

**Harvard  
Business  
Review**

**Business And Society**

# **How Leaders Can Create a Purpose-Driven Culture**

by Rodolphe Durand and Ioannis Ioannou

November 07, 2023



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**Summary.** Companies are increasingly emphasizing a corporate purpose beyond mere profitability. The success of this integration largely hinges on organizational culture. Leaders, spanning all tiers, need to genuinely exemplify and articulate the company's values, as demonstrated by companies like Netflix and LUSH. It's vital for employees to perceive their daily roles as contributing to this larger purpose, with firms like Atlassian and Cisco offering noteworthy models. Crucially, recognizing and rewarding behaviors that align with a company's purpose, as seen with Patagonia and Unilever, solidifies this culture. In essence, a genuine, purpose-driven culture can significantly enhance long-term shareholder value, societal contributions, and environmental stewardship. [close](#)

Many companies tout their corporate purpose, emphasizing guiding principles that reach beyond mere profitability. While some earnestly prioritize ethical behavior and broad responsibility, others falter in matching their actions with their rhetoric. What sets them apart? As professors deeply immersed in both practical industry involvement and academic research, we study the elements that allow firms to excel, particularly when integrating environmental and social concerns into their business strategy. Our points to a pivotal element: Organizational culture.

This is because culture provides the underlying assumptions, shared values, and norms that shape employee mindsets and behaviors. Companies may profess a commitment to purpose, but without a supportive culture aligned to that purpose, employees won't be supported to enact these shared values in their work. We've found that successfully integrating purpose relies on three strategies:

## **All Leaders at All Levels Embody Purpose**

In a purpose-driven culture, leaders have a key responsibility: They must clearly communicate and authentically embody the company's purpose and values. By leaders, we mean every person who coordinates a team, orients decisions, and is responsible of any asset allocation. At all levels of the organization, these leaders need to draw clear connections between purpose, values, and performance, acknowledging the inevitabilities of short-term trade-offs in favor of a grander mission, and navigating the inevitable challenges inherent in purpose-driven undertakings. Leaders can achieve this by:

### **Bridging purpose and performance.**

Purpose-driven organizations succeed when their purpose is authentically aligned with strategy and operations. Different companies use various tools to encourage this alignment. For instance, Netflix's culture deck not only outlines core values like "freedom and responsibility," it further integrates these principles into its operational fabric by measuring employees on these values. For example, they state "We don't measure people by how many hours they work or how much they are in the office" but rather by how much value each employee brings to members. They also encourage leaders and employees to "act in Netflix's best interest" and make decisions based on long-term impact.

## **Highlighting the reality of short-term sacrifices.**

True commitment to a mission often necessitates difficult choices, and acknowledgement about the reality of short-term sacrifices. Leaders should transparently communicate this, illustrating that trade-offs often pave the way for long-term sustainable success. LUSH serves as a testament to this, with their refusal to compromise on their anti-animal testing stance, even when it meant forgoing the lucrative Chinese market.

## **Looking to purpose to guide difficult decisions.**

The journey towards a purpose-centric culture won't always be without obstacles. Leaders must therefore be agile, reflecting upon setbacks and recalibrating as needed.

Airbnb's corporate purpose is "to create a world where anyone can belong, anywhere." But that purpose was put to the test when researchers and users raised questions about racial discrimination on the platform. When faced with backlash and a lawsuit, the leaders of Airbnb launched Project Lighthouse, aimed at understanding and combating racial discrimination on the platform. In collaboration with civil rights organizations, Airbnb developed measures to track when and how discrimination occurs, while ensuring privacy standards are upheld. "Any insights will be used to help develop new features and policies that create a more equitable experience on our platform and

deliver on our enduring mission of creating greater belonging,” the company shared on its website, tying the initiative back to its purpose.

Overall, leaders shoulder the responsibility not just of directing their organizations towards purpose but of enacting it daily. Their actions, decisions, and communications set the example for the broader organization, accentuating the importance of purpose in everyday reality.

## **Making Purpose Tangible and Aspirational for Team Members**

Employees make a firm purposeful *and* profitable. It’s essential that they understand how their specific roles may bolster and tangibly contribute to the company’s overarching purpose.

Therefore, while team leaders set the tone, for a purpose-driven culture to be deeply entrenched, team members need wiggling space to autonomously orient choices toward purpose achievement.

We suggest four core actions for executives to consider to help achieve the right balance of direction and latitude.

### **Translating purpose into day-to-day functions.**

Employees should see how their daily tasks and responsibilities align with the company’s purpose. Atlassian’s “Team Playbook” serves as a paradigmatic example. It’s not merely a guide; it

consists of a collection of resources to hold workshops designed to help teams work better together. It embodies the company's ethos, like "open company, no bullshit" and "build with heart and balance," offering a tangible representation of how each employee's role dovetails with the corporate purpose and the team's objectives.

### **Incorporating team members' perspectives.**

Actively seeking team members' insights on the complex interplay between purpose and profitability can foster a sense of inclusivity, ensuring all team members feel valued and integral to the decision-making process. A company that engages employees on purpose is Cisco, which has created a culture of trust, innovation, and giving back. Cisco encourages employees to pursue their passions, to collaborate with their peers, and to contribute to causes they care about. By actively engaging their workforce in discussions on critical themes like sustainability and diversity and connecting them with actual pain points in working together in teams, companies can harness grassroots-level insights, especially those directly interfacing with markets or customers.

