



Roundtable Summary: Embedding Purpose and Values

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How can managers embed purpose and values throughout an organisation?

This is the summary of a roundtable that Tomorrow's Company held on how managers can embed purpose and values in their organisation. Tomorrow's Company is a business-led non-profit think tank with the purpose of inspiring and enabling companies to be a force for good, see more detail at the end. This discussion forms part of the Futures Project, which is a research programme looking at progress over the last 20 years in order to identify the key obstacles and drivers for change; and in this context present a renewed vision for business. [See here for more detail.](#)

A key finding from the Futures Project has been that there has too often been more talk than action. Many companies and managers acknowledge the importance of purpose and values but have been ineffective in embedding them throughout their organisation. To look into this problem we held a discussion event asking how managers can go beyond simply stating a purpose, towards embedding purpose and values throughout an organisation. The following is a summary of the broad consensus in the discussion, rather than a list of conclusions agreed to by all participants.

1. Context – The importance of values and purpose

There is increasing evidence for the importance of culture and purpose in business success. In a recent survey conducted by Tomorrow's Company 98% of people agreed with the statement "Having a clear purpose and the right culture are critical to business success". Some reasons for this are as follows.

- Evidence shows that employees need more than money for motivation, the right culture and purpose have an important role to play.
- Embedded values enable managers to give employees more freedom as they can trust that employees will act according to certain core company values.
- This trust in turn leads to greater innovation, as evidence shows that giving employees greater freedom leads to more innovation¹.
- Strong purpose and values can help retain and recruit staff.
- A company's purpose and culture is felt in all its external interactions, getting this right can help build a strong brand and foster collaboration.

2. Obstacles to embedding values and purpose

Through the discussion the following points emerged as obstacles to embedding purpose and values. These cover organisational scale and maturity, external pressures, management failings and limits of human psychology.

- **Scale and maturity** – Purpose and values seem simpler when an individual starts a business with a personal vision and values. It is as the organisation grows and formalises that they are in danger of being blurred or lost.
- **Short-term pressure** – There was broad agreement that the main barrier to embedding purpose and values was the short-term pressure to deliver results both externally and internally. This is because there is often a trade-off between adhering to a company's values and short-term profit. For example banks today are trying to readjust their culture because they recognise that in a results and sales-driven culture there can often be pressure to achieve a sale even when it is not in the customer's best interest. The

¹ "The Freedom Report: An Empirical Analysis of How Freedom Impacts Business Performance", LRN, 2014.

pressure from shareholders or just from performance management can therefore act as a barrier to following a company's purpose and values.

- **Lack of authenticity** – Many managers lack authenticity when stating a company's purpose and values. This danger increases because the exercise of clarifying purpose and values has now become something people expect of a CEO, similar to announcing yearly financial guidance or meeting regulatory requirements. Or CEOs and senior managers may say one thing while doing another, creating an inconsistency that undermines the stated values.
- **Hard to articulate** – Purpose and values are often quite intuitive or emotionally simple to understand, while being hard to rationalise and articulate. This was captured by one quote from a CEO “you have to act your way into a new way of thinking, rather than think your way into a new way of acting”. This difficulty to simply articulate a set of values can make them appear too abstract for employees to apply in their day to day jobs.
- **Lost middle** – The main means of embedding purpose and values are from either direct customer interaction or leadership from management. Therefore it is often middle management who feel the least attachment to a company's purpose and values.
- **Multiple company narratives** – Companies may not have one narrative across all employees, instead there are overlapping narratives for each sub-group or sub-culture. For example those in finance, HR, marketing, graduates or one office versus another. This makes it difficult for a CEO to embed one overarching narrative that fits with each of these sub-narratives.
- **Time and resources** – Embedding purpose and values takes a significant amount of time and resources. It is often a slow process with a long payback period. Therefore when viewed against other potential areas of investment it may look unattractive, even though for long-term success it is critical.

3. How to embed values and purpose

In answer to these obstacles a number of solutions were discussed. The general theme was that there needs to be some consistency with the origins of the organisation, and the stated purpose needs to be close enough to the lived reality as experienced by customers, employees, and other stakeholders. A credible and visible commitment by senior management to the values is essential. The values need to be articulated clearly and reinforced by an imaginative array of methods, for example using stories to avoid abstract statements and to connect emotionally. This then needs to be reinforced through processes of monitoring and reviewing, and reflected in hiring, firing and promotion policies. This ‘tone from the top’ should be complemented by frontline interaction for all employees. Lastly, measurement can be important, but management should be careful to recognise that not everything can be measured and the risk of measurement is that it turns culture into another box-ticking exercise.

Frontline interaction for all employees

Values and purpose do not just come from leaders, or a ‘tone from the top’, they come from personal interaction, typically with customers. One participant spoke about how if you ask employees what their proudest moment was employees typically cite a personal example, rather than the success of the company. For example, helping a customer or mentoring someone. Companies need to ensure that all staff experience this front line interaction to see the benefit of the product or service the company produces.

This can be achieved in a number of ways. Someone who has experienced and benefitted from the company's activity can come in and share their feedback. Or all staff can be temporarily placed in a front-line role for a few days.

