



The Leader's Guide to Transforming Performance by Activating Purpose

in an Environment of Economic, Social, and Geopolitical Turmoil



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Change in a Volatile World

There has never been a time of such volatility and uncertainty to run a global business. Yet, counterintuitively, the CEOs in this Study are consistently optimistic and positive. They are deeply aware of the challenges they face, but confident of their organisations' ability to ride these storms and thrive into the future.

And that is not primarily because of strategy, product or process. But because of something far more nuanced and human: culture.

A GATHERING STORM

CEOs are remarkably consistent when it comes to defining the greatest challenges facing their businesses today. The same issues keep almost all of our CEOs awake at night;

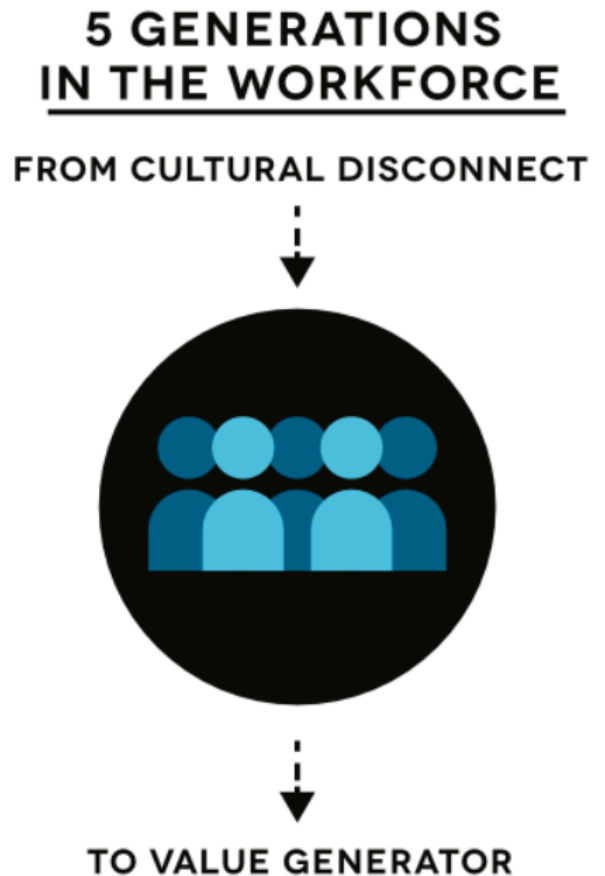
- the combined challenges of geopolitical turmoil and economic headwinds, greater than any faced for a generation
- and the existential threat – but also transformative opportunities – of climate change and technology, particularly AI.

Adding further complexity to these macro threats, the CEOs in this year's study talked of the human challenges of engaging talent, particularly across generations and in the aftermath of Covid.

Generational disconnect has always been a challenge. But for the first time there are five generations in the workforce. And disconnections in culture are consequently more severe. Company leaders are balancing the call for more purposeful work from their employees with ever-increasing performance demands to succeed in their markets. But, this generational tension can produce significant value if managed properly.¹ These differences are exacerbated by the "full-blooded revolution" of remote working.² In the UK, for example, prior to 2019 only 5% of employees worked remotely. This increased to 43% in June 2020 and has since settled at 25% of workers working remotely, at least some of the time.^{3 4} The implications of this on different generations in the workplace are not yet fully understood and are beyond the scope of this Article. But emerging evidence suggests a growing wellbeing crisis in the young, with significantly increasing levels of anxiety and experienced burnout relative to colleagues more established in their careers.

THE POWER TO NAVIGATE COMES FROM CULTURE NOT JUST STRATEGY

There was also remarkable alignment amongst our CEOs on what will steer business through these challenges and maximise opportunity.



Reflecting Peter Drucker's famous aphorism that 'culture eats strategy for lunch', CEO's in this study agreed that the power to navigate these mind-bending ambiguities and volatilities came from culture, and not just strategy. And from what the organisation believed, as much as how leadership chose to act. As Camila Escobar, CEO of Bogota-based coffee business Juan Valdez, reflecting on the COVID pandemic, puts it "how we cope with these challenges is through culture".

In this study, we define organisational culture as the beliefs, values, systems, and rules that influence behaviour. Or even more simply put, culture is how employees experience the organisation. To illustrate this, IKEA CEO Jesper Brodin discusses the power of organisational culture in the face of the COVID 19 pandemic. For a business that relied heavily on retail, rather than online, fulfilment, being forced to close its outlets for a total of 55,000 trading days should have been a disaster. As Brodin says, "there was no manual for this crisis." Nonetheless, he discovered that IKEA was able to react with "an amazing speed." His explanation underscores the value of a well-functioning corporate culture:

¹ Gardner, H.K. and Roberson, D. (2022) '3 strategies to bridge generational divides at work', Harvard Business Review. Available at: <https://hbr.org/2022/12/3-strategies-to-bridge-generational-divides-at-work> (Accessed: 8 June 2024).

² Felstead, A. (2022) *Remote working: A research overview*. Routledge, p. 46. ISBN 9781003247050.

