

From ambition to action: how to attain purpose-led transformation

A guide on how to get practical about purpose

About EY Lane4

EY Lane4's purpose is to build a better working world by putting humans at the centre of everything we do. We help organisations to democratise leadership development and learning, create performance environments where success is inevitable, and put humans at the centre of transformation.

At EY Lane4, we bring together some of the biggest and most influential leaders around the world, drawing on their insight to shape how we support our clients with their people and transformation challenges. Understanding the psychology of performance and behaviour change is at the heart of our approach. Our people also bring a wealth of experience from performing at the highest level such as in Olympic sport, the military, the arts and diverse business environments. This unique combination allows us to walk alongside leaders, acting as trusted advisors to challenge and support them throughout their transformation journeys.

Our global reach, digital learning solutions and innovative service delivery allows for consistent development across multiple levels of the organisation. This means people can develop behaviours that will not only help them to perform at work, but in all parts of their life. It gives people the confidence and belief to try new things and truly thrive. All this combined allows us to build a better working world.

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Foreword

As you get ready to read this research paper, ask yourself: Given the challenges that society is facing, where would the world be without purpose? Can you be a leading business in the world today – one that is attractive to employees, customers and investors alike – and not be purpose-driven? As a leader, are you truly purpose-led in how you make decisions and engage and reward your people?

The issues facing the world today have become bigger, more complex and more interwoven than ever before, and so too has the world of business. Society's biggest challenges cannot be solved by governments alone and there is an increasing demand for global businesses to step up to the plate. The purpose of business is changing and with it, the expectations of leaders.

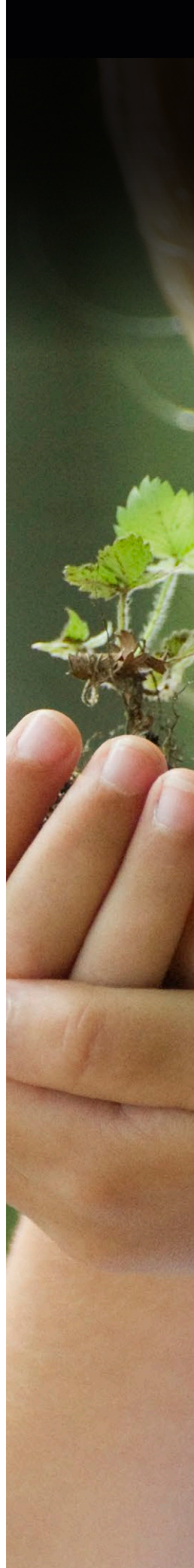
Arguably, purpose-led leadership isn't a new leadership paradigm per se, but it's certainly never been more important. This research paper is for the leaders of today and tomorrow who, for a better future for all, need to drive successful transformation within their business. EY Lane4's research team has drawn upon a rigorous literature review, a survey of over 2,000 employees (including 500 at C-suite level) and interviews with 20 award-winning and trail-blazing leaders, specifically recognised for their work in creating and leading purpose-led organisations.

The paper provides practical insight for leaders who seek to put purpose at the core of their business, and we couldn't be prouder of it.

Connecting purpose to long-term value creation

At EY, we believe that long-term value goes beyond mere financial value. We help organisations consider how they create and protect value for a broad set of stakeholders including employees, consumers, suppliers, communities, governments, investors and shareholders. Organisations that are guided by a meaningful purpose, with a focus on creating long-term, sustainable impact for all stakeholders, are best positioned to benefit from, demonstrate and measure the value they create.

We are constantly learning through our own purpose journey: Building a better working world and have applied the long-term value framework (i.e. four quadrants of financial, societal, people and customer value) to help define and measure our ambition, building on our work with The Embankment Project for Inclusive Capitalism (EPIC). We have also attracted partners and acquired companies that are committed to the same pathway.



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When we talk about a purpose, and when we talk about building a better working world, it's not just a tagline. In fact it's not even a tagline. It's really what we believe. In developing a new strategy you have to have a long-term value strategy, and it has to include all your different stakeholders — your clients, your people and society. Today that's a must. And if you don't have that then a) I don't think you're going to succeed and b) no-one is going to want to work for you and/or be acquired by you.¹

Carmine di Sibio, EY Global Chairman and CEO

The bottom line is there is nothing wrong with profit, but if it's your sole focus then you won't be a good long-term bet for your stakeholders.

Authentically leading with purpose

Being purpose-led is a statement of service to your stakeholders, not a marketing badge. As a leader, you can't just pop it on and hope to extract the value. A genuine declaration of being purpose-led should come with an all-impacting shift in the way you approach business and opens you up to scrutiny if you fail to meet expectations. Labels such as 'greenwashing' and 'purpose-washing' have become common-place accusations of corporates and governments in recent times. You therefore need to be really mindful of any say/do gap that opens up in the way you lead; identifying, articulating and demonstrating your authentic version of what it means to be a purpose-led leader is critical.

Becoming truly purpose-led requires persistent effort that goes well-beyond positive statements of intent. This paper will help you get really tactical about delivering your purpose-led ambitions.

Putting humans at the centre

According to research from EY and Oxford University's Saïd Business School, transformations that put humans at the centre are 2.6 times more likely to succeed. The stakes are high in today's complex world, and it's more pertinent than ever for leaders to harness both the rational and emotional power of their people to achieve transformation success.

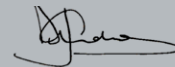
Purpose-led change that pervades beyond the limits of your organisation requires people who are passionate, empowered and performance-driven. Providing them with opportunities for making a meaningful impact is key. For example, our data shows that 84% of employees feels it's 'very important' or 'important' for them to work for an organisation that positively impacts society. Furthermore, 74% of Gen Z, 72% of Millennials and 62% of Gen X are 'very likely' or 'likely' to leave their current employer for an organisation whose reason to exist has more meaning to them. In the age of the Great Resignation and chronic talent shortages, being a purpose-led business is central to a compelling employee value proposition that puts humans at the centre, reducing employee turnover and attracting top talent.

Our hope for the future

To conclude, we hope this research paper will start a conversation within your organisation about the role of leaders in driving successful purpose-led transformation and will create a ripple effect for the generation of leaders to come. Ultimately it will be people that solve the challenges we face and responsibility rests on all our shoulders to be, and create, the purpose-led leaders of the future.



