Creating a Purpose-Driven Organization
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When Gerry Anderson first became CEO of DTE Energy, he did not believe in the power of higher organizational purpose.

We’re not talking about having a clear mission, which explains why a business exists largely in terms of creating long-term value for stakeholders. He understood the importance of that. Purpose is a reflection of higher intent. It’s the most meaningful thing—beyond economic transactions and outcomes—that an organization has to give. And like many of the leaders we’ve interviewed in our research, Anderson started his tenure as chief executive skeptical about how much that mattered.

But then the Great Recession of 2008 hit, and he knew he had to get his people to bring more of themselves to work. Even before the financial crisis, surveys had demonstrated that DTE employees were not very engaged. It was a classic quandary that we’ve seen again and again: Employees couldn’t seem to break free of old, tired behaviors. They weren’t bringing their smarts and creativity to their jobs. They weren’t performing to their potential. Anderson knew that he needed a more committed workforce but did not know how to make it happen.

That was when retired Army major-general Joe Robles, then-CEO of USAA Insurance and a DTE board member, invited Anderson to visit some USAA call centers. Familiar with the culture of most call centers, Anderson expected to see people going through the motions. Instead, he saw positive, fully engaged employees collaborating and going the extra mile for customers. When Anderson asked how this could be, Robles said that a leader’s most important job is “to connect the people to their purpose.” At USAA, he explained, every employee underwent an immersive four-day culture orientation and made a commitment to provide extraordinary service to those who have done the same for their country—members of the military and their families. That training was no small investment, since the company had 23,000 employees, and it was continually reinforced through town hall meetings and other forums where people at all levels asked questions and shared ideas about how to fulfill their purpose.
Prior to the recession, Anderson would have rejected Robles’s statement about purpose as empty, simplistic rhetoric. But having run into a dead-end in figuring out how to make his own organization function and thrive like USAA, Anderson was re-examining some of his basic assumptions about management, and his mind was open to what Robles was saying.

When Anderson returned to DTE’s headquarters in Detroit, he made a video that articulated his employees’ higher purpose (he got that idea from Robles, too). It showed truck drivers, plant operators, corporate leaders, and many others on the job and described the impact of their work on the well-being of the community—the factory workers, the teachers, the doctors who needed the energy generated by DTE. The first group of professional employees to see the video gave it a standing ovation. When union members viewed it, some were in tears. For the first time, their work was being framed as a meaningful contribution to the greater good. DTE created a new purpose statement: “We serve with our energy, the lifeblood of communities and the engine of progress.”

What happened next was even more important: The company’s leaders genuinely committed to that purpose and supported it with on-boarding and training programs, corporate meetings, and culture-building activities such as film festivals and sing-alongs. As people judged the purpose to be authentic, a transformation occurred. Engagement scores climbed. The company appeared on the 2017 Gallup Great Workplace Award list as a five-time winner. And financial performance responded in kind: DTE’s stock price more than tripled between the end of 2009 and the end of 2017.

Why did purpose work so well after other interventions had failed? Anderson had previously tried to shake things up by providing training, altering incentives, and increasing managerial oversight, with disappointing results. It turned out that his approach was to blame—not his people.

That’s a hard truth to recognize. If you’re using conventional economic logic, like many executives, you are viewing your employees as self-interested agents and designing your organizational practices and culture accordingly, and that’s not paying off as you’d hoped.

So you now face a choice: You can increase your commitment to this approach that hasn’t been serving you well, on the assumption that you just need to impose stricter controls or add more of them to have the desired impact. Or you can align the organization with an authentic higher purpose that intersects with your business interests and influences your decisions. If you succeed in doing the latter, people will try new things, move into deep learning, take risks, and make surprising contributions.

Many executives avoid purpose work. Why? Because it defies what they have learned in business school and, perhaps, in subsequent experience: that work is fundamentally contractual and employees will seek to minimize personal costs and effort.

