

BOOK

Deep Purpose: The Heart and Soul of High Performance Companies

AUTHOR

Ranjay Gulati

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SYNOPSIS [From the publisher]

“Ranjay Gulati reveals the fatal mistakes leaders unwittingly make when attempting to implement a reason for being. Moreover, he shows how companies can embed purpose much more deeply than they currently do, delivering impressive performance benefits that reward customers, suppliers, employees, shareholders, and communities alike. To get purpose right, leaders must fundamentally change not only how they execute it but also how they conceive of and relate to it. They must practice what Gulati calls deep purpose, furthering each organization’s reason for being more intensely, thoughtfully, and comprehensively than ever before.”

“I was once skeptical about purpose, dismissing it as one of those inspiring but trivial topics that leaders raise in company speeches or annual reports. On the question of companies yielding social benefits, I bought into the classic liberal argument that companies operating in free markets will naturally serve the public interest.”

“I’ve written this book because I believe that purpose provides new answers to companies and leaders struggling to achieve superior performance amid unforeseen crises and disruptions.”

“Deep purpose leaders think of it as something more fundamental: an existential statement that expresses the firm’s very reason for being.”

“The most compelling purpose statements among the hundreds I’ve reviewed have two basic and interrelated features. First, they delineate an ambitious, longer-term goal for the company. Second, they give this goal an idealistic cast, committing the firm to fulfillment of broader social duties.”

“Depending on your moral perspective, firms that sell fossil fuels, tobacco, alcohol, junk food, weapons, and some social media services all fall into this category. These companies practice what I call “convenient purpose.” They articulate a core reason for being (usually framed as either a purpose or a mission statement) that extends beyond the pursuit of profits.”

“In a seminal 2011 article, Michael E. Porter and coauthor Mark R. Kramer introduced the concept of “shared value,” which begins by recognizing that “societal needs, not just conventional economic needs, define markets, and social harms can create internal costs for firms.”

“But deep purpose leaders ultimately don’t conceive of purpose as a mere tool. To them, it’s something more fundamental: an existential statement that defines the firm’s very reason for being.”

“Psychologist William Damon writes, “Purpose is a stable and generalized intention to accomplish something that is at the same time meaningful to the self and consequential for the world beyond the self.”

“Purpose is 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 it succinctly communicates what a business is all about and who it’s intended to benefit.”

“When we act with intent, we behave with urgency, commitment, energy, and focus, basing our behavior on a keen and often hard-won sense of who and what we are.”

“Following the Supreme Court decision *Santa Clara County v. Southern Pacific Railroad*, an 1886 ruling which conceptualized companies as individual “persons,” debate broke out as to whether companies had that central attribute of human beings, a soul.”

“Rethinking the nature of purpose should prompt you in turn to reimagine your role as a leader. Yes, you’re charged with creating economic value. But your primary job is to define a reason for being and in turn infuse the enterprise with meaning.”

“Before Adam Smith wrote *The Wealth of Nations*, he penned *The Theory of Moral Sentiments*, arguing that humans aren’t merely selfish but also inherently sympathetic toward others and driven to help them without hope of personal benefit.”

“Think more deeply about your own, personal purpose and its alignment with the company’s reason for being. As the examples in this chapter suggest, leaders ultimately are the source of intent within deep purpose companies. If you can’t channel the corporate intention with every fiber of your being, taking on the role of an activist personally,⁵⁰ you won’t lead your company toward a deep purpose.”

“Acknowledging the challenges inherent in pursuing a purpose, deep purpose leaders dedicate themselves to the navigation of tradeoffs between stakeholders and between commercial and social logics.”

“Since its founding in 2005 by the craftsman Rob Kalin and three others, Etsy saw itself as a company defined by its social purpose and humanitarian mindset. It dedicated itself to serving small craftspeople, providing them with a venue and tools to market their wares and establish thriving small businesses.”

“By 2015, when Dickerson took Etsy public, some 1.4 million makers were selling \$2 billion in merchandise each year. The company attracted top talent, including many employees lured by Etsy’s purpose and correspondingly generous workplace policies.¹² What Etsy hadn’t delivered was profits – it had lost money since 2012.”

“In its first SEC filings, the company set a low bar for financial performance, advising potential investors that “We have a history of operating losses and we may not achieve or maintain profitability in the future.” That was good enough at first, allowing Etsy to raise almost \$300 million at a valuation of more than \$3.5 billion. But Wall Street quickly lost patience.”

“Decision-making at Etsy had long benefitted employees, but now the company needed to pay more attention to serving the sellers who were Etsy’s direct “customers.” Although critics accused Silverman of lacking empathy for employees, he countered that the company had to show empathy for all stakeholders, including makers who would benefit from his restructuring plans . . . as he remarked, “There’s two million people, many of them working in far-flung places with very few opportunities who count on us. Who’s having empathy for them?”