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About this research

The aim of this white paper is to provide leaders with a practical guide on how to develop their leadership practice, to facilitate purpose-led transformation. Following a rigorous literature review and finding a dearth of practical insight for leaders who seek to put purpose at the core of their business, we conducted two pieces of research:

- ▶ A survey of over 2,000 employees, 500 of which were C-suite level from UK and Ireland organisations. The businesses included public and private sectors, with an annual turnover of at least £10 million. From this survey it is evident that purpose-led business is important to talent and leadership. However, many continue to struggle with embedding purpose-led practices into their operating model.
- ▶ Interviews with 20 award-winning and trail-blazing leaders recognised for their work in creating and leading purpose-led organisations. These interviews highlighted the shifts in behaviours that are necessary for sustained purpose-led transformation and how to circumvent the challenges to achieving purpose-led transformation.

Whilst the pertinence of being a purpose-led business and realising organisational success is well-documented, it is not a unique, cutting-edge or novel idea. However, there is a dearth of research that explores how leaders can get tactical about delivering purpose-led outcomes. Being a purpose-led organisation is a shift in the way you do business and requires a fundamental disruption in leadership to enact this change. Consequently, rather than add to the body of literature that documents the business case for becoming a purpose-led organisation, this white paper provides leaders with a practical guide on how to develop their leadership practice in order to facilitate purpose-led transformation.

Purpose-led: a shift in the role of business and leadership

Being a purpose-led business is no longer a nicety but a business necessity. To remain relevant and thrive in a modern business landscape, leaders must serve the wider stakeholder ecosystem.

For decades, the prevailing business model has been one that exclusively focused on maximising shareholder value. Influenced by economist Milton Friedman's pervasive shareholder theory, leaders often acted with little or no regard for the implications a

business's actions had on people and the planet.² Now, there is widespread acceptance that this once dominant shareholder-centric paradigm is outdated and businesses need to move towards a holistic 360° stakeholder approach that considers: people,

the planet, future generations, and shareholders. Purpose-led businesses adopt this holistic approach and profitably solve the challenges of people and the planet (rather than profit from exacerbating them).³

Defining terms:

Organisational purpose:

an organisations' meaningful and enduring reason to exist that aligns with long-term financial performance, provides a clear context for decision-making and unifies and motivates relevant stakeholders.⁴

Purpose-led: an organisation that places its organisational purpose at the core of everything it does and how it operates; using purpose as the compass to guide decision-making and deliver wider stakeholder value.

Purpose-led businesses place their organisational purpose at the core of everything they do and use it as the compass to guide decision-making and deliver wider stakeholder value.



A quick nod to the business case for being purpose-led

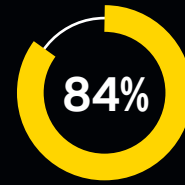
Being a purpose-led business yields many benefits. Studies show that firms with a well-integrated purpose see higher levels of growth and resilience to disruption. For example, research conducted by Yale Centre for Business and the Environment found that purpose-driven businesses were 63% more likely to survive the last financial crisis when compared to companies of a similar size.⁵ In the same vein, research from the B Corp, a community of purpose-led companies that use business as a force for good, has highlighted that B Corps in the UK are growing 28 times faster than the national economic growth of 0.5 percent.⁶

How employee and customer expectations have shifted

Beyond the compelling viability for purpose-led business, the expectations and priorities of employees and prospective talent pools have shifted. There is an increased demand for organisations to provide more meaningful work. Our data shows that 84% of employees feel it's 'very important' or 'important' for them to work for an organisation that positively impacts society and an inability to meet this requirement means you will lose out in the 'war for talent'. In our study, 74% of Gen Z, 72% of

Millennials and 62% of Gen X – are 'very likely' or 'likely' to leave their current employer for an organisation whose reason to exist has more meaning to them. Furthermore, 53% of employees believe that working for a purpose-led business is more important now than before the pandemic. In the era of the Great Resignation and chronic talent shortages, being a purpose-led business is essential to having a robust employee value proposition that puts humans at the centre, reducing employee turnover and attracting top talent. A similar shift in attitudes towards purpose-led business is also evident in customers and investors. Research indicates that 72% of consumers feel it is more important than ever to buy from companies that reflect their values,⁷ with 74% of consumers believing companies can take actions that both boosts profits and improves economic and social conditions for their local communities.⁸ Purpose-led business is also rising up the investor agenda with 88% of institutional investors claiming to hold an organisations' ESG metrics to the same level of scrutiny as financial and operational reports.⁹ Furthermore, research suggests a lack of purpose increases customer disloyalty as well as wider community discontent.¹⁰

There's no doubt that missing the purpose-led paradigm shift will negatively impact your organisation.



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of Gen Z



of Millennials



of Gen X

are 'very likely' or 'likely' to leave their current employer for an organisation whose reason to exist has more meaning to them.

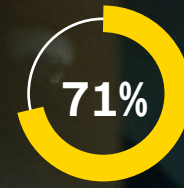


Purpose-led transformation remains only surface deep

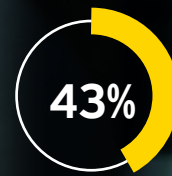
Despite the cogency and potential of becoming a purpose-led business, there are still many organisations that struggle to integrate a 360° stakeholder approach into their operating models. In our survey, 71% of employees think their leaders still 'always' or 'often' make critical decisions solely based on financial considerations such as profit, costs and growth. The challenge of integrating a 360° stakeholder approach also impacts business at a structural level. For example, our findings show

that 43% of companies solely reward and remunerate people for generating revenue and growing market share as opposed to generating social and environmental value.

