How a Commitment to Deep Purpose Improves Performance

- Serves as a focus to guide strategy and innovation, especially in times of financial and moral uncertainty
- Fosters long-term relationships because the business acts with consistency and integrity
- Promotes customer loyalty and trust over the long term
- Gives employees motivation to innovate and excel

Finding Your Company’s Reason for Being: The Impact of Deep Purpose

Nonprofit organizations are driven by their foundational purpose—a core mission to benefit society in some way. That mission inspires every action the organization takes. But what role can purpose serve for today’s for-profit companies?

For a long time, conventional wisdom held that a company’s purpose was simply to turn a profit and deliver shareholder value and that companies operating in free markets would naturally tend to serve the public interest. In recent decades, however, that perspective began to shift, with executives increasingly becoming skeptical of the capitalist system and traditional business “best” practices. This caught the notice of Ranjay Gulati, Paul R. Lawrence MBA Class of 1942 Professor of Business at Harvard Business School, who found himself in more and more conversations with executives looking for advice on how they might achieve meaningful social impact.
While he had initially dismissed the notion of corporate purpose as nothing more than a superficially deployed promotional tactic, Gulati began to think it might deserve another look. In a study of sustainability programs, he was surprised to discover that some companies that pursued a clear social purpose—even when the economics did not seem terribly compelling at first—were realizing significant profits. Could firms successfully pursue both commercial and social goals at the same time? Could a more ambitious purpose boost financial performance?

These questions led Gulati to uncover earlier research studies, which suggested a positive relationship between a deeply embedded corporate purpose and financial performance. Encouraged, he embarked on a painstaking study of companies across industries and geographies, examining hundreds of company purpose and mission statements and interviewing more than 200 executives. This work became the basis for his most recent book, *Deep Purpose: The Heart and Soul of High-Performance Companies*.

**THE NATURE OF DEEP PURPOSE**

Gulati’s research showed that companies for which purpose is foundational—what he calls *deep purpose companies*—are deeply committed to positive social as well as positive commercial outcomes. By focusing on their purpose and resisting the temptation to prioritize short-term profits over long-term gains, companies can deliver significant benefits to employees, communities, and society, while increasing business value. Results include better strategy making; a highly engaged and passionate workforce; and tremendous loyalty from customers, suppliers, and other external partners.

These companies have certain characteristics in common. For example, they view purpose as a *unifying statement of the commercial and social problems a business intends to profitably solve for its stakeholders*. This statement encompasses both goals and duties, and succinctly communicates what a business is all about and who will benefit. But for these companies, purpose is much more than a statement. It is an existential intention that informs every decision, practice, and process—a vital, animating force with near-spiritual power.

“Deep purpose leaders ultimately don’t conceive of purpose as a mere tool,” says Gulati. “To them, purpose is fundamental, a statement that defines the firm’s very reason for being.”

**CONVENIENT PURPOSE**

Most companies state a purpose—perhaps even a quite aspirational one—but the depth of that purpose and its impact can vary widely. While many companies are driven by true deep purpose, most have established what Gulati categorizes as three levels of *convenient purpose*:

- **Purpose as disguise**: Purpose is a side hustle that distracts observers from the harm a company does (to health, the environment, etc.) in the ordinary course of doing business.
- **Purpose on the periphery**: Purpose is an ancillary goal, often relegated to corporate social responsibility (CSR) initiatives, always taking a back seat to profitability.
- **Purpose as win-win only**: Purpose is struggling for equality with other goals. While the company formally considers social impact and commercial value equally important, in reality commercial results eventually take precedence.

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**Deep Purpose vs. Convenient Purpose Firms**

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Ranjay Gulati, *Deep Purpose: The Heart and Soul of High-Performance Companies*
For convenient purpose firms, purpose is often just a means to an end—the end being profit. While companies in the win-win category are more admirable than those in the first two categories, they still have far to go. When forced to choose between financial performance and social good, these companies tend to focus on meeting the expectations of the shareholders.

MOVING TOWARD DEEP PURPOSE—WHAT LEADERS CAN DO

Transitioning from convenient purpose to deep purpose is a significant effort—but one that is increasingly on the minds of today’s executives, especially at a time of global conflict, economic disparity, and concerns about the climate. Companies and leaders can start by reflecting more seriously on purpose as a foundational principle for organizing, examining the company’s reason for existence, and determining what it intends to accomplish over the long term.

Gulati emphasizes that a strong purpose always takes a moral stand. “Leaders should recognize that an organization’s purpose is intrinsically moral, expressing an implicit or explicit critique of the world—something needing to be addressed,” he explains. “While business leaders have tended to shy away from moral issues, when they take a principled stand they are bringing humanity back into the business. To make that principled stand more than a mere statement, they must commit themselves to do the hard work of imbuing business dealings with meaning and moral sense.”

That hard work is the purpose behind Gulati’s book, which lays out a framework for evolving a deep purpose organization. Becoming—and remaining—a deep purpose company is a comprehensive, ongoing process—not a discrete initiative. It can ultimately involve a fundamental reshaping and reimagining of the business, which may seem overwhelming. Leaders can take small steps, starting with actions that seem most relevant to today’s business challenges, to evolve the company’s view of itself and its role in the greater world.

Translating Purpose into Action

Here are some actions you can take to evolve a more purpose-driven organization.

1. **Take stock:** Challenge your existing purpose statement and embrace a new understanding of purpose.

2. **Lean into trade-offs:** Clarify trade-offs, communicate them, consider the long term, and make decisions using your purpose as your “North Star.”

3. **Align core business actions with your purpose:** Build purpose into key conversations about strategy, talent management, branding, partnering, and more.

4. **Foster the growth and evolution of your purpose:** Look back and look forward. Study the roots of purpose in the organization’s past, periodically stress-test your purpose, and train people in principled decision-making.

5. **Exemplify purpose-driven leadership:** Craft and tell the stories that dramatize your organization’s purpose. Live the purpose in everything you do.

6. **Make the personal purpose connection:** Encourage everyone (including yourself) to examine their personal purpose and connect it, in unique ways, to the corporate purpose.

7. **Revisit your current organizational design and processes:** Allow more autonomy in pursuit of purpose. Disrupt silos and improve coordination and cooperation in pursuit of purpose.

8. **Continually nurture your purpose:** Monitor the organization’s commitment to its purpose and keep it from eroding. Inject purpose-driven metrics, and monitor performance in relation to all stakeholders.