³ Felstead, A. and Reuschke, D. (2020) 'Homeworking in the UK: before and during the 2020 lockdown', WISERD Report. Cardiff: Wales Institute of Social and Economic Research.

⁴ Office of National Statistics (2022) *Coronavirus and homeworking in the UK: April 2020*. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/coronavirusandhomeworkingintheuk/april2020> (Accessed: 5 June 2024).



Jesper Brodin
IKEA

There is just something about the expectation that everybody has the right to take decisions and to have mandate [based on] our [cultural] compass.

This reflects the experience of Juan Valdez's Camila Escobar who says "We are all aligned. Everybody in the organisation from the board, the directors, the teams, the people in the stores in Colombia and worldwide acts upon the purpose; we are all empowered and aligned towards it because we all know it and we all believe in that".

Alan Murray, CEO of Fortune, has had the unique opportunity to observe organisational culture in some of the largest organisations on the planet through regular conversations with hundreds of CEOs. His conclusion is clear; that "performance is affected by a strong culture and ... the ability to create value [by] getting people to work together in a collaborative and effective way and not be pulling in 20 different directions."

It is this ability of an entire organisation, and employees of all ages, to align behind a single inspiring idea within a shared culture that allows for the flexibility of thinking and the innovation to navigate challenges like the existential threat described by Jesper Brodin at IKEA.

In fact, all our CEO's spoke with confidence and conviction about one word above all others: purpose.

Fortune's Alan Murray sums this up:

"A lot of leaders believe that that long-term purpose creates the cohesion that allows and empowers short-term success."

NOT STORYTELLING BUT STORY DOING

This is not the purpose of bumper stickers and empty slogans. For these CEOs it is the fundamental strategic instinct of the business. It is, as Juan Valdez's Camila Escobar describes it, "not about story telling but story doing". As Laurel Hurd, CEO of global flooring business Interface put it, "so many companies

are searching for their purpose ... [But for us] it lives in the bones of our business. It's everywhere because it's in everything we do. It's not a poster on a wall. It's everywhere."

For Mattel CEO Ynon Kreiz, purpose is something so fundamental for Mattel. He says, "if you come to our headquarters and you walk around for 20 seconds, you will feel the purpose and mission come through and emanate through the building."

Interface's Founder Ray Anderson has described his "spear in the chest moment" awakening to the emerging climate crisis in 1994. The scale of Anderson's ambition, to eliminate any negative impact Interface has on the environment by 2020, has meant that it has become the defining context of how the business conducts its operations. CEO Laurel Hurd explains, "we don't talk about innovation in one meeting and our carbon ambition in another. We don't look at any capital investment or any product discussion without talking about the impact to the environment." For Interface, their purpose has simply become the way they do business.

And for this to work, CEOs are clear it must be applied consistently to every part of the business. Andres Gluski, CEO of The AES Corporation, the US utility and power generation giant says "being purposeful also means having consistency. 'Envisioning the future of energy' becomes central to every decision we make from attracting and maintaining the best talent, or developing social investment programs, to prioritising our investments, and making sure no one gets left behind in the transition.

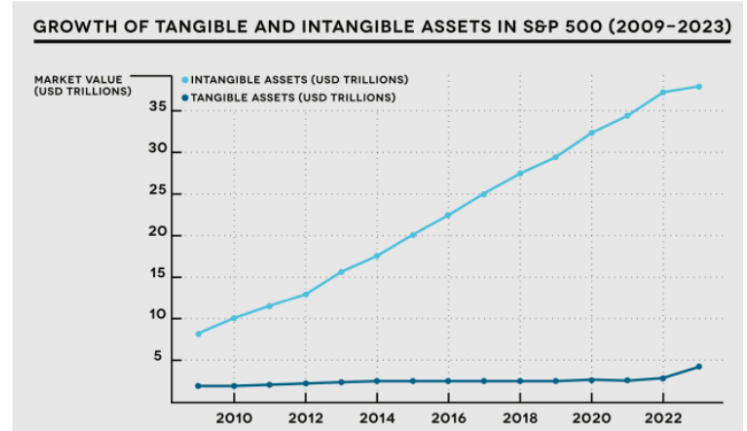
Richard Dickson, CEO of Gap Inc, also recognizes this strategic centrality, explaining that for Gap "purpose is the most important foundational element to understand. [We] start with why do we exist? Because it gives you the direction to go forward. "Purpose is not just an expectation. It's an imperative." And what is clear, as we will set out below, is that for Richard Dickson, and all these CEOs, this imperative is driving multiple aspects of value creation for their businesses.