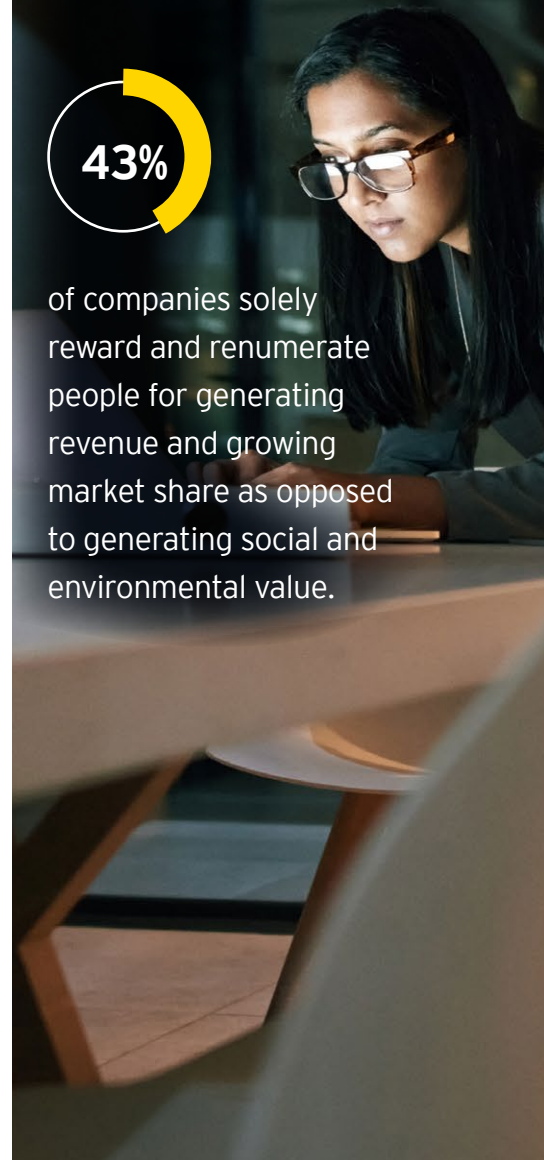
This new era of leadership and business expectations comes with challenges and pitfalls that leaders must navigate to harness the power of purpose. Throughout the remainder of this white paper, we will unpick these challenges and provide practical solutions and best practice tips based on the insight imparted from high-performing leaders in the purpose-led space, the literature, and our survey findings.



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Pitfalls of purpose-led business

Identifying a compelling purpose can create the illusion of change and purpose-led progress. However, being purpose-led is more than a statement about the reason your organisation exists and why it's a force for good. Alongside an articulation of purpose and intent to be purpose-led, a tangible shift in how your organisation operates is imperative.

There are many misconceptions about purpose-led businesses that leaders must be cognizant of, as these misconceptions can stop true purpose-led transformation from taking place. Firstly, whilst there is much talk in the business world about purpose, there remains an action say-do deficit.

Beware the illusion of purpose-led change

The notion of being a purpose-led organisation is widespread. The surge in the growth of the B Corp movement evidences this progression. Since its inception in 2006, the B Corp now not only sees grassroots organisations, but also large multinationals playing a role in catalysing the global movement of business as a force for good.¹¹ There is also a growth in public interest and discourse about corporate and organisational purpose. This has increased fivefold since 1994.¹² Moreover, public sentiments surrounding the purpose-led movement have evolved. Not only is it expected for businesses to be purpose-led, but stakeholders want businesses to be

proactive drivers of global change. As the Edelman Trust Barometer indicates, 66% of the public believe that CEOs should be the forerunners of change rather than waiting for governments to impose policies that mandate change.¹³

This shift in stakeholder attitudes and sentiment has galvanised many organisations to invest in purpose, creating inspiring and ambitious purpose statements. However, despite this awakening to the importance of purpose, not enough change and tangible action has come to fruition. As our previous survey findings demonstrate, financial considerations (such as profit, costs and growth) still dominate business decision making. Furthermore, research shows that 69% of respondents believe businesses are failing to address the world's existential and societal issues.⁷ This disconnect between talk about purpose and purpose-led impact highlights the unsettling prospect that 'purpose-led business' is at risk of becoming an ineffectual and meaningless corporate buzzword. As one leader described this threat to actual purpose-led transformation:

“

There are people who are very good at admiring the problem and so articulate about it that you forget you don't have a solution. Admiring the problem is important but it's not a solution in itself.

Many of the leaders we interviewed cautioned against the trap of believing that purpose-led change had occurred. With organisations investing time in identifying and articulating compelling purpose-statements, many leaders have been lulled into a false sense of security, succumbing to an illusion of change. This phenomenon is the flawed belief that the existence of a compelling purpose statement equates to being a purpose-led organisation, when in fact the true purpose-led transformation has barely begun.



This puts the company at risk of missing the mark completely, leaving stakeholders underwhelmed or, at worst, purpose-washing. As one interview participant articulated:

“

Having a purpose statement and saying you're purposeful is the new 'black dress' in town. But what have you actually done fundamentally to change your behaviours, your actions, your policies and processes?

The potential of falling victim to an illusion of change is a persistent challenge for today's leaders. In our survey, 86% of employees say that their organisation has a purpose statement, but almost half (42%) of them didn't know what it was. Moreover, consumer studies show that whilst 82% consider a brand's values when making purchasing decisions, only 43% believe that brands live their espoused purpose.¹⁶ This suggests the illusion of change is widespread with a disconnect between the articulated purpose and day-to-day practice.

Defining terms:

Purpose-washing: when organisations profess to be operating to fulfil a greater purpose; one which supports wider stakeholders and creates a better future, when in fact purpose is being misused purely for commercial gain. Essentially, there is an incongruence between an organisation's articulated purpose and the practices within the organisation.^{14,15}

Other purpose-led myths that are blocking progress:

Not succumbing to the illusion of change is the first hurdle to accomplishing purpose-led transformation. However, there are a plethora of other pitfalls surrounding purpose-led business that you may encounter or fall prey to.

Below we have explored and unravelled these misconceptions to ensure they don't hinder your purpose-led journey.