“Acknowledging the challenges inherent in pursuing a purpose, they dedicate themselves self-consciously to the ongoing and imperfect navigation of tradeoffs between stakeholders.”

“Deep purpose leaders such as Silverman don’t simply accept tradeoffs – they immerse themselves in them, adopting a mindset we might call “practical idealism.”³⁸ As a group, these leaders are unabashedly idealistic, driven by an existential awareness of their companies’ reasons for being and determined to bring the purpose to life with every action or decision.”

“Purpose with Profit. Committed to purpose as an existential intent, they immerse themselves in difficult tradeoffs required to create value for everybody.”

“Avoid Profit First decisions that only yield commercial gain with no prospect of social benefit. But if a decision or solution exists that is profitable and that might one day do social good, they might take it on and then go as far as possible to adapt that decision or solution to benefit a wider group of stakeholders, not simply investors.”

“If they have a Good Samaritan business idea that they think might become profitable over time, they’ll take a risk on it. They’ll then do everything possible to ensure that the idea can work financially, understanding that a failure to do so would threaten the company’s future.”

THREE FOUNDATIONAL PRINCIPLES OF PRACTICAL IDEALISM

Principle #1: Go beyond Good Samaritan and obsess over Purpose with Profit.

Principle #2: Avoid Profit First solutions that don’t deliver social value.

Principle #3: If you think you can transform a Good Samaritan solution into Purpose with Profit, go bold and take it on. Otherwise, drop it.

“Directional: Deep purpose serves as a “North Star” and helps you channel innovation.

Relational: Deep purpose helps you sustain credibility and trust with ecosystem partners and

establish long-term relationships. Reputational: Deep purpose helps you build affinity, loyalty,

and trust with customers. Motivational: Deep purpose elevates work, allowing you to motivate and inspire employees.”

“To deepen your engagement with purpose and your performance, look for underutilized levers and consider how you might pull them harder or more effectively.”

“Religions often create meaning for believers by grounding their beliefs and practices in rich historical traditions. Deep purpose leaders do something quite similar. If purpose enables an organization to look forward confidently toward a desired future, deep purpose leaders imbue the purpose with authenticity by grounding it in the company’s past.”

“In defining purpose, deep purpose leaders look to the past, immersing themselves in the intentions of founders and early employees, scouring for themes that capture the firm’s ineffable soul or essence. This attention to history lends purpose an extra weightiness, resulting in deeper emotional connections and more commitment to the reason for being. Paradoxically, it also serves as a bridge to the future, helping leaders to chart a path ahead that is meaningful, coherent, and grounded.”

“We don’t hear the term “moral community” a lot in the business world, so it’s worth lingering over it for a moment. The sociologist Émile Durkheim used the term to describe small, premodern, nonurban communities whose inhabitants knew one another personally and also shared a common moral sensibility.”

“People in moral communities experience a sense of camaraderie and belonging thanks to their shared moral perspective on the world; they possess a “unified system of beliefs and practices relative to sacred things.”

“Consider the Carlsberg Group brewing company. Looking to thrive in a competitive market flooded with craft beers, Carlsberg during the late 1990s rediscovered a Latin phrase adopted by an early patriarch of the company: *semper ardens* [always burning]. The patriarch had carved this phrase in stone for use as a corporate motto, and now a team within the company took the phrase as the name of a new line of handcrafted, microbrewed beers.”

“It might seem a stretch to describe a purpose-driven beer company as a moral community akin to a church, temple, or synagogue, but in a broad sociological sense it can be, or at least come close. By delving into its past, the Carlsberg Group unearthed a set of moral values and a related purpose that had been lost in time and that could stand as sacred or elevated in the minds of employees and other stakeholders.”

STRATEGY #1: FOCUS EXPLICITLY ON THE NOSTALGIA-POSTALGIA TENSION

“The organizational scholar Sierk Ybema distinguishes between two different but familiar kinds of stories that leaders tell about the organization’s relationship with the past. In the nostalgic view, the past was a “golden age” from which the company has unfortunately strayed. Leaders and employees often take such a view to resist change and critique present-day ideas and practices.”

“A second kind of narrative, what Ybema calls postalgic, flips this logic somewhat, presenting the past as “bad” and the future as “good.” Progressive leaders often emphasize the limitations or deficiencies of the enterprise up to the present moment, evoking the company’s potential decline because of its rootedness in the past, but also the prospect of a glorious future if the enterprise can break with the past and make change real.”