NOT JUST THE VALUES BUT THE VALUE OF THE BUSINESS

This has a direct impact not just on the values but the value of the business. As Alan Murray, CEO of Fortune explains,

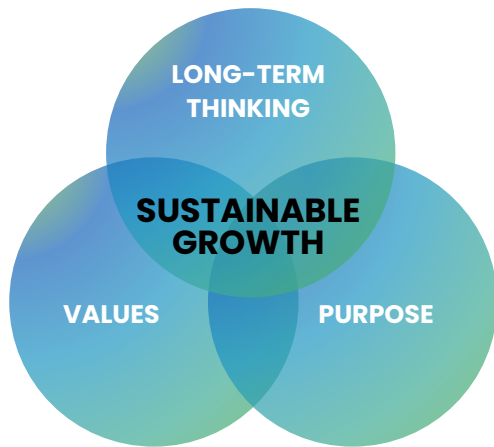
"if you look at the balance sheet of corporations today, intellectual property, intangibles, stuff created by people is the source of most of the value of most companies. Fifty years ago, 80% was tangible on the balance sheet. Now it's 85% intangible."

The combined value of the five most valuable companies on the planet was around \$13.8T in July 2024.⁵ Yet their balance sheets reported less than \$2T of tangible assets.⁶ PwC finds that "business models have evolved to



increasingly create economic value from intangible assets. And this intangible-centric approach has been more obvious since the start of the global pandemic." Since 2009, the implied market value of intangible assets at S&P 500 companies increased 255%, while the book value of tangible assets only increased 97% over the same period. PwC concludes that "the increasing proportion of company value represented by intangible assets may make a company worth more than its book value."⁷

For Fortune's Alan Murray, his experience of examining hundreds of businesses and their value creation strategies lead him to conclude that "creating an environment where people want to work; where people are engaged, is the key to creating innovation, which is the key to creating value in today's economy."



PRIDE IN A COMPANY THAT STANDS FOR VALUES AND A PURPOSEFUL NARRATIVE

Purpose is key to creating that engaged and productive culture. Antoine de Saint Affrique, CEO of Danone believes "you cannot separate purpose and culture." Alan Murray agrees saying that, "when you talk to people about why they're spending all this time focusing on social outcomes, the first answer they always give is they're doing it for their employees."

For a start, most businesses are finding that a social or sustainable purpose is key to recruiting, and retaining, top talent. As Alan Murray puts it, "younger generations have a much greater expectation. They want more; to work somewhere that makes a difference." Jesper Brodin, CEO of IKEA finds, as a result of their purpose agenda, "incredible people want to join us."

Thippaporn Ahriyavaromp, Founder and Chairman of Thailand's DTGO, the parent company of MQDC emphasises the importance of a purpose-driven culture in building resilience: "Our vision goes beyond profit and loss. We focus on fostering positive values, developing people's capabilities, and shaping communities. At MQDC, we're committed to creating a strong culture, nurturing the younger generation, and inspiring everyone to contribute positively to themselves and society."

This approach demonstrates how embedding purpose, values and long-term thinking into organisational culture can enhance a company's ability to navigate challenges and drive sustainable growth.

Many CEOs are clear that making bland and unsupported statements on recruitment pages is no longer enough. Specific and evidenced information is essential. The best candidates are not just highly motivated to make a difference but also exceptionally well informed. Fernando Gonzales, CEO of Cemex, states that, "nowadays, these very young professionals ... want to understand that we have managed to reduce more than 30% of CO2 against baseline." Businesses must support and evidence the value they create, not just state it.

⁵ Investopedia July 2024. www.investopedia.com

⁶ Finbox. www.finbox.com

⁷ PwC. "Viewpoint." Podcast, February 11, 2021. https://viewpoint.pwc.com/dt/us/en/pwc/podcasts/podcasts_US/Forecast_2021_The_S_in_ESG_spotlight_on_societal_investments.html. Accessed June 11, 2024.

CEOs are also increasingly aware, and worried about, a growing disillusionment amongst younger talent. Many organisations are finding motivating and retaining talent challenging for complex reasons, many related to the evolving values of young people, Covid and the complexities of the home working dynamic. According to most of the CEOs we interviewed, a compelling antidote to this disillusionment is a clear expression of meaning.

According to Shashi Kiran Shetty, Founder and Chairman of the Allcargo Group, an India born global logistics conglomerate, "I take a lot of personal pride and find happiness when young people are able to grow in Allcargo. Ample opportunities are provided for them to hone their skills and flourish."

Our analysis supports this. The Contexis Index is a global program of measurement running since 2019 in a partnership between cultural change experts, Contexis and researchers at the University of Cambridge (see www.contexis.com). That program has created a smart algorithm that allows organisations now in nearly 60 countries to measure, understand and maximise purpose by measuring a wide range of productive cultural behaviours and outcomes and understanding what is driving these, so that culture can be enhanced, and performance maximised.

We find levels of anxiety and burnout increasing in the young. But we also find, particularly in those younger age-groups, up to 10X lower burnout in those who feel connected to organisational purpose vs those who do not.⁸

But how this is communicated to seem relevant is critical. Matching the style and channel of communication to the internal audience segment is vital. Andy Poppink, CEO Markets Advisory at JLL has "a cohort of emerging leaders who absolutely want to be purpose-driven. "It is critical for us to build bridges with them to ensure they are ready and willing, and are provided the opportunities to be future decision takers"

CEOs were divided on how far purpose was a generational issue. Some found a far greater emphasis for an active purpose amongst the young. Antoine de Saint-Affrique, CEO of Danone, finds that ways of working between generations may be different, "you do find more young people in the office. They want to be part of the community. They want to learn from others. They want to have impact on their job and impact on the world" he says.

