

THE IMPORTANCE OF PURPOSE

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Of all the reasons that an organization can fall into a death spiral, the most common and destructive is losing sight of its fundamental purpose. The Cambridge Dictionary of American English defines an organization as *a group whose members work together for a shared purpose in a continuing way*. Following this definition, without a shared purpose, there is no organization; there is nothing more than a group of people who come to work, put in their hours, and go home.

Whenever I bring up the subject of purpose, I get comments that it is passé for a company to develop mission and vision statements. It is true that this subject was addressed many years ago by W. Edwards Deming, Peter Drucker, and others, but it is also true that many organizations have not done it well and many leaders still don't understand why it's important.

Every organization was created for a reason – and it most likely was not to make a profit. The founders of many companies had a passion for fulfilling a need that they felt could be served better than what was offered at the time. Back in 1927, William Boeing founded The Boeing Company to, “*so develop airplane design and construction that today's spectacular feat of bravery will become tomorrow's accepted mode of speedy transportation – inexpensive, dependable, safe!*” More recently, Google was founded to, “*organize the world's information and make it universally accessible and useful.*” What would happen if these companies forgot why they exist? What chance would they have to remain successful . . . or even survive?

It's Not About the Money

A situation that is just as destructive as having no clear purpose is to define it in terms of maximizing financial gain – e.g., profits, shareholder value, stock price, etc. Although it is important for a company to earn profits over the long run, it is not a reason for its existence. Focusing on financial success above all else results in actions and decisions that drive short-term results at the expense of long-term health. Those aspects of the company that do not directly deliver profits today become seen as non-value-added and, therefore easier to eliminate. Research, new product or service development, training, and even workers become seen as interfering with success and pressure mounts on leaders to make cut.

In an interview in Quality Progress magazine many years ago, Peter Drucker was asked what he thought about the relationship between profit and purpose. His reply was, “[the statement that] the purpose of an organization is to make a profit is not only false, but is total irrelevant.” This is because the purpose is external to the business – it is in society. It is directly related to the value the organization provides to its customers. When an organization successfully accomplishes its purpose, it makes a profit. In this way, sustainable profit becomes the indicator of how well the company meets its purpose.

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The economic crisis we're in today has exacerbated this problem. Companies have gotten so focused on cutting costs that many have acted as if their purpose was to cut costs. In my experience, implementing across-the-board cuts is a sure sign that a company has lost its purpose. During a recession, it is critical to get back to the basics and focus on the organization's fundamental purpose. As a result, some areas of the organization will become more critical than others and may actually need an increase in spending while others are cut back or even eliminated.

It's About Value – Not Products

It is critically important to define the purpose in terms of the value provided to customers instead of a specific product offering. Manufacturers of typewriters, slide-rules, and carburetors demonstrated the importance of this concept. An organization that ties its purpose to a specific product offering can run into serious trouble when technology changes and their product no longer satisfies needs as well as it once did. Think about how many typewriter, slide-rule, or carburetor manufacturers are still around today. Each of these products was replaced by something that, although more expensive to purchase, met needs much more effectively than what they replaced.

Understanding the fundamental needs of customers and how a specific product or service currently meets that need can help a company change along with technology and the tastes of consumers.

I recently spoke at a call center conference in Portugal and had the chance to listen to other presentations and talk to many of the attendees. There was real concern from those in attendance about the effect low cost call centers in Asia will have on the industry in Portugal. Labor costs are much higher in Portugal than in India, China and the Philippines, and Portuguese companies do not feel they can compete with companies in these areas. If they define their companies in terms of providing low cost call center services for their customers, they are correct – they cannot compete. If they dig deeper to understand the real value they provide, however, and define their purpose in terms of helping companies serve their customers better and more efficiently than they can themselves, they have a much better chance of competing successfully. Defining their purpose in this manner can help them focus on high quality, as well as cost effective service. It can also help encourage innovation of new technology and services that can redefine what call centers provide to customers.

Practicing What You Preach

Defining your purpose is not about creating slick or catchy mission statements. It is about clarifying why the company exists and guiding team member behaviors and actions. It is critical that leaders believe enough in the purpose to stick to it – in good times and bad – and allow team members to question decisions that appear counter to the organization's purpose.

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Technology and consumer tastes will change but, when defined clearly and correctly, a company's purpose will never change. It is the one thing that must remain constant within an organization.