STRATEGY #2: FOSTER CRITICAL DIALOGUE ABOUT THE PAST

“In 2008, a few years before he succumbed to pancreatic cancer, he started Apple University, an

internal unit charged with developing course materials and running training programs that exposed employees to the company's heritage. As one former employee remarked, "Steve was looking to his legacy. The idea was to take what is unique about Apple and create a forum that can impart that DNA to future generations of Apple employees."

STRATEGY #3: STRESS-TEST THE PURPOSE

"Once leaders define a purpose, conventional wisdom holds they must embed that reason for being into the organization, in large part by communicating it well."

"How can we convey purpose to organizations in ways that truly connect, reaffirming that powerful sense of the sacred and sustaining a cohesive moral community? The key is for leaders to make fuller use of that most ancient and enduring communication technique: storytelling."

"In communicating the purpose, deep purpose leaders go beyond slogans and rallying cries, telling a grand, foundational story about the company that lends depth, meaning, and even poetry to the enterprise. In conveying this story, they discuss purpose in personal terms, establish a sense of shared ownership, and evoke urgency to embrace purpose in the present. Through their storytelling, they convene diverse stakeholders as a moral community, allowing intense bonds between them and the company to form."

"Leaders must go beyond specific, feel-good stories, to convey the purpose in a broader way that elevates the company, convenes diverse stakeholders as a moral community, and sparks intense emotional bonds between them and the company. Leaders must tell a grand, foundational story about the company that lends depth, meaning, and even poetry to the enterprise."

"Deep purpose leaders do precisely this. Although they do tell one-off, feel-good stories, they craft a compelling master narrative—a "Big Story," as I call it—depicting a coherent and ambitious change the enterprise intends to bring about in the outside world."

/"Deep purpose leaders communicate them tirelessly over an extended period in different settings and formats. Rather than hewing to a fixed script, they keep the basic narrative but tend to adjust and elaborate on it, emphasizing certain elements, approaching the narrative from different angles, and illustrating specific points in new ways, depending on the occasion."

"What might at first seem like a single Big Story is in fact, upon closer inspection, a constellation of similar, overlapping, and related narratives."

"To articulate compelling public narratives, Ganz argues, leaders must tell a story about a current challenge the group faces and how action in the present might lead to a positive future."

"Character in leadership isn't just about possessing moral sensitivity and judgment—you also must be willing to take action and display moral courage.⁵³ In realizing the existential intent through their actions, deep purpose leaders embody it in the eyes of followers by taking meaningful personal risks."

"To inspire people to live the organizational purpose in their daily work, leaders must also connect it with each employee's personal purpose, so that they, too, can bring it out spontaneously from within in a way that feels authentic and natural."

“Deep purpose leaders engineer cultures of individuality because they understand that commitment to the organization’s purpose rests on its connection to each employee’s self-knowledge and sense of personal purpose.”

“Research in organizational psychology points to the wisdom of spurring employees to consider and express personal purpose on the job. Scholars have postulated that the meaning of our work isn’t locked in place or beyond our control. We can take steps to shape our jobs so that they hold more meaning for us.”

“Maslow never conceived of his hierarchy of needs as a pyramid – that was the work of a management consultant, who reinterpreted key aspects of Maslow’s theory. Analyzing Maslow’s published and unpublished works, the psychologist Scott Barry Kaufman observes that Maslow conceived of human needs as interrelated and integrated with one another. Further, he believed that we worked on our needs on an ongoing and overlapping basis over time, not in a rigid, stepwise way.”

“Maslow didn’t regard mere self-actualization as the highest potential of human beings, but rather as a pathway to something still higher: a movement beyond self and personal identity and toward others and their needs.”

“Research suggests autonomy does indeed motivate and engage employees. We act voluntarily and enthusiastically when we tap intrinsic motivations, chief among them our need for autonomy. A body of work in psychology called self-determination theory highlights autonomy alongside our needs for social connectedness and a sense of competence.”

“Supporting collaboration has a rebound effect, further intensifying both trust and commitment to purpose. A second virtuous cycle takes root – a nexus of purpose, trust, and collaboration – that further embeds the reason for being into the organization.”

“Deep purpose leadership doesn’t simply entail sparking employees’ trust in the organization, but creating an organization suffused throughout with trust. To become a deep purpose leader, you must begin to conceive of yourself as your organization’s chief orchestrator and manager of trust.”

THE FOUR PURPOSE-DERAILERS

#1: The Personification Paradox

#2: Death by (Inadequate) Measurement

#3: The Do-Gooder’s Dilemma

#4: The Purpose-Strategy Split

“Companies can address the Personification Paradox by paying careful attention to leadership succession. Incoming leaders must continue to carry the torch of purpose while also effecting a break with the past to some extent.”