10x Lower Burnout

in those who feel connected to
organisational purpose vs those who do not



Richard Dickson
GAP Inc.

[We are] activating our population to feel the pride and to be able to personify their time and effort with a company that really does stand for something. When we look at water, sustainability, women's empowerment; all the different topics, we now have a handle and a language that starts to personify that.

⁸ Contexis Survey 2024.* <https://www.contexis.com/case-studies/>.



Camila Escobar
Juan Valdez

For Juan Valdez their purpose is “to capture the value of a cup of coffee to benefit 540,000 Colombian coffee growing families.” That purpose inspired them to create a product harvested exclusively by women. This required multiple aspects of the businesses and employees to pivot, from buying, to finance, to marketing. And Camila Escobar is clear that it was the direct connection between the idea and the organisation’s purpose that facilitated the innovation at remarkable speed.

ACCELERATED DECISION-MAKING AND ORGANISATIONAL AGILITY

Critical to this understanding of an active organisational purpose, embedded in organisational culture is its role in decision-making and organisational agility. And that agility is key to commercial success in markets that are moving fast and in unpredictable directions.

Camila Escobar, of Juan Valdez uses the example of best-selling brand Café de Mujeres to illustrate her point.

A further example of this acceleration and agility is the story of IKEA’s innovation during the pandemic already mentioned. Jesper Brodin explains, “We were not like some other organisations waiting for the top to respond, but our people start to act. We’re a flat organisation; when we don’t know the instructions; we follow our common sense and our hearts.” That common sense resulted in innovations such as the rapid roll-out of improved online interfaces, adaptation of select stores into fulfilment centres and the rapid creation of new services, like drive-through click-and-collect and contactless deliveries. It also allowed for significant flexibility for individual in-market teams to adapt to changing local circumstances in real time, flexing opening times and in-store conditions without recourse to Head Office policy.

FEASIBLE, DOABLE, AND EVEN BETTER, PROFITABLE

Purpose-led agility suffuses every level of business and the CEOs we interviewed repeatedly told stories of the direct connection between purpose, culture and measurable commercial return.

Purpose + Culture = Measurable Commercial Return

Several CEOs pointed out how they were able to reconcile bottom-line returns with purpose-driven values. Hakan Bulgurlu CEO of the \$10B revenue Turkish household appliances manufacturer Arcelik chose to drive an ambitious carbon reduction agenda based on the belief that “decarbonization is a decision of morality.” But what the business had not anticipated was the impact it would have. “Wherever you look, there’s benefit. Transformation is no longer driven by [the Exec], it’s driven by engineers, hourly rate wage operators, who are working in our assembly plants, coming up with new ideas. [For example], something I wouldn’t think of in a hundred years. All of our assembly lines are pneumatic, they work with air pressure, which uses power. And this worker, with no degree, had an idea [that led us to save] about 50% of the power that the compressors are using. I mean, it’s huge. That’s incredible. Incredible.”

What is driving this effect? Why should this employee act now, when for years he had been aware of the issue and done nothing? The answer lies in the ability of Arcelik to create an inspiring and emotionally meaningful cause, that transcended the immediate financial benefit of the company, and invited all employees to be part of it. That combination of intrinsic value (this matters to me) and a culture, where everyone has the safety and agency to act (it feels like it is mine), is key. The Contexis Index measures and explains levels of ‘affective commitment’, in other words an employee’s perceived emotional attachment to their organisation⁹

⁹ Allen, N. J., and J. P. Meyer. “The Measurement and Antecedents of Affective, Continuance and Normative Commitment to the Organization.” *Journal of Occupational Psychology* 63, no. 1 (1990): 1–18.

This commitment is around 35% higher amongst employees who feel a strong connection to an organisation's purpose or mission over an employee who feels only moderate connection. It is that commitment that is playing out in the kind of actions of the Arcelik line worker described by Hakan Bulgurlu. Because shareholder value may not galvanise an employee but saving the planet will.

35% Higher Commitment

amongst employees who feel a strong connection to an organisation's purpose or mission

Arcelik also finds other surprising bottom line returns. Because the company uses its purpose not as a slogan but as the context or framework for decisions and innovation. The business makes well over 1 million washer dryer drums per year. Engineers had always believed the extreme pressures required specialist virgin plastics. But committing to the ethos of respecting the world and being respected worldwide meant challenging this assumption. The company's engineers found a way to manufacture from recycled PET. Each new machine now uses 60 plastic bottles, meaning around 13 million bottles were recycled last year. Production will increase to 400,000 units meaning that 25 million bottles will be recycled every year. This meets Arcelik's goals by diverting tonnes of plastic from landfill and saving nearly 900 Tonnes of CO2 per year. But it also saves over 20,000 Gigajoules of electricity annually, which represents a significant cost saving in addition to the use of cheaper raw materials.