These are not necessarily faulty assumptions—indeed, they describe behavior in many environments reasonably well. However, they also amount to a self-fulfilling prophecy. When managers view and treat
employees this way, they create the very problems they expect. Employees choose to respond primarily to the incentives outlined in their contracts and the controls imposed on them. Consequently, they often fail to see opportunities, experience conflict, resist feedback and learning, underperform, and personally stagnate. So managers, believing that their assumptions about employee behavior have been validated, exert even more control and rely even more heavily on extrinsic incentives. Employees then narrowly focus on those explicit rewards, typically at the expense of activities that are hard to measure and often ignored, such as mentoring subordinates and sharing best practices. Overarching values and goals become empty words. People do only what they have to do. Results again fall short of expectations, and managers clamp down further.

In this article, we provide a framework that can help managers break this vicious cycle. In our consulting work with hundreds of organizations and in our research—which includes extensive interviews with dozens of leaders and the development of a theoretical model—we have come to see that when an authentic purpose permeates business strategy and decision-making, the result is a committed workforce. The personal good and the collective good become one. Positive peer pressure kicks in, and employees bring their discretionary energy to work. Collaboration increases, learning accelerates, and performance climbs. We’ll look at how you can set off a similar chain of events in your organization, drawing on examples from a range of companies.

How to Do It
When organizations embrace purpose, it’s often because a crisis forces leaders to challenge their assumptions about motivation and performance, and to experiment with new approaches. But you don’t need to wait for a crisis. By closely studying leaders like Anderson, we have developed a framework that can help you build a purpose-driven organization when you’re not backed into a corner. It’s about overcoming the largest barrier to embracing purpose—the cynical, “transactional” view of employee motivation—by following eight essential steps.

1. Envision a purpose-driven workforce.
Economists say that employee engagement is unlikely because of the “principal-agent problem,” which is the standard economic model for describing employer-employee relationships. Here is the basic idea: The principal (employer) and agent (employee) form a work contract. The agent is effort averse. For a certain amount of money, he or she will deliver a certain amount of labor, and no more. Since effort is
personally costly, the agent underperforms in providing it unless the principal puts contractual incentives and control systems in place to counter that tendency.

Because managers cannot create what they cannot imagine, the assumptions of the principal-agent model preclude the notion of a fully engaged workforce. According to this logic, what Anderson saw at USAA is not possible; it would be foolish to aspire to such an outcome.

One way to change that perception is to expose leaders to positive exceptions to the rule. Consider this July 2015 blog post by Mike Rowe, host of the Discovery Channel show *Dirty Jobs*, about an experience he had at a Hampton Inn:

I left my hotel room this morning to jump out of a perfectly good airplane, and saw part of a man standing in the hallway. His feet were on a ladder. The rest of him was somewhere in the ceiling.

I introduced myself, and asked what he [was] doing. Along with satisfying my natural curiosity, it seemed a good way to delay my appointment with gravity, which I was in no hurry to keep. His name is Corey Mundle... We quickly got to talking.

“Well Mike, here’s the problem,” he said. “My pipe has a crack in it, and now my hot water is leaking into my laundry room. I’ve got to turn off my water, replace my old pipe, and get my new one installed before my customers notice there’s a problem.”

I asked if he needed a hand, and he told me the job wasn’t dirty enough. We laughed, and Corey asked if he could have a quick photo. I said sure, assuming he’d return the favor. He asked why I wanted a photo of him, and I said it was because I liked his choice of pronouns.

“I like the way you talk about your work,” I said. “It’s not, ‘the’ hot water, it’s ‘MY’ hot water. It’s not, ‘the’ laundry room, it’s ‘MY’ laundry room. It’s not ‘a’ new pipe, it’s ‘MY’ new pipe. Most people don’t talk like that about their work. Most people don’t own it.”

Corey shrugged and said, “This is not ‘a’ job; this is ‘MY’ job. I’m glad to have it, and I take pride in everything I do.”

He didn’t know it, but Corey’s words made my job a little easier that day. Because three hours later, when I was trying to work up the courage to leap out of a perfectly good airplane, I wasn’t thinking about pulling the ripcord on the parachute—I was thinking about pulling MY ripcord. On MY parachute.”

Corey Mundle is a purpose-driven employee. Instead of minimizing effort like the typical “agent,” he takes ownership. The fact that people like him exist is important. When coaching executives on how to do purpose work in their organizations, we often tell them, “If it is real, it is possible.” If you can find one positive example—a person, a team, a unit that exceeds the norms—you can create a sense of hope. Look for excellence, examine the purpose that drives the excellence, and then imagine a purpose-driven workforce.
2. Discover the purpose.
At a global oil company, we met with members of a taskforce asked by the CEO to work on defining the purpose of the organization. They handed us a document representing months of work; it articulated a purpose, a mission, and a set of values. We told them their document had no power—their analysis and debate had produced only platitudes. Organizations often pay marketing and communication firms to do this work for them, with similar results.