## **Finding a balance between purpose-aligned autonomy and defined decision-making guidelines and principles.**

Empowering employees to make decisions in their daily tasks, informed by the organization's core values, can spur innovative, customer-centric solutions. For example, Zappos, an online shoe and clothing retailer that has a purpose to "deliver happiness," has trained employees to have purpose inform choices within their discretion by giving them the freedom to wow their customers with exceptional service, without following scripts or policies.

A purpose-driven culture also provides decision-makers and employees with clear principles and guidelines for taking decisions, especially in the face of complex or nebulous situations. For example, Starbucks has a set of detailed guiding principles and commitments that inform its actions and policies around diversity, equity and inclusion (DEI), which is core to their purpose. Starbucks has also developed a simple tool that helps Starbucks employees make better ethical decisions as part of its standards of business conduct.

Through experimentation and emphasizing of exceptional situations that employees have tackled, a purpose-driven culture is continuously reinterpreted, incarnated, and amended both in responses requiring autonomy as well as for those that require acting by the book.

## **Offering constructive feedback mechanisms.**

To enable continuous growth and alignment with purpose, team members and leaders should receive feedback on how their decisions relate to corporate purpose. For example, Spotify, a music streaming service company that has a purpose to “unlock the potential of human creativity,” provides feedback and support through agile methods. Teams are empowered to work autonomously yet collaboratively to creatively solve problems and create new products, while artists and listeners have a platform to express and discover creativity. By connecting their system of scaling agile delivery to their purpose, Spotify can foster a culture of innovation and excellence that benefits both the company and its users.

Overall, ensuring that the corporate purpose isn't an abstract concept for teams and their members is crucial. When everyone perceives their daily tasks as puzzle pieces fitting into a grander purpose, their engagement, motivation, and alignment with organizational values invariably surge. All of which nurture a purpose-driven organizational culture.

## **Anchoring Purpose through Recognition and Incentives**

Recognizing and rewarding purpose-driven behaviors forms the bedrock of embedding a purpose-driven culture. The challenge lies in crafting systems that welcome but do not improperly incentivize these behaviors while consistently echoing the company's core purpose. In this context, leaders could start by:



## **Showcasing real sacrifices for purpose.**

Prioritizing purpose, even at the expense of immediate benefits, sends a compelling message about the depth of a company's commitment. Patagonia offers a profound illustration of this. By directly advising customers against excessive consumption, they've underscored their dedication to sustainability, in addition to their readiness to potentially sacrifice short-term profits, sparking admiration as well as loyalty among employees.

## **Recognizing and celebrating purpose-driven impact.**

Employees need to see the ripple effect of their work as aligned with purpose: how it impacts customers, communities, and society at large. LUSH has adeptly achieved this. By leveraging multiple communication channels, including videos and events, they spotlight their influence on pivotal issues, from environmental conservation to human rights. Showcasing purpose-based impact goes hand in hand with highlighting the success stories of employees. They foster recognition for what's been achieved.

Moreover, it's also about demonstrating alignment between personal and corporate values making purpose an enacted reality for a company's stakeholders. As an example, Salesforce's "Trailblazer Stories" isn't merely a collection of testimonials of successful contracts. They are inspiring examples of how individuals and organizations have used Salesforce's products

and services to transform their careers and businesses, and to make a positive impact on the world. This is fully aligned with Salesforce's purpose which is "to power the purpose of organizations of all sizes working to build a better future." Celebrating behaviors that mirror company's purpose instills a sense of pride, fostering a broader, collaborative environment where employees learn and iterate based on mutual feedback and by witnessing the positive impact of their work on their customers.

### **Integrating purpose into incentive schemes.**

Weaving purpose metrics into reward programs ensures that performance evaluation is holistic, accounting for both business outcomes and alignment with company ethos. Unilever's remuneration and promotion policy stands out, integrating sustainability metrics with executive compensation. This approach not only underscores the importance of sustainable practices but also motivates employees to actively participate in initiatives that resonate with the company's larger purpose.

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Establishing a purpose-driven organization in today's shareholder-focused market requires a deliberate and thoughtful infusion of a purpose-centric culture. This involves clear communication of purpose and requires leaders who actively

exemplify the values inherent in purpose. It's important to develop both symbolic and monetary reward systems that underscore and bolster purpose-oriented results.

Advocating for a purposeful approach is indeed a continual journey, fraught with complexities. It calls for enduring commitment, adaptability, and resilience. In essence, authentic and well-defined corporate purpose can serve as a catalyst for enhanced market positioning, robust and long-term stakeholder trust, effective collaboration, and strategic resilience, all contributing to sustained profitability as a powerful means to a higher end cause. Ultimately, the reward is tangible societal and environmental benefits and substantial long-term value for shareholders.

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**Rodolphe Durand** is the holder of the Joly Family Purposeful Leadership Chair at HEC Paris and the founder and academic director of the Society and Organizations Institute, which he launched in 2009

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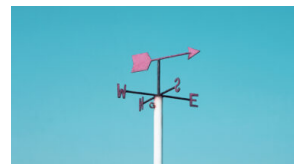
**Ioannis Ioannou** is an associate professor of strategy and entrepreneurship at London

Business School. His research focuses on corporate sustainability and the strategic integration of ESG issues by companies and capital markets.

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