Myth 1: "Purpose-led business is the same as corporate social responsibility (CSR) activity"



- ▶ CSR activity and a purpose should not be conflated. CSR activity is the philanthropic behaviours and engagements with the communities you have an impact on. Purpose is a company's reason for existing and purpose-led transformation is about shifting your entire business operating model and strategy. Although CSR activity can be a part of your purpose-led efforts as it positively impacts stakeholders, it is only a component of the overarching purpose-led transformation. Be aware that conflating CSR with purpose is, at worst, no more than a compensatory behaviour for business practices and structures that are not purpose-led.¹⁶
- ▶ **Bottom line: Leaders need to go beyond the surface and put purpose at the core of organisational strategy and end-to-end operations. Purpose-led is not ad-hoc activity, it is your business.**

Myth 2: "Being purpose-led is in direct opposition to commercial gain opportunities"



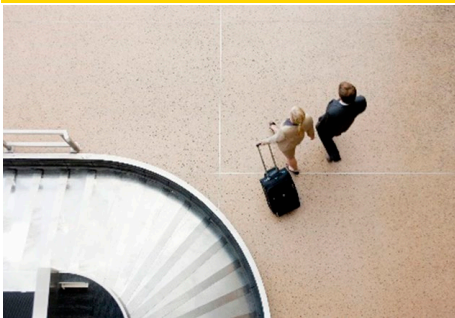
- ▶ The notion that being purpose-led opposes commercial success is a false dichotomy. Being purpose-led has a positive commercial impact. Placing purpose at the core of your organisation opens you up to new markets.¹⁷ Moreover, studies show that 97% of companies with a well-integrated purpose benefit from the incremental value and outperform their competitors.⁵
- ▶ **Bottom line: There is a symbiotic relationship between purpose-led business and commercial success. Money is an enabler for good. Both purpose and profit unlock resources to equip your people to lead positive disruption.**

Myth 3: "Purpose is abstract and therefore difficult to measure or see the return on investment"



- ▶ Your purpose has clear key performance indicators (KPIs), such as your performance against environmental sustainability and governance (ESG) metrics. Purpose also impacts other KPIs, such as net promoter scores, employee satisfaction ratings and business valuation. For instance, research has shown that purpose-led businesses benefit from productivity, longer employee tenure and satisfied customers.¹⁸
- ▶ **Bottom line: Purpose-led businesses adopt the view that success is not exclusive to profit and therefore the ROI on purpose manifests itself across a multitude of performance metrics.**

Myth 4: “Purpose-led is the new black dress and the PR strategy of the business world. This, like many other fads, too shall pass”



- ▶ Purpose-led businesses are not an ephemeral moment or a footnote within the chronicles of the business world. This phenomenon is here to stay. The notion of the ‘purpose-led business’ has been a matter of debate since the 1980s. Philosopher and business scholar Edward Freeman provided us with stakeholder theory. This theory argues that a company should create value for all entities integral to its livelihood (stakeholders), not just those who stand to profit (shareholders). Stakeholder theory provided a counterpoint to Milton’s shareholder theory which was the dominant business paradigm. It is important to note that the world has finally caught up to theory, making stakeholder theory and purpose-led business the dominant business paradigm and widely accepted best practice.^{19,20}
- ▶ **Bottom line: Purpose-led business is a movement, not a moment.**

Myth 5: “Purpose is only about the future and can just be created”



- ▶ You can’t simply create a purpose in your board room, you must ‘uncover it’ with your stakeholders. Purpose is the ‘why’ an organisation exists, thus it must be informed by your past, present and ambitions for the future. It must be authentic to your people and therefore requires diversity in minds to collaborate, uncover and live it.
- ▶ **Bottom line: Purpose-led transformation must be derived from your heritage and take a stakeholder-centred approach.**

Myth 6: “Purpose leads to well-intended but disjointed action”



- ▶ Having a vision that compliments your purpose is essential to unifying your people on a cause and direction. Purpose without a vision prevents it from being used as a strategic filter for better decision-making. This results in purpose acting as a justifier of any ‘good’ behaviour. A vision provides a structure which enables your people to hone these purpose-led actions and decisions into something meaningful and authentic to the organisation.¹⁷
- ▶ **Bottom line: Vision enables the organisation’s purpose to be the North Star everyone uses to guide decision-making and purpose-led action.**

Purpose-led leadership: what you need to do differently

Our findings from interviews with award-winning and trail-blazing leaders in the purpose-led arena, indicate certain behaviours and ways of thinking underpin great purpose-led leadership.

Specifically, high performing leaders in this space engage with three key behaviours:

1 | Mobilise people to take a 360° stakeholder approach

Build a community of advocates. Harness the best minds and influencers to activate people around the organisation's purpose. First, identify your advocates. These individuals will likely exist within your networks which you can leverage. Second, is to empower your advocates. High performing purpose-led leaders see themselves as a "conduit and enabler for change". They use their leadership influence to eradicate barriers whilst empowering advocates to play an active role in serving the wider business ecosystem:

“It's about galvanising the support of people, internally as well as the support of your customers, suppliers and the communities that want your business to survive in the long-term. It's about how they stay loyal and contribute to long-term success. That's what purpose should do.

Create partnerships to enact positive societal change and create solutions. Purpose-led leaders recognise that the best solutions for society's existential questions come from collaborating with others. Strengthening your ability to develop relationships is essential to amplify purpose-led impact. As some of the leaders we interviewed put it:

“Trusting other people and building partnerships with other companies is crucial. Initially, I was protective of our purpose and didn't really want to let people in. But that was the worst thing I could have done because when you run a purpose-driven organisation, you will inevitably find loads of people out there that share your purpose. The best, quickest and most effective way of growing is to work with them, harness their passions and be a bit selfless with your own company impact.

“With the right mindset, you start to think about a business as a series of relationships and the success of the business in the long-term depends on the quality of those relationships.

The main relationships a purpose-led business has are with its employees, customers, suppliers, the local communities in which it operates. They also consider future generations and the legacy that the company is leaving behind.

2 | Close-the-gap between purpose-led intention and action:

Focus on people. Get tactical about purpose and take a human-centred approach to fulfil this ambition. Purpose-led change that consistently permeates beyond the limits of your organisation requires the full force of your people. The leaders we interviewed strongly demonstrated this people-orientated approach:

“

It's a relentless focus on people that fills in my knowledge gaps. It's about humility and recognising that I don't know all the answers to purpose-led challenges but finding the individuals who can help me with that.

“

My joy has been in getting to know people and helping them understand that, in terms of being able to create incredible change that benefits everybody, they have a superpower with the role they currently have. Many people don't. Instead, they try and tackle the institution and are more likely to fail. The institution is only the sum of the working parts, and the working parts are all human. Tackle the humans and you will get a lot further, a lot faster.