Cemex's Fernando Gonzales concurs, finding a strategy of radical carbon reduction has generated surprising cost reductions. Innovating a product that reduced CO2 emissions by 25% met the company's purpose to 'build a better future for all'. But it also resulted in significantly lower energy inputs, a real commercial advantage in an environment of unpredictable energy costs. This leads Gonzales to conclude that

"the transition towards a net zero world is feasible, it's doable. And the third part of the message, which is even better is, and that transition is profitable."

In these examples, what connects culture to the commercial, purpose to strategy, is the intention behind the strategy. Both organisations made a choice to commit to a purpose beyond immediate profit for reasons of social responsibility and to support their cultures. Their purpose statements could be nothing more than slogans. But how the organisations used these purposes show that they are not. Arcelik innovated against engineering conventional wisdom because its purpose challenged them to try. And the unintended consequence was a commercial gain. They found that 'walking the walk' inspired a line worker to step forward with the unpredicted consequence of significant cost saving.

Pursuing a clear purpose that transcends immediate profit often means organisations are leading the market. When Interface made its radical commitment to net zero, after Ray Anderson's 'spear in the chest' moment, it found limited demand or interest. Fernando Gonzales' Cemex also found "at the beginning it was us pushing this in the market." But these organisations, and many others in this study, are driven primarily not by short term return but long-term value, not just for shareholders but wider stakeholders. And very often they find that customers respond.

Interface's Laurel Hurd finds

"our customers have never cared more about their carbon footprint and the solutions that we're bringing to market." And for Cemex "now everybody wants to build without generating CO2 ... more than 50% of our production has these characteristics of 25% less CO2 generation. It's incredible - very soon it will be a hundred percent of our product."

MASS MATTERING NOT MASS MARKETING

This cultural effect extends beyond the employees to the consumer. Many CEOs also reported a sustained shift in consumer expectations and demands.

Businesses selling direct to the consumer found that, in most markets, consumers are increasingly motivated by a brand's values, reflecting the motivations of employees above. Increasingly, consumers appear to want to know what the brands care for and campaign for. As Gap's Richard Dickson puts it,

"I believe that in today's brand you must have mass mattering not mass marketing. While evolution keeps a brand relevant, purpose makes a brand immortal."

For Gap that meant thinking creatively about how the brand can build bridges to create a better world. As Richard Dickson puts it “to bridge the opportunity gap, bridge the empowerment gap, bridge the equity gap, bridge the climate gap.” This has meant, for example, Gap working with suppliers to create new possibilities for women and girls around the world and driving their own Opportunity Hiring programs focused on underrepresented groups. And these are not just statements but commitments. Gap’s Women + Water Alliance with USAID has given 2.4 million people, mainly women, access to clean water and sanitation.¹⁰ Gap’s (Old Navy) ONward programme has given 15,000 young people skills and confidence to succeed in the workplace.¹¹

HEDGING YOUR FUTURE RISK OF BUSINESS

In many markets, regulatory and often investor pressure is moving in only one direction. And that means the risk of inaction may outweigh the cost of change. Hakan Bulgurlu (Arcelik) believes decarbonization is a moral choice but also a strategic choice. “Hedging against carbon pricing, which is now €70 a ton but may become mandatory at €2000 a ton? And in that world, if you haven’t decarbonized your business today, you run the risk of not being competitive, so it’s effectively hedging your future risk of business.”

HOLY SHIT, WE’RE IN THE SOUP AGAIN!

It was clear that current financial pressures had bumped purpose from the top of many CEO’s agendas. As Fortune’s Alan Murray concedes “when times are tough, it’s hard to find the resources. A combination of regulatory reasons and political backlash [means] in the US, companies [are] kind of

pressing pause on a lot of this stuff. I don’t think it’s going away, but it’s not moving forward the way it was a year and a half ago.”

CEOs in this study acknowledged the challenge to keep a pro social and sustainable purpose at the heart of strategy. But most considered their purpose a key asset to the business. One that, by driving cultures of commitment, innovation and loyalty, actively helped the business navigate challenging times.

There does, however, appear to be an emerging difference between US and European or Asian businesses. Some US CEOs in this study, and many more outside it, are finding the political and broader cultural environment is having a chilling effect on socially and environmentally responsible agendas. The mood music of climate change scepticism, and antipathy to ‘woke capitalism’ in parts of the political spectrum and media is undoubtedly causing many US businesses to dial down on the social agenda, even at the expense of internal culture.

Also, for CEOs of businesses earlier on the maturity model, where financial and leadership investment in transformation was still significant, financial pressures made short term investment for a long-term return particularly challenging. And there was a simple case of bandwidth constraints on leadership.

But for CEOs of organisations with a longer-term and more systemic commitment to purpose, further on their maturity journey, it has become simply business as usual. Indeed, there seems to be a fundamental, systemic shift that will transcend this short-term pressure. Alan Murray again:



Alan Murray
Fortune

My first reaction was holy shit, we’re in the soup again, and the same thing’s going to happen that businesses are going to have to focus on their short-term bottom line, and all this concern about stakeholders and social purpose is going to go away. To my surprise and pleasure, the exact opposite happened. I’ve probably done 60 big company CEO interviews in the last six months. I would test it every time, and over and over again I heard the same thing – that a clear purpose beyond profit was both a moral choice and a business choice, and that in today’s complex and competitive world, culture is the key competitive advantage.