The members of the taskforce had used only their heads to invent a higher purpose intended to capture employees’ hearts. You do not invent higher purpose. It already exists. You can discover it by scaling empathy—by feeling and understanding the deepest common needs of your workforce. That involves asking provocative questions, and listening and reflecting.

Deborah Ball, former dean of the School of Education at the University of Michigan, provides a good example. Like most companies, professional schools experience “mission drift.” As a new dean, Ball wanted to clarify her organization’s purpose so she could “enable collective action.”

To “learn and unlearn the organization,” as she put it, she interviewed every faculty member. She expected to find much diversity of opinion—and she did. But she also found surprising commonality, what she called “an emerging story” about the faculty’s strong desire to have a positive impact on society. The word emerging is important. By listening, she was bringing a new meaning system into existence. Ball wrote up what she learned and shared it with the people she interviewed. She listened to their reactions and continued to refine their story.

This was not just a listening tour. It was an extended, disciplined, iterative process of organizational learning. Ball says, “You identify gold nuggets, work with them, clarify them, integrate them, and continually feed them back.” She refers to the process as “collective creation,” borrowing a phrase from agile and design thinking methodologies.

As that work continued, it became clear that the school had particular strengths it could use for social good. For example, it had the capacity to influence how other institutions around the world trained teachers, addressed issues of educational affordability, and served underrepresented populations. Ball concluded that these foci had the greatest potential to integrate faculty members’ efforts, draw impressive new hires, and attract funding for research. So she highlighted them as crucial elements of the school’s collective identity.

3. Recognize the need for authenticity.
Purpose has become a popular topic. Even leaders who do not believe in it face pressure from board members, investors, employees, and other stakeholders to articulate a higher purpose. This sometimes leads to statements like the one produced by the taskforce at the oil company mentioned earlier. When a company announces and displays its purpose and values but the words do not govern the behavior of
senior leadership, they ring hollow. Everyone recognizes the hypocrisy, and the workforce becomes more cynical. The process does harm.

Some CEOs intuitively understand this danger. One actually told his senior leadership team he did not want to do purpose work, because organizations are political systems and hypocrisy is inevitable. His statement illustrates an important point. When we make conventional assumptions, we expect leaders to be inauthentic.

A member of the team responded, “Why don’t we change that? Let’s identify a purpose and a set of values, and live them with integrity.” That earnest comment punctured the existing skepticism, and the team moved ahead.

An organization’s purpose and values are authentic when they shape decision making and behavior. To illustrate this, let’s look at Sandler O’Neill and Partners, a mid-sized investment bank that helps financial institutions raise capital. The company was successful in its niche and focused on the usual goal of maximizing shareholder value. However, on September 9, 2011, disaster struck. Located in the Twin Towers in New York, the company felt the full brunt of the terrorist attack. Jimmy Dunne, soon to lead the firm’s executive team, learned that one-third of Sandler’s people, including its top two executives, were dead, and the company’s physical infrastructure was devastated. Many of the employees, computers, and customer records were gone.

As the crisis unfolded, despite the exceptionally heavy demands of attending to business, Dunne made the decision that a Sandler partner would attend the funeral of every fallen employee, which meant that he attended many funerals—and discovered deeper meaning by witnessing extensive suffering. He began to see that the purpose of his firm was not only to satisfy customers and create shareholder value, but also to treat employees like valued human beings.

This led to some sharp departures from protocol. For example, he asked his CFO to pay the families of all the dead employees their salaries and bonuses through December 31, 2001—and then asked if the company could do the same for all of 2002. The CFO said the firm could survive, but doing this would be inconsistent with its fiduciary responsibility to the partners. So Dunne gave every partner the option of buying out his or her ownership share at par. No one did.

If your purpose is authentic, people know, because it drives every decision and you do things other companies would not do, like paying the families of dead employees. Dunne told us that often an organization discovers its purpose and values when things are going badly—and that leaders demonstrate authenticity by what they do in difficult times. He said: “You judge people not by how much they give, but by how much they have left after they give.”