Step away from the bounds of traditional leadership thinking. Part of the territory of being a purpose-led leader requires creativity and exploring outside the bounds of traditional leadership thinking. Re-engage your inner child to leverage entrepreneurial spirit, thus sparking purpose-led activity and creativity:

“

If you want to be a successful leader you have to re-engage that inner child, because children don't think about boundaries, they imagine beyond the boundary.

Defining terms:

Inner child: Anchored in Jungian theory, the inner child is a person's supposed original or true self, especially when regarded as concealed in adulthood.²³ Connecting with the inner child can help unleash the creativity and ingenuity that goes outside of the confines of traditional business thinking.²⁴

3 | Unleash a sustained purpose-led transformation

Create a no permission culture. Break down cultural and structural blockers of purpose-led change. Senior leadership support is key. Explore the systems, structures and processes that do not serve the organisation and hinder people from being purpose-led. Identifying what needs to change and then implementing the changes will empower your people to take action. A leader pointed out how they dismantled the structures in place to achieve purpose-led transformation:

“

There's never a permission culture... we're all really passionate about it [purpose], and we're all putting in 100%, so if 100% means that you're doing three or four hours less this week, that really doesn't matter in the grand scheme of things. Because I know that what needs to be done will get done and to a high quality.

Defining terms:

No permission culture: a culture where people feel empowered through being given autonomy to make decisions. This is a shift from the previously dominant command-control business culture.

Champion a psychological contract of supporting wellbeing and providing meaningful work.

Purpose and the notion of meaningful work is more than a concern for your current and future talent. It is an expected obligation of the psychological contract between employee and employer. Leaders that are successful in sustained purpose-led transformation enable people to feel harmonised with the organisational purpose and provide them with opportunities for meaningful impact:

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One of the bigger trends I've seen in the talent acquisition space, when we speak to external candidates, is a shift in the questions they ask. Previously, the questions that a candidate would ask you were very operational, they were more about remuneration, my role, my responsibilities, what can I expect from a developmental perspective? Now, they're a lot more about the purpose of the organisation, do I feel connected? Will I be able to bring my whole self to this organisation? Do the organisation's values correlate with who I am as a human being? Do I see myself there? The reason why the organisation exists are all super pertinent questions for potential candidates, and they're definitely using those to make decisions about who they join, who they decide to work for and who they don't.

Takeaway message: leaders that are successful in leading purpose-led transformation engage in behaviours which enable them to bring the community together on the issues that matter, deliver on purpose-led ambitions, and leave a legacy of sustained purpose-led transformation.

Aim to set the industry-standard, rather than match

current practice. Purpose-led leaders don't aim to be 'as good' or comparable to others but to disrupt their industry by setting the bar for what purpose-led business is. Participants advocated for being industry forerunners of the purpose-led movement and the guiding principles they use on a day-to-day basis:

“

We will always want to lead, and the way that we do that is by constantly pushing what we feel is a first-class level of sustainability, ethics, quality. We always want to be the ones that are leading. Rather than cutting our prices, and falling into price wars with our competitors, what we're doing is elevating our sustainability credentials. By challenging and setting a new bar, those who don't follow will be left behind.

“

We have a responsibility, not to be part of the problem or just a little bit of the solution, but to actually help the industry drive systemic change. How can we use our voice and profile to draw attention to an issue and bring other stakeholders to the table so they can play their role as well? I use this as my guiding principle on what issues we tackle.

Defining terms:

Psychological contract: the perceived obligations and mutual beliefs held between the two parties of an employment relationship, the employee and the employer.²⁵

Threats to purpose-led transformation: what stops ambition turning into action

Our research shows there are many barriers that can derail or act as roadblocks on your purpose-led transformation. Below is a list of watchouts that our high-performing purpose-led leaders identified and some tips on how to overcome them.

External Barriers

No perceived pressure or pressing need to change

If there is no perceived agitation or cover from investors, limited or absence of regulatory and public pressure, the need to become purpose-led can be less pertinent to internal stakeholders. The leaders we interviewed expressed how this lack of pressure can disrupt purpose-led efforts:

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One barrier that can keep even well-meaning senior leaders from taking action is if there's no agitation or cover by external stakeholders like investors.

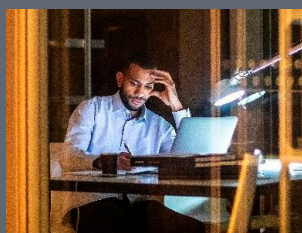
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If there's no risk of regulation, if the government isn't talking about it, then it can be difficult to make a business case about why you want to do this.

Top tip: Commit to setting the example within your organisation. Engage with others who share the ambition of creating a purpose-led organisation. Or as one of our interviewees suggested, seek support from investors:

“

It's difficult to be the only purpose-led activist. It's always helpful when someone in the investment community is helping to agitate and make the case to say, 'this is important'.



Cataclysmic events

Pandemics, recessions and other external events can force a business into survival mode. This results in strategic goals or priorities, not perceived as 'business critical' in delivering short-term revenue, to be deprioritised. It's at this point 'purpose-led' ambitions and transformation efforts often get put on hold or leaders revert back to financial health only decision-making habits.



Top tip: For these macro-forces, create a system that enables purpose-led decision-making to become habit and the default action you take. This results in purpose conscious decisions being made, even in times of adversity. To create a system that encourages purpose-led decision-making in moments of crisis, integrate your purpose into your crisis planning. Or as one of our leaders suggested:

“

Use the pandemic as an opportunity, rather than be a victim of it. We used the pandemic as a way to bring people together, as a way to have better clarity on purpose. Hopefully you've done a good enough job in defining your purpose, vision and values and putting systems in place that your people embrace, and use it to get through those tough times.

Internal Barriers

Systemic short-termism

The ubiquitous short-termism of current business models doesn't align with purpose-led ambition and delivering long-term value. One leader provided an explanation as to why the short-term nature of orthodox business models blocks purpose-led transformation:

“

There's a great deal business can do within the rules of the game as they exist today, and that would be beneficial to each own interest in the long-term. However, sometimes it's enough to focus on short-term benefits, and so sadly businesspeople tend not to bother looking beyond the horizon.

Top tip: Prioritise long-term value creation by aligning purpose to your business and revenue model.



Negative perceptions surrounding purpose-led

Denialism and scepticism surrounding the notion that businesses are responsible for providing solutions to societal issues is a prevalent barrier that purpose-led leaders face. As one of our interviewees highlighted:

“

A large percentage of employees and leaders will probably be cynics and not try to work out how to use purpose as a tool.