¹⁰ “Gap Inc., Cargill, and GSK Join the Water Resilience Coalition and WaterAid to Improve Access to Water in India as Part of the Coalition’s 2030 100-Basin Plan.” Accessed June 1, 2024. <https://www.wateraid.org/us/media/gap-inc-cargill-gsk-join-water-resilience-coalition-india>.
¹¹ “Press Release: Gap Inc. Releases 2022 ESG Report, Sharing Progress on Sustainability and Inclusion.” Accessed June 22, 2024. <https://www.prnewswire.com/news-releases/gap-inc-releases-2022-esg-report-sharing-progress-on-sustainability-and-inclusion-301818833.html>.

THREE KEY TAKE-AWAYS

It would be simplistic to take from these conversations that an organisational purpose is either simple or a panacea. It's clear that it's neither. It is a long-term strategy that requires consistency, hard work and time to achieve the sustained value identified by these CEO. It is equally evident that, done right, a clear sense of purpose drives the innovative, agile and committed culture that helps organisations succeed in a complex and unpredictable world.

In our global dataset across organisations of all sizes and geographies a consistent picture emerges - purpose is a predictor of organisational performance. Organisations with higher proportions of employees feeling clear of, connected to, and confident in purpose outperform across all measures of human performance, from goal clarity to commitment, from engagement to retention, joy to velocity.

COMPARISON OF CULTURAL PERFORMANCE AND PURPOSE FOR ALL ORGANIZATIONS TO HAVE TAKEN THE CONTEXIS INDEX 2024

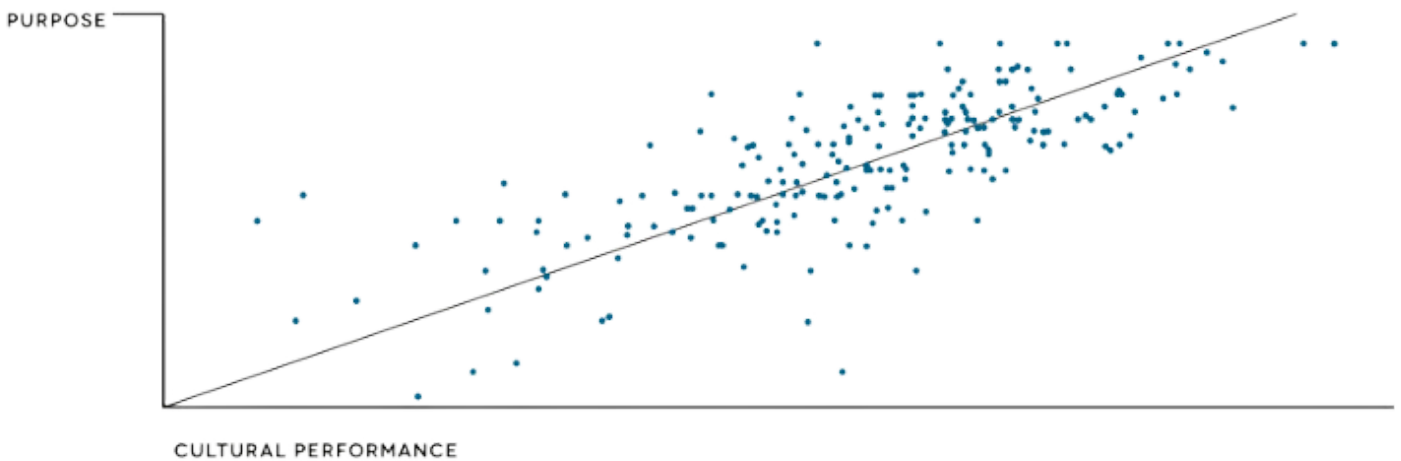


Chart of organisations in the Contexis Index dataset 2024 (to date), showing the positive correlation between an activated purpose (y) and cultural performance (x). In all organisations, purpose predicts performance; every unit of increased purpose activation results in increased cultural performance (multiple measures of agility, clarity, commitment, openness, wellbeing etc.).

Employees who feel connected to organisational purpose measure, on average, 30% higher on all these key performance metrics than average peers. Organisations consistently see a positive correlation between teams or divisions, with the most activated purpose and commercial KPIs including revenue, growth, margin and NPS.

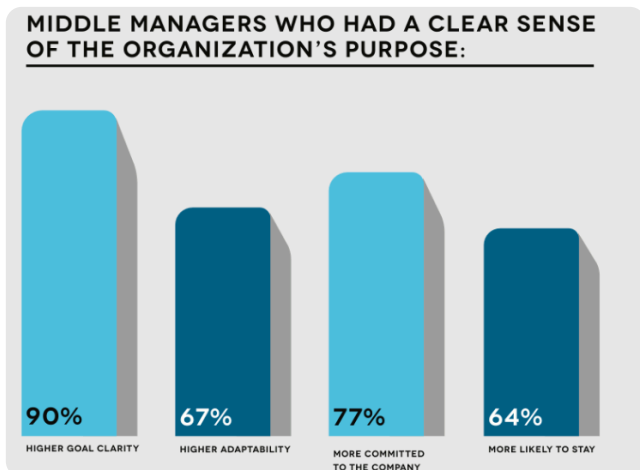
But as CEOs in this Study have also identified, this is not a simple process. The relationship between purpose and output is not linear. And it is heavily influenced by cultural factors.