4. Turn the authentic message into a constant message.

When we spoke with the CEO of a global professional service company about how to build a purpose-driven organization, his first question was, “When will I be done?”
We responded by telling a story about another CEO, who had been trying to transform his construction company for a year. He showed us his change plan and asked our opinion. We told him he deserved an A-. Why wasn’t it an A? After giving speeches for a year, he thought he was finished—but his people were just beginning to hear his message. He needed to keep clarifying the organization’s purpose for as long as he was CEO. When we told him that, he sank into his chair.

In contrast, Tony Meola, the head of U.S. consumer operations at Bank of America, is a leader who understands the ongoing nature of purpose work. He says one thing that makes it relentlessly difficult is that it involves moving the institution—and existing cultures tend to impede movement. As extensions of the culture, managers end up resisting the change, as well. Other impediments are organizational complexity and competing demands.

Meola overcomes these obstacles by treating operational excellence as a destination and allowing no other pressures to distract from it. He emphasizes operational skills and leadership in employee training and development, and he brings that focus to every conversation, every decision, every problem his team faces, always asking “Will this make us better operators?” He says, “When you hold it constant like that, when you never waver, an amazing thing happens. The purpose sinks into the collective conscience. The culture changes, and the organization begins to perform at a higher level. Processes become simpler and easier to execute and sustain. People start looking for permanent solutions rather than stop-gap measures that create more inefficiencies through process variations.”

Embracing this mindset has meant saying no to anything that doesn’t reflect it. In the call center, for example, there had been a proposal to invest additional resources in technology and people so that the group could answer customers’ questions faster and better and handle 25% more inquiries. But the project was rejected because when managers and employees asked themselves whether it would make them better operators, the answer was no. And that forced them to ask how the operations themselves could be changed to eliminate failures that produced call center inquiries in the first place.

When a leader communicates the purpose with authenticity and constancy, as Meola has done, it is a signal that he or she fully identifies with it. Employees see that commitment, begin to believe in the purpose themselves, and reorient. The change is signaled from the top, and then it unfolds from the bottom.

5. Stimulate individual learning.
Research shows that transformational leaders help people grow not only by modeling integrity, showing consideration, and linking people to a desirable future (purpose), but also by stimulating them to think and learn. We have seen this dynamic in many settings. Here is an example.

At The Mission Continues, a St. Louis-based not-for-profit organization whose purpose is to rehabilitate and reintegrate into society wounded and disabled war veterans, new hires are assigned a large amount of work. The underlying philosophy is that when a leader recognizes someone’s potential and gives that person a difficult challenge, it shows faith in his or her ability to grow and meet that challenge. The job becomes an incubator for learning and development, and along the way the person
gains confidence and becomes more committed to the organization and the higher purpose that drives it.

By helping employees understand the relationship between the higher purpose and the learning process, leaders can strengthen the connection. People at The Mission Continues are required to reflect on that relationship frequently. Every two weeks they produce a written document describing their purpose, their strengths, and their development. The exercise is not repetitive because the experiences change, as do the lessons learned. This practice is consistent with research on leadership development. In modern organizations, new experiences tend to come easily, but reflection does not.

At The Mission Continues, the employees have become adaptive and proactive. There is less need for managerial control, because they know the purpose and see how it has changed them for the better. You can liken this clear sense of direction to “commander’s intent” in the military. If soldiers know and internalize their commander’s strategic intent, they can carry out the mission, even when the commander is not there. Of course, to set this cycle in motion, the leader must communicate the organization’s higher purpose with utter clarity. That way, employees can make use of their local information and take initiative. Research shows how critical this is in corporations, too—it is not unique to nonprofits.

6. Turn mid-level managers into purpose-driven leaders.
Building a purpose-driven organization requires middle managers who not only know the organization’s purpose but also deeply connect with it and lead with moral power. That goes way beyond what most companies ask of their midlevel people.

Consider KPMG, a “big four” accounting cooperative made up of thousands of partners. For decades, those partners approached leadership like accounting. They were careful in their observations, exact in their assessments, and cautious about their decisions, because that was the cultural tone set at the top. The senior leaders were not inclined to get emotional about ideals, and neither were the partners. As a result, employees at all levels tended to make only safe, incremental improvements.