Top tip: Engage with your stakeholders to help them discover what purpose should be, the unique role that they can play and how they can utilise the business as a platform for this. In empowering your people, it supports both buy-in and the sense of authenticity. Participants of this study highlighted the critical role leaders play in dispelling negative perceptions surrounding purpose-led business:

“

There's this element of being able to demonstrate that it's financial and business impact is important, so that purpose is seen to be a truly helpful tool and not just yet another gimmick.

Typical organisational change challenges

Unwillingness and fear of undergoing the process of systemic change and sustained habit change can be a roadblock to purpose-led transformation. As one interviewee put it:

“

The thing that stops organisations from fulfilling their purpose is fear ... it's fear of the unknown that holds people back and place limitations on themselves.

As being purpose-led is a shift in the way you do business, your people will have their reservations and questions about what this means in their day-to-day.

Top tip: Make purpose less abstract to mitigate levels of fear and resistance to change. First, articulate purpose in practical terms to make it less abstract. Provide your people with tools, resources and structure that will enable them to play an active role in purpose-led transformation. Integrate exploration of personal purpose as part of performance conversations and to encourage people to explore overlap of personal and corporate purpose. As one leader put it:

“

Every single job on this planet has the capacity of making the world just that little bit better, so support people to identify what that is and it will stick like glue.



Personal challenges

Wellbeing: 'purpose has a sting in the tail'

As with any change, leading purpose-led transformation can be exhausting. Moreover, being passionate about purpose, you may find it challenging to 'unplug' as it blurs the lines of work and everyday life. One of the leaders we interviewed attested to the potential wellbeing repercussions of being a purpose-led leader:

“

Stepping into the purpose arena you have to be aware that there is a sting in the tail, but it's manageable, you've just got to look after yourself. Because it's hard work, because you're up against decades, if not a couple of centuries' worth of orthodox thinking that leaders should be like this and not like that, businesses should be like this and not like that.

Top tip: Whilst you may find it difficult to unplug from causes you are passionate about, be sure to introduce protective factors and habits to ensure you don't get purpose fatigue. To deliver purpose-led transformation, you need to be at your best psychologically, physically and emotionally.

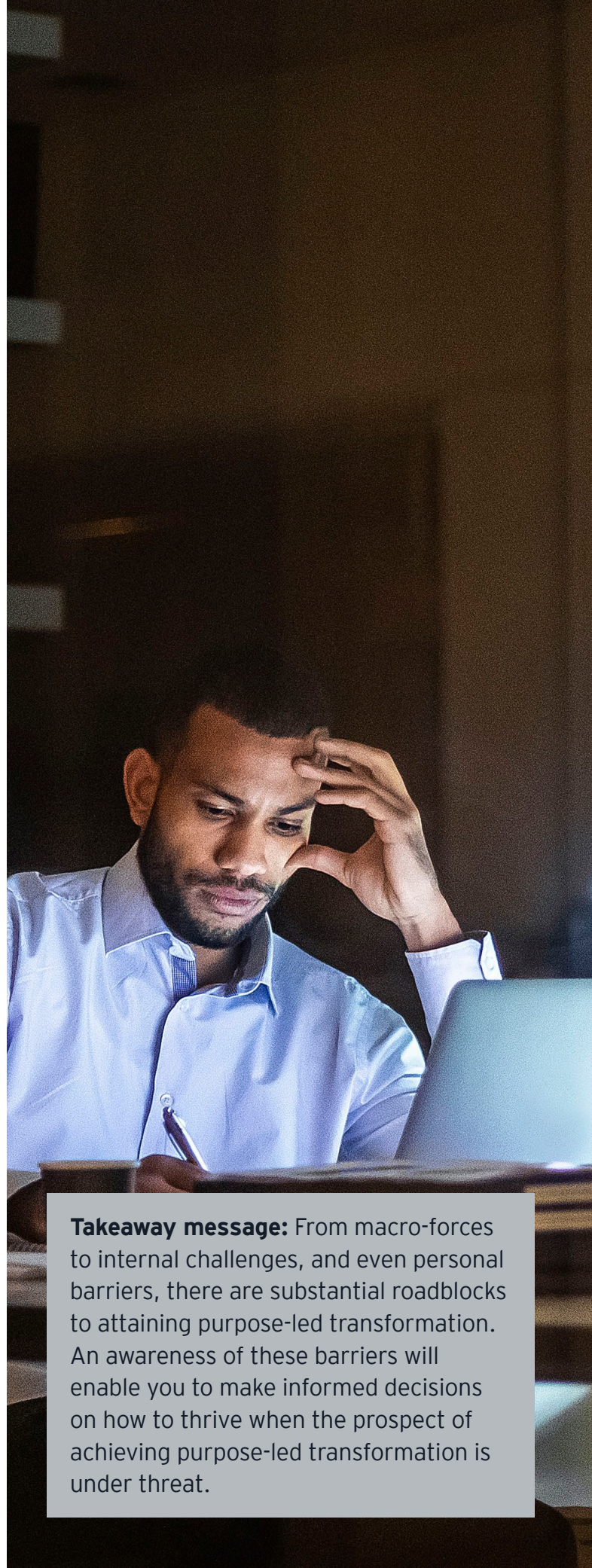
Trying to tackle everything and spreading yourself too thinly

When using business as a tool for good, one can easily be enticed into getting involved in everything. This can result in a smaller impact than initially intended. Or as one leader indicated:

“

When you try to serve everyone you serve no-one, and we've had to really narrow down on who we try to serve and who we try to help. Because by doing so you can better communicate to that person, better serve that person. This enables you to see the results of being laser-focused on your purpose.

Top tip: Laser-focus on the areas where you can have the largest impact. Consider the skills you have and how to leverage them in a purpose-driven way. Consider the ways you can optimise current resources to contribute to purpose-led ambitions.



Takeaway message: From macro-forces to internal challenges, and even personal barriers, there are substantial roadblocks to attaining purpose-led transformation. An awareness of these barriers will enable you to make informed decisions on how to thrive when the prospect of achieving purpose-led transformation is under threat.