There are several key take-ways from the experience of these CEOs.

1. THIS IS SOMETHING YOU CAN'T FAKE. IT HAS TO BE "REAL"

Authenticity is a much-overused word (indeed it was Merriam-Webster's Word of the Year for 2023)! But these CEOs simply meant that honesty is key. As Arcelik's Hakan Bulgurlu says "this transformation is always very, very difficult. Authenticity is the only way you can make any kind of transformation. This is something you can't fake. It has to be real." Mattel's Ynon Kreiz agrees "it has to be authentic."

The data supports this, showing that where organisational purpose is consistently driving decisions, and leadership behaviours across the business, the impact on employees is significant. A recent (May 2024) measurement of a global technology business, for example, found that middle managers who had a clear sense of the organisation's purpose measured 90% higher goal clarity and 67% higher adaptability than colleagues who felt confused or sceptical. This key group was also 77% more committed to the company and 64% more likely to stay.



It is also clear from these CEO's the critical importance of leadership. For a purposeful transition to work, for it to create real long-term value for the organisation and for its stakeholders, requires the long view that transcends immediate operational timeframes. And that is generally only provided by the CEO, empowered by the Board.

Interface's commitment to net zero carpet tiles or Cemex's reduced carbon cement led market demand by years. Arcelik's use of recycled plastic ran against conventional engineering wisdom. Juan Valdez's Café Mujeres represented short term cost and uncertain return. Hakan Bulgurlu says, as CEO, it must become "part of your own belief system and your values." That requires both vision and courage.

The takeaway for CEOs is that, for a goal to have a significant and sustained impact on the culture of the business, it has to be real, it can't be faked, and that belief must start at the very top. People must understand why the agenda matters and see the business genuinely acts on what it says. It is this consistent (and sometimes courageous) commitment that drives positive cultural, and consequent commercial, outcomes. Purpose must be consistently applied, by every leader, in every decision and every communication. Without that consistency employees lose motivation and customers lose good will.

2. TRUST. "A CULTURE WHERE IT'S OKAY TO FAIL"

Clarity alone is not enough. To achieve the innovation and commitment described above, and for purpose to impact behaviours, the organisation must work hard at trust. Because people need to feel safe to act.

As Fortune CEO Alan Murray put it, "to motivate great people, it really has less to do with experience than it has to do with respect and trust." And Gap's Richard Dickson concurred:

"relationships are foundationally built on trust ... trust today is a very big opportunity."

Research in this area is clear. Trust allows employees to focus on tasks that add value to the organisation and is mandatory for optimization of a system since without trust, each component will protect its own immediate interests to its own long-term detriment and to the detriment of the entire system.^{12 13} Evidence from the Contexis Index shows that, on average, employees who feel high levels of trust at work feel 60% more psychologically safe and 75% less anxious – and this difference is even more pronounced in the young.

Central to this creation of trust is to create an environment where people are safe to fail. IKEA's Jesper Brodin says,

"trust means also that you breed a culture where it's okay to fail, where it's okay to not be perfect and it's easy to talk about learning from mistakes."

The takeaway lesson on building a culture of trust to advance purpose is that organisations must be safe spaces, where people feel safe to share ideas and bring their whole selves to work both because the work matters to them intrinsically and because they feel that they will not be blamed or belittled for trying. That requires the organisation, from the top down, to invest time and energy into building trust, whether through Exco offsites or team meetings and coffee circles. This is also why faking it is so damaging. Because realising the purpose you have invested in and identified with isn't 'real' can result in deep disassociation and humiliation for employees.

¹² Mayer, R. C., and M. Gavin. "Trust in Management and Performance: Who Minds the Shop While the Employees Watch the Boss?" *Academy of Management Journal* 48, no. 5 (2005): 874-888.
¹³ Deming, W. Edwards. *The New Economics for Industry, Government, Education*. 2nd ed. Boston: MIT Press, p. 51.

3. AGILITY. "170,000 PEOPLE RUNNING LIKE AN ENTREPRENEURIAL BUSINESS"

Where a purpose is clear and lived, in an environment of trust, employees at all levels will wish to have agency and take responsibility for it. And that creates exceptional agility and ability to respond to market volatility and ambiguity.

As IKEA's Jesper Brodin puts it,

"we have high trust so people throughout the organisation make decisions; 170,000 people [and it] runs itself like an entrepreneurial business. We celebrate mistakes and learn fast. That is the energy of the company."

