How Can You Create a Purpose-Driven Organization?

Anjan V. Thakor

John E. Simon Professor of Finance
Director of Doctoral Programs, Director of WFA-CFAR
Some Simple Observations
A Disturbing Picture

- As of 2020, $400 billion in fines on banks since the beginning of the financial crisis
- Spectacular cases of fraud and misrepresentation to customers and governments by corporations
- Growing income inequality with relative-consumption preferences hardwired in our DNA (although long-term upward mobility of income has been increasing and consumption inequality has been falling) - Kopczuk, Saez, and Song, QE 2010
Even before the Covid crisis, despite record low unemployment, increasing upward wage mobility, record stock market levels and good GDP growth, stress levels were rising. Stress among PhD students nationwide has been rising fast and suicide ideation on college campuses has doubled in the last 10 years.

*What explains all this?*
• The Gallup Survey found (for the first time) that a majority of US millennials favor socialism over capitalism.
• 60% of employees express a need for purpose but don’t get it from work.
• 88% of employees in US companies feel that the company they work for does not care for them.
Question: What Should We Do?
This paper is in the top 10% in downloads on SSRN. What does it mean?

How to Find Purpose in Your Life
Robert Quinn
Goalcast

https://www.goalcast.com/2018/02/15/dr-robert-quinn-this-is-how-to-lead-a-purpose-driven-life/

• The answer to preserving capitalism while still enhancing its social (and possibly economic) value lies in individuals and organizations embracing authentic higher purpose!
• One possible reason for the statistics we saw earlier: LACK OF PURPOSE!
Research shows that suicide ideation by students on college campuses is correlated to a lack of purpose.
Creating a Purpose-Driven Organization

How to Get Employees to Bring Their Smarts and Energy to Work
By Robert E. Quinn and Anjan V. Thakor

What Is a Higher Purpose?
## What Is a Higher Purpose?

<table>
<thead>
<tr>
<th><strong>Higher Purpose</strong></th>
<th><strong>Vision</strong></th>
<th><strong>Mission</strong></th>
<th><strong>Strategy</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement of Contribution</td>
<td>Image of the Future</td>
<td>A Level Objective</td>
<td>A roadmap for allocating resources to achieve business goals like shareholder value maximization.</td>
</tr>
<tr>
<td>“We nurture growth in all we do.” - Marzetti</td>
<td>“A computer on every desk in every home.” - Microsoft</td>
<td>“To be the best operated energy company in North America.” – DTE Energy</td>
<td>“16 films in the next year.” - Disney</td>
</tr>
</tbody>
</table>

Answers: “**Why** do we exist; what justifies our collective existence?”

- Prosocial (Moral)
- Inclusive (Everyone)
- Inspiring (Intrinsic)
- Authentic (Arbiter)
- Constant (North Star)
- Covenant (Community)
- Differentiate (Positive Deviance)

Answers: **Where** are we going?

- Audacious
- Grounded
- May not be achievable

Answers: **What** objective are we going to accomplish to get to where we are going?

- Tangible
- Achievable

Answers: **How** are we going to get to where we are going?
Higher Purpose

Individual

- Prosocial contribution that transcends business goals while intersecting them; decisions at this intersection

Organizational

- Customers
- Employees
- Society
VIMEO REVIEW FILE

NAME: WUSTL_OLIN_BLC_HIGHER_POWER_011420

https://vimeo.com/384796751

PASSWORD: mmmolin
The decisions must lie in this area.

- Optimal Based on Economics
- Serves Higher Purpose
- Permissible Based on Laws
Case Studies of Individual Purpose
Louis the cab driver
The Inn at Little Washington
(Mitch Solomon’s account of Jake Coldren on his first day at the job.)

Case Studies of Customer-Centric Purpose
Farmer Takes His Dream to Shark Tank

Johnny Georges is the founder and creator of tree T-PEE.

When he appeared on Shark Tank, he was driven by his higher purpose and stood firm in his beliefs to put the customer first.

Source: https://www.youtube.com/watch?v=WDPYTNK
Development Bank of Singapore

Source: DBS: https://www.dbs.com
Case Studies of Employee-Centric Purpose
2006: The search for improvement from bottom 10% in employee engagement and productivity

2008: First “junk bond utility”
Assignment: Listen to Gerry Anderson

- Record key ideas
- Write your most authentic questions

Audio Link to HBR Ideacast

2010: Survival and Prosperity
Now What?
Results

• Safety #1
• Customer Satisfaction: Bottom to top
• Gallup Employee Engagement: Top 3%
• Union Relations: Top 10%
• Operating Costs < 10 years ago
• Top 25% in industry in financial performance
• Stock price $48 to $122 from 2011 to 2019
Case Studies of Explicitly Prosocial Higher Purpose
Monsanto (Dick Mahoney)

“My predecessor, Dick Mahoney, understood that the way we were doing things had to change. Dick grew up, as I did not, in the chemical industry, so he tended to look at what was coming in and out of our plants. The publication of our first toxic-release inventory in 1988 galvanized attention around the magnitude of plant emissions.”

“Dick got way out ahead of the traditional culture in Monsanto and in the rest of the chemical industry. He set incredibly aggressive quantitative targets and deadlines. The first reaction to them was, my god, he must be out of his mind. But, it was an effective technique. In six years, we reduced our toxic-air emissions by 90%.”

~Robert Shapiro
• **Gartenberg, Prat and Serafeim (Organization Science, 2019):** Sample of 500,000 people across 429 firms involving 917 firm-year observations from 2006 to 2011. Authentic higher purpose communicated with clarity and with commitment from middle management positively impacts both operating financial performance and forward-looking performance measures like Tobin’s Q and stock price.

• **Grennan (Duke WP, 2019):** *Consistency in communication of culture* across multiple stakeholders is correlated with higher economic performance of banks.
• Stuart and I did a survey of > 1,100 individuals
• Written-down personal HP implies greater ability to cope with stress and greater happiness
• Individual and corporate HP positively correlated
• Employees trust leaders to make more socially-responsible AND better business decisions when firm has written HP
The Journey of Higher Purpose

1. Discover the purpose
2. Be authentic
3. Make purpose a constant message
4. Stimulate individual learning
5. Turn mid-level managers into purpose-driven leaders
6. Connect the people to the purpose
7. Unleash the positive energizers
8. Envision inspired workforce
THE ECONOMICS of HIGHER PURPOSE

Eight Counterintuitive Steps for Creating a Purpose-Driven Organization

Robert E. Quinn and Anjan V. Thakor