Purpose-led transformation: how to activate and embed purpose-led practices

Best practice for getting on the right track: crafting an authentic, inspiring, and practical purpose.

Whilst purpose-led transformation goes way beyond identifying a compelling organisational purpose – it's important to start off on the right track when it comes to your purpose. A great purpose finds the sweet spot of balancing practicality, authenticity, and inspirational power.

Ensuring that these components are fulfilled provides an accessible anchor for realising your purpose-led ambitions. Participants expressed how finding this sweet spot is essential for rallying your people behind your purpose and garnering real change:

“

The most important thing is that purpose is practical, authentic and inspiring. People need to see a change, see that purpose is really changing something in the organisation, that it's authentic, and that they can actually make practical decisions. People need to understand the purpose statement, but also how it affects them in terms of how they make decisions.

“

Organisations that start to do purpose-led change at a cursory top-line level seem to think that if we come up with a catchy statement, maybe that's enough. However, organisations that do it well have recognised that they have built purpose up over a period of time. It's authentic in that it's not just a statement but it's felt by, lived by, role modelled by senior leaders and all the way down in the organisation.





Figure 1: Components of a great purpose

Two key design principles

Principle 1: Your purpose statement should be co-created

Purpose must resonate with your people for it to be lived. Tone deaf and inauthentic purpose statements stop your people from using it as an integral consideration in their decision-making. A solution to this challenge is to ensure you consult your people in the creation and development of your organisation's

purpose. Take a people-centred approach and use the diverse minds across your talent to craft an effective purpose. High performing purpose-led organisations also engage with their external stakeholders to identify a balanced and impactful purpose. As one leader highlighted, his business used Hackathon methodology when co-creating purpose-led transformation with its people:

“

We did a Hackathon where we got the whole firm together and discussed ideas about what our organisation could do better and what they would like to see us doing in terms of making a positive impact.

Principle 2: Purpose is your strategy

Seeing purpose as the bedrock of your strategy is essential. Many organisations have articulated their 'why' and crafted a well-meaning purpose statement. But for purpose to be more than a well-intentioned platitude, it must be coupled with strategy. When a purpose is imbued with an aligned strategy, how it impacts your business model is clearly definable

and actionable. Having a business model and strategy that places purpose at its core will ensure that purpose-led action is an inevitable actuality.²⁶

Using these two practices will aid you to take the first steps in shifting your purpose-led ambitions into actions, instead of floundering around the idea of purpose. As business innovator Nilofer Merchant puts it:²⁷

“

When you pursue only the veneer of the idea of 'purpose', you miss the opportunity for the larger idea of purpose to change you. You risk ending up with things that are only surface-deep. In the archives of corporate history, this has looked like meaningless mission statements or values carved into the lobby of buildings that nobody lives by.

Best practice for staying on course: how to implement purpose-led transformation across the business

Beyond defining your organisation's purpose, it is important to ensure that there is sustained purpose-led activity, as some of our interviewees explained:

“

Unless businesses are willing to make the significant investment involved in becoming a purpose rich, purpose-led company and see it as a systemic and holistic change from top to bottom, then they will fail.

“

Unless you've changed your articles of association to ensure that stakeholders are given equal weighting in every single decision that you make, and therefore change your directive duties, purpose becomes a gimmick!

Below are four top tips on how you can turn purpose ambitions into tangible action:

1. Engage senior leaders and role model new habits in decision-making.

It's vital to define and agree on how decisions will be made in a purpose-led way and the specific impact being purpose-led has on business functions. Consider how each function must change, or let go of habits, to enact positive purpose-led change. Cascade

these changes by getting your people involved, so that they are aware of the changes and can provide insight on how to best amplify the positive impact of purpose within their teams and role. As one interview participant stressed:

“

Purpose has a material effect on the way the organisation operates, culturally speaking, and the way the organisation behaves as well, such as leadership behaviours, and things you see on a day-to-day basis.

As a leader, consider the following checklist of questions:

- ▶ If our purpose-statement and 360° purpose-led decision-making was at the core of everything we did, what would our customers notice or say about us?
- ▶ How would we attract and retain talent differently if the only metric we were judged on was contribution to our purpose?
- ▶ How can we ensure that what we do today, creates a positive purpose-led legacy?

2. Create personas to inform decision-making.

The use of personas is commonplace within the product design field due to its ability to aid successful decision-making. They are a hypothetical archetype that designers use to focus on and understand user requirements

and goals.²⁸ One leader expressed that they created personas using a “purpose-led lens” to ensure business decisions were made with all stakeholders in mind. In this respect, a purpose-led persona is the purpose personified and is a tangible way to visualise the impact of the day-to-day decisions that are made. Use the persona method to ensure purpose is your North Star and that the communities you impact are a part of your guiding principle. As one purpose-led leader stated:

“

One of the most important lenses for decision-making is core purpose. We are all busy, we've all got things layering on, and we need to make decisions on the fly. However, leaders and managers often spend so much of their time on stuff that doesn't even matter because we just have so much coming at us. So, the mindfulness of working with purpose, the ability to pause for a moment and really think, is this for the greater good? And is it going to take us toward the ultimate purpose? I think this is one of the biggest lenses for decision-making that you can have.

3. Establish how you measure and report purpose. It is essential to measure key metrics that quantify your purpose at play. Adopt the measure what matters philosophy, whereby you measure what matters because it matters what you measure. Measuring and therefore quantifying purpose signals its importance and the value of it to your stakeholders. Just as most organisations have annual and financial reports, integrate purpose-led metrics such as environmental, social and governance (ESG) and long-term value reporting. To ensure you stay on the purpose-led pathway, commit to improving your performance on these metrics and rigorously report your reporting year on year.

Consider the following questions to ensure you measure purpose in a meaningful way:

- ▶ How can we have a targeted impact on the United Nation (UN) Sustainable Development Goals (SDGs) directly and through our customers and clients?

Defining terms:

The UN SDGs: "The blueprint to achieve a better and more sustainable future for all. They address the global challenges we face, including poverty, inequality, climate change, environmental degradation, peace and justice."²⁹

- ▶ How have we supported our people to deliver purpose-led outcomes?
- ▶ How can we develop our ESG credibility?