Management need to show a credible commitment to values and purpose

Alongside frontline interaction, leaders need to show a credible commitment to the espoused values and purpose. Too often managers say one thing while doing another, and employees see through this inconsistency. This commitment is incredibly important given the normal tension between values and short-

term profit. Managers need to show that while short-term profit targets are important, these should only be achieved while following a company's values, and support those who for example refuse to achieve a sale which is not in the customer's interest. When this happens it sends a strong message.

One way to create this credibility is for management to take symbolic actions that show the commitment to values over short-term profit. The classic example of this is the recall of Tylenol by Johnson & Johnson in 1982. A more recent example is Barclays in 2013 shutting down the business unit that helped clients avoid paying tax, and the BBC upholding the dismissal of Jeremy Clarkson.

Another way to create this commitment is to look to a company's roots and founding story. All companies generally start with a clear purpose and set of values. Therefore by creating a story based on the founding of the company, management can find a set of values that have permanence. This avoids a drive on purpose and values being viewed as another management fad that lasts a few years before being reversed.

One example from Novo Nordisk was incorporating the commitment to sustainability and ethical business into the company's articles of association. By incorporating the company's values into its legal documents created a symbolic commitment that helped embed these values throughout the organisation.

Commitment can also be created by setting an ambitious target that the company wants to achieve that aligns with the stated values. For example Unilever has set itself ambitious targets such as halving the water use associated with its products by 2020 or to source 100% of its agricultural products from sustainable sources by 2020. Such targets create a clear commitment to live and breathe the stated values. It also shows how they apply in practice and therefore takes them away from being abstract statements.

Lastly, a company's values can be enhanced by incorporating them into governance and reporting. A crucial way of doing this is through integrated reporting for both management and external accounts. This puts the balance of financial results versus social and environmental results, front and centre in debates. This process also draws people together from different parts of the business.

Use stories to articulate values

Values and purpose can often appear quite abstract to employees. Managers can use stories to cut through the jargon to show what the values mean to them personally and how they apply in practice. Stories can connect emotionally with people by cutting through the normal corporate jargon.

Work with values in individual business units

Trying to embed one set of values across a large company is a difficult task. In reality each group has its own narrative which needs connecting to the company's overall purpose and values. Companies need to find their own way of working with purpose and values at a more granular level, for example business units of around 150 people. This takes significantly more time and resources, but is far more effective.

Employees need a mandate to challenge management

For values and purpose to be effectively embedded in a company this needs to be reinforced by peer pressure. This enables the values to become self-reinforcing. For this to be effective employees need to feel they can challenge management when they are not adhering to the values. Too often in situations that went wrong, individuals knew something was not right but did not feel able to voice their concerns.

Part of this is fostering a culture that encourages challenge, for example managers need to reward employees who challenge them. This can be helped by having a clear framework such as the 'Triple Bottom Line', as adopted by Novo Nordisk, through which it may be easier for employees to challenge management. With such a framework an employee is not challenging the ethics of a manager, but instead the ability to meet the stated goals of the company.

Values based hiring, firing and promoting

The success of embedding a set of values across a company is conditional on those values aligning in some way with each individual's values. If the company's values do not fit with the employees personal values then management will have a difficult task in creating the right culture.

Companies can aim to only hire individuals who hold similar values to those of the company. In the US tech company Zappos, all new employees take a 2 week induction course on the company's values. After this the new recruits are offered \$5,000 to leave the company if they do not believe in the values.

Values can also be integrated into the promotion process. One example given was in Toyota employees have two yearly assessments, one is on their adherence to the company's values, and the other is on their performance for the year. Importantly promotions are only based on the values assessment. The idea being that employees need to achieve success the right way and that if they follow the firm's values then success will follow.

The harder task, and perhaps true test of a company, is whether it pushes people out who do not behave according to a company's values and purpose. This is a much harder task, though it can be very effective in embedding a set of values. Management firing someone for not adhering to the company's values can provide a symbolic action that shows their commitment to the stated values and purpose.

Careful measurement

Measurement can often be critical in driving change in an organisation, as "what gets measured gets managed" is often true. Some form of measurement is certainly critical, for without this management cannot know if they are being effective. However, culture by its nature is hard to measure. In fact, some would argue that it is not possible to measure all aspects of a company culture. Some CEOs say they have an intuitive sense walking into an office if the culture is right, but they couldn't put a number against this. There was broad agreement that measurement needs to be simple so as to avoid an overly bureaucratic box-ticking exercise.

Novo Nordisk also upholds their purpose and values by use of a special team of so called 'facilitators'. These visit each operation and ask leadership there to prepare an account of their stewardship of the values. The Facilitator will spend a week with a business unit; they see the unit working, interview people, interview external stakeholders and review the statistics. A report is prepared and this, in consolidated form, is reported to the main board. In this way leaders throughout the business are made to feel accountable for upholding the 'Novo Nordisk Way'.

About Tomorrow's Company

Tomorrow's Company is an independent, agenda setting think-tank that exists to inspire and enable companies to be a force for good. We believe that adopting an inclusive approach – which focuses on relationships, purpose and values is the key to enduring success for business. We succeed in our goal by convening business leaders, investors, policymakers and NGOs to participate in a uniquely thoughtful process and set new agendas. Our impact has included changes to company practice, policy and regulation. Tomorrow's Company was founded in 1995 following the RSA inquiry into the role of business in a changing world.

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