This is best exemplified in Jesper Brodin's Covid example where, without a process or procedure, managers and employees globally took the actions needed to protect the business. It shows up in Netflix's policy of not defining or restricting holiday policy, where employees set their own working commitments, based on a common sense of purpose and self-responsibility. A policy that, when challenged, resulted in Reed Hastings' famous retort "we also don't have a clothing policy, yet no one has come to work naked."^{14 15}

As CEOs in this Study have found, organisations staffed by "owners" achieve extraordinary things. To quote Jesper Brodin again,

"everybody has the right to take decisions and to have mandate [based on] our compass."

This reflects research where a strong association has been made between fast strategic decision-making, strategic consensus (around a goal or purpose) and organisational performance.¹⁶ Data from the Contexis Index supports this, finding that employees who feel a strong sense of ownership felt 82% higher commitment to the organisation and were 70% less likely to quit.

The takeaway lesson for CEOs on building a culture of agility is the key role of empowering people and giving them agency to make decisions against the framework of a clear and consistent purpose.

CONCLUSION

These are challenging times to run a business of any kind. CEOs across sectors and geographies talk of the exceptional challenge of economic and political uncertainty, social upheaval and climate change. Yet, the CEOs in this study are universally running robust businesses that are charting a

successful path through these challenges. And they are clearer than ever that the key underpinning to that success is culture.

Culture is the organisation's ability to attract and inspire great people. To motivate and energetically align them to foster innovation and commitment. And to create an environment where people feel fulfilled because their work matters. Where they feel aligned with, and committed to, the interests of the company, safe to be their best. And these CEOs find that a true and consistent application of a purpose beyond profit is central to building that culture of performance.

They also find that this is not always an easy path. And it is a journey that takes time. Where organisations lose their way is where purpose is inconsistent or inauthentic. Or where it is delivered into a culture of distrust and blame where people naturally protect their own interests above those of the company. Or where people are not encouraged or allowed to take genuine responsibility.

This is also not a one-way street. It demands commitment from the employee and insists on a culture where people take responsibility. These are compassionate and safe businesses. But they are also driven and demanding ones.

The good news is that CEOs in these leading organisations find that most people are similarly driven, by a strong desire to commit wholeheartedly to something meaningful when they can do so in a community that they care for and, in which, they feel cared for.

Ultimately, this is a journey that really matters. As Ynon Kreiz concludes,

"we really do help shape tomorrow, the future generations. We have an important role to play."

KEY TAKE-AWAYS

01

THIS IS SOMETHING YOU CAN'T FAKE. IT HAS TO BE REAL

PEOPLE MUST UNDERSTAND AND SEE THE BUSINESS GENUINELY ACTS ON WHAT IT SAYS. IT IS THIS CONSISTENT COURAGEOUS COMMITMENT THAT DRIVES POSITIVE CULTURAL, AND CONSEQUENT COMMERCIAL, OUTCOMES. PURPOSE MUST BE CONSISTENTLY APPLIED BY EVERY LEADER, IN EVERY DECISION AND EVERY COMMUNICATION. WITHOUT THAT CONSISTENCY EMPLOYEES LOSE MOTIVATION AND CUSTOMERS LOSE GOOD WILL.

02

TRUST. "A CULTURE WHERE IT'S OKAY TO FAIL"

ORGANIZATIONS MUST BE SAFE SPACES, WHERE PEOPLE BRING THEIR WHOLE SELVES TO WORK. BECAUSE IT MATTERS TO THEM AND THEY FEEL THAT THEY WILL NOT BE BELITTLED FOR TRYING. THAT REQUIRES TIME AND ENERGY BUILDING TRUST. IT'S WHY FAKING IT IS SO DAMAGING, BECAUSE REALIZING THE PURPOSE YOU HAVE INVESTED IN AND IDENTIFIED WITH ISN'T REAL. CAN RESULT IN DEEP DISASSOCIATION AND HUMILIATION FOR EMPLOYEES.

03

AGILITY. "170,000 PEOPLE RUNNING LIKE AN ENTREPRENEURIAL BUSINESS"

ORGANIZATIONS STAFFED BY "OWNERS" ACHIEVE EXTRAORDINARY THINGS. THERE IS A STRONG ASSOCIATION BETWEEN CONSENSUS AROUND A COMMON PURPOSE, AND ORGANIZATIONAL PERFORMANCE. EMPLOYEES WHO FEEL A STRONG SENSE OF OWNERSHIP FEEL 82% HIGHER COMMITMENT TO THE ORGANIZATION AND ARE 70% LESS LIKELY TO QUIT (CONTEXIS INDEX 2024).



¹⁴ Netflix. "Our Culture: Freedom and Responsibility." Accessed June 21, 2024. <https://jobs.netflix.com/work-life-philosophy>.

¹⁵ "Netflix CEO Reed Hastings Says Workplace Rules Are Dead and Credits Much of the Company's Success to Scrapping Strict Office Policies." *Business Insider*, accessed June 21, 2024. <https://www.businessinsider.com/reed-hastings-netflix-business-rules-post-pandemic-2020-9>.

¹⁶ Kellermanns, F. W., et al. "To Agree or Not to Agree? A Meta-Analytical Review of Strategic Consensus and Organizational Performance." *Journal of Business Research* 64, no. 2 (2011): 126-133.



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