But then KPMG went through a transformation. The firm’s leaders began to talk openly about their own sense of purpose and meaning—and they recognized that the partners needed to do the same with their teams. When senior management shared these expectations, the partners were open to them but did not feel equipped to carry them out. So the firm invested in a new kind of training. The partners learned how to tell compelling stories that conveyed their sense of personal identity and professional purpose.

Though applying that training was difficult—it was a real stretch for experts in investment, real estate, tax, risk consulting, and so on—the culture did change. Today the partners communicate their personal purpose to their teams and discuss how it links to their professional lives and the organization’s
reason-for-being. In doing so, they are modeling a vulnerability and authenticity that no one had previously expected to see at the middle levels of this accounting firm.

7. Connect the people to the purpose.
Once leaders at the top and in the middle have internalized the organization’s purpose, they must help front-line employees see how it connects with their day-to-day tasks. But a top-down mandate does not work. Employees need to help drive this process, because then the purpose is more likely to permeate the culture of the organization, shaping behavior even when managers leave the organization or simply aren’t right there to watch how people are handling things.

Our best illustration again comes from KPMG, where employees were encouraged to share their own accounts of how they were making a difference. This evolved into a remarkable program called the “10,000 Stories Challenge.” Given access to a user-friendly digital design program, 27,000 employees had the opportunity to create posters capturing their passion and connecting it to the organization’s purpose.

In answer to the question “What do you do at KPMG?” they created purpose-driven headlines, such as “I Combat Terrorism.” Under the headline, they wrote a clarifying statement, such as “KPMG helps scores of financial institutions prevent money laundering, keeping financial resources out of the hands of terrorists and criminals.” Beneath the statement, they inserted their picture. Each poster’s tagline carried the company’s broader purpose: “Inspire Confidence. Empower Change.”

In June, company leaders announced that if employees could create 10,000 posters by Thanksgiving, two extra days would be added to the holiday break. In the first month, they produced the 10,000. But the process then went viral—after the reward had already been earned. Twenty-seven thousand people submitted 42,000 posters (some individuals submitted multiple times, and teams produced them as well). KPMG had found a brilliant way to help employees personally identify with the collective purpose.

Once the firm’s overall transformation had taken root, surveys showed that employees’ pride in their work increased, and engagement scores went to record levels. The firm climbed 17 places to number 12 in Fortune’s 100 Best Companies to Work For list, making it the highest ranked of the big four. Recruiting improved, and so did cost savings as turnover decreased.

8. Unleash the positive energizers.
Every organization has a pool of change agents that usually goes untapped. We refer to this pool as the network of positive energizers. Spread randomly throughout the organization are mature, purpose-driven people with an optimistic orientation, people like Corey Mundle at Hampton Inn. They naturally energize others. They are open and willing to take initiative. Once invited, they can assist with every step of the culture change. These people are easy to identify, and others trust them.
We have helped launch such networks in numerous organizations, including Prudential Retirement, Kelly Services, and DTE Energy. Typically, in the first meeting, senior leaders invite network members to become involved in the design and the execution of the change process. Within minutes, there is buy-in. Regular meetings are scheduled. Members of the network go out, share ideas, and return with feedback and new ideas. They are willing to tell the truth and openly challenge assumptions.

There is often another benefit, too: After establishing a network of positive energizers in a major professional services firm, the director of human resources called us to report that she felt overwhelmed—in a good way—by the interest and commitment of the people she had assembled. They were an amazing resource that, until now, had been completely unrecognized. They cared as deeply as she did about the organization’s purpose and getting colleagues to embrace it. She said, “I no longer feel alone.”

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Although higher purpose does not guarantee economic benefits, we have seen impressive results in many organizations. And other research—particularly a recent study of 500,000 people across 429 firms, involving 917 firm-year observations from 2006 to 2011—suggests a positive impact on both operating financial performance (return on assets) and forward-looking measures of performance like Tobin’s Q and stock returns.

So purpose is not just a lofty ideal; it has practical implications for your company’s financial health and competitiveness. People who find meaning in their work don’t hoard their energy and personal commitment. They give it freely, defying conventional economic assumptions about self-interest. They grow rather than stagnate. They do more—and they do it better.

By tapping into that power, you can transform an entire institution.