4. Reward your people for leading purpose-led transformation. Beyond setting the tone for a purpose-led culture, demonstrating that you prioritise it is essential. Research shows that remuneration and reward are a key signal of importance for your people.^{30,31} Clearly link purpose with how you reward your people and leadership team, as one interview participant articulated:

“

The leadership team of our businesses, and the level below them, are all remunerated based on delivery of dashboards, and these dashboards are based on the driving forces, purpose and values that we have. The dashboards that we've defined have targets that we have incorporated, and achievement of those targets is how we are remunerated and how we hit those purpose-based targets.

Takeaway message: Being purpose-led requires leaders to go beyond crafting a compelling statement. The statement sets the right direction, but it's the fundamental shift in choices and actions at every layer which determines whether your organisation is purpose-led. Create an environment in which purpose-led decision-making and action is inevitable. Make purpose embroiled and endemic to your people by ensuring it touches everything you do, from strategy and operations to performance management and your culture.





Conclusion

In a world where there is increasing demand for organisations to be purpose-led, don't be last to the party. Ensure that your purpose permeates every part of your operating model and set your organisation up for long-term success.

Key takeaways:

- 1 There are many pitfalls that surround purpose-led transformation. Don't fall prey to an illusion of purpose-led change.
- 2 Purpose-led leaders engage in three key behaviours:
 - Mobilise people to take a 360° stakeholder approach
 - Close-the-gap between purpose-led intention and action
 - Unleash a sustained purpose-led transformation
- 3 A purpose that leads to successful transformation is authentic, practical, and inspiring.
- 4 Best practice for leading purpose-led transformation requires you to use purpose as your strategy and co-create this experience with your stakeholders.

[Contact us](#) to discuss how we can support you and your leaders to be more purpose-led today.

About EY Lane4

EY Lane4's purpose is to build a better working world by putting humans at the centre of everything we do.

We believe that everyone deserves access to world-class learning and development. That's why we aim to put humans at the centre of business transformation, democratise leadership and learning, and create performance environments where success is inevitable.

EY Lane4's people have experienced performance at the highest level and draw on this knowledge to develop the mindset and skillset of leaders and teams. Our global reach, digital learning solutions and innovative service delivery allow for consistent development across multiple levels of your organisation.

[Contact us for more information](#)

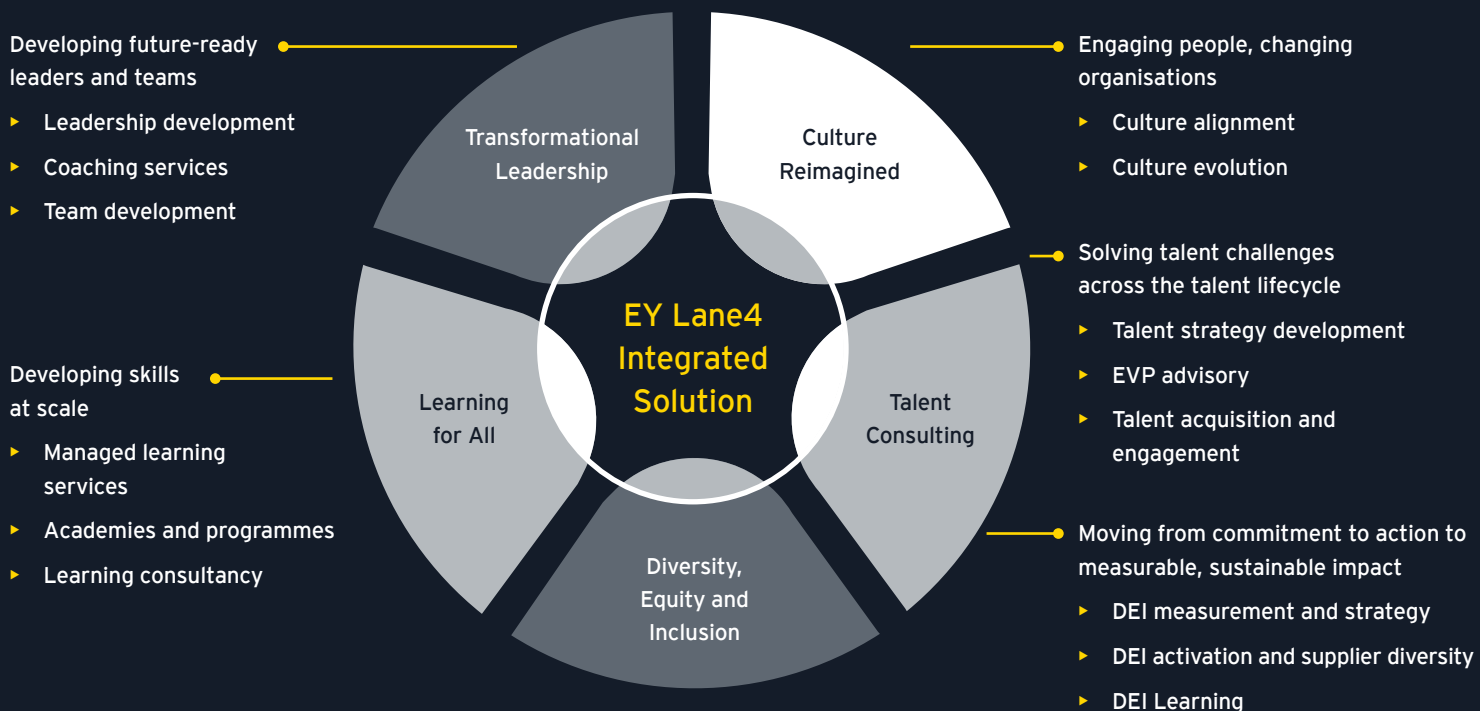
How EY Lane4 makes a difference

We can help you to attain purpose-led transformation in your business through:

- ▶ Developing your leadership practice and capability to facilitate purpose-led transformation
- ▶ Creating a culture in which purpose-led decision making and action is inevitable
- ▶ Building a robust employee value proposition (EVP) that puts humans at the centre, reducing employee turnover and attracting top talent
- ▶ Designing and delivering a learning academy that is an enabler for purpose-led change
- ▶ Putting Diversity, Equity and Inclusion (DE&I) at the heart of your purpose-led ambitions

In doing so, we want to create long-term value for stakeholders both inside and outside of your organisation.

EY Lane4's offering



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