

# The Quest for Purpose | Recording Transcript

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in partnership with **Developing Leaders Quarterly (DLQ)**



Ranjay Gulati



Sertac Yeltekin



Ralf Schneider



Roland Deiser



## Panelists

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[Ralf Schneider](#) | Managing Director, Better Business | Former SVP of Human Capital Management, HSBC

[Sertac Yeltekin](#) | Co-Founder and General Partner | Purpose Ventures (Singapore)

## Open Chair Guests

[Tony White](#) | Chief Learning Officer, Inizio

[Michael Schreiber](#) | Cybernetition

## Hosted by

[Roland Deiser](#) | Chairman, Center for the Future of Organization, Drucker School of Management

[Roddy Millar](#) | Editor-in-Chief, Developing Leaders Quarterly

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## Roland Deiser

Well, the webinar has started and I'm welcoming everybody who made it today to join us for this roundtable, which is organized by the Center for the Future for Organization in collaboration with Developing Leaders Quarterly. Our topic is 'The Quest for Purpose', that we chose in connection with the recent issue of the magazine which we published concurrently. I have here three distinguished gentleman who contributed kindly to that edition on 'purpose', and I'm going to get to them in a second. I also have with me my partner Roddy Miller, who is the editor-in-chief and founder and co-publisher of Developing Leaders Quarterly.

So without further ado, I want to jump into this. We have ABC at this table, which means academia, business and consulting. 'A' represented by Ranjit Gulati, a Harvard Business School professor and recently author of the book *Deep Purpose*, which has been a big success. You've been also writing about purpose in Harvard Business Review and spoke a lot about it in various events. And we'll hear a little bit

about your history how it got you from being a strategy person, who worked on growth to eventually ending up on purpose, which I think is a very consequential journey.

Speaking of journey, we have also 'B' here, which is Sertac Yeltekin, a venture capitalist, but not by birth. He was originally a consultant with Bain & Company and worked for a large international bank, called Unicredit Group, as an investment banker, later also in the learning and development field, but then turned social impact investor and moved from Italy to Singapore. An interesting story that he tells in our issue of Developing Leaders Quarterly.

And finally, we have here Ralf Schneider, an old friend - we met in 2000, I believe when you were still with PricewaterhouseCoopers. He made a stellar career - he was global head of Talent there, where he famously created an impact program called Ulysses. He then went on to become global head of human capital management at HSB. He has been also an intellectual force when it comes to talking about purpose, social responsibility and 'better business', as his current consultancy is now called. And so he's representing the C. I'm thrilled, as I said, and without further ado, want to open the discussion.

So again, welcome. My first question is: how did you get on to that topic? I always like to start with practice, right? Because it is where things happen. So, what happened to you, Sertac, what brought you to the topic of purpose?

### **Sertac Yeltekin**

Thank you, Roland, and thanks, everyone, for being here and listening to us. I stumbled upon purpose much earlier in life and sort of lost it and then gained it back, let's put it this way. I started very idealistic when I was much younger, trying to work in the economic development field, trying to help emerging markets to step up. That was more than being in business; it was something that I had enjoyed, that I felt belonged to my sphere of values. I was also trained as an economist and as a political scientist in that field. But somehow, I got quite disillusioned by a lot of the international organizations and the way they were set up, and I was not really happy to pursue that particular career. I went into business, and for many years, I worked in banking. Dominantly in asset management, investment banking, and during those years I did what I did, built my life and built my career.

I did wonderful stuff, but at one point I reached a stage where I needed to reevaluate what I was doing. In the early 2000s, there was really nothing between philanthropy and financial gain. Nobody could put together those two worlds. When I was in business, up until 2015, we did not have the lexicon to express what is now called Impact Investing, what's now called social and environmental, sustainable investment. A space where you have a nice balance between philanthropy and what a lot of investors look for. I said, I need a totally different way for next phase of my career. So, I established this company, which is called 'Purpose Venture Capital'. And when Roland approached me and talked about quest for purpose for this publication, I was struck by the nice coincidence to get the opportunity to write about something that I thoroughly believe in. And this is the story in a nutshell, which I tell in my article.

### **Roland Deiser**

Thank you Sertac. I guess - we may get back to that later in the conversation - your decision could also have to do with the fact that corporate life sucks, sometimes, right? Large organizations have sometimes a hard time going beyond the greenwash statements about purpose. Maybe.

Now Ranjay - what brought you to this journey? I mentioned earlier on that you were originally not really in the field of 'soft themes', but now you are known for leadership, and the topic of purpose is so close to your heart - at least this is what you told me in our conversation we had for the magazine.

## **Ranjay Gulati**

Well, thank you for that, Roland, and nice to be here with all of you. Look, I studied strategy, the 'what' of business, what do you want to do? Where it's about finding unique, inimitable ways in which you compete against others. As I got older, I realized that implementation and execution matter more. Even Peter Drucker told us a long time ago that execution eats strategy for breakfast or lunch. I forget which meal, but it definitely trumps strategy. Strategy is all about divergent thinking, expansive thinking. Like, what are we going to do. Execution is all about the how. How do you get it done? How do you bring it all together? It's hard skills, measurable things - you want to measure KPIs and things like that - but it's also soft skills and a bunch of things that actually get people aligned, getting them mobilized. So, I quickly realized that the soft side is as important as the hard side of business.

But I ignored purpose. You know, purpose was the softest, touchiest, feeliest, loosey-goosey of all topics. You know, I'd go as far as culture. But beyond that was purpose, mission statements. And you know, these are slogans, these are just wallpaper in my mind. Completely PR exercise, hang it on the wall and ignore it. But I then found that companies were talking about it more. And not only were they talking about their mission and purpose more, but in addition this notion of the mission of the firm was being expanded. Business-society engagement, stakeholder interaction, what businesses should be involved in or not - all this was part of the larger global debate. But within firms, there was a debate about 'can we put our mission to work and use it as a way to inspire people inside the company?' Parallel debates going on at the macro level, and also at the level inside the organization. And that made me realize that there's something going on here. And I found a few extraordinary examples.

Meanwhile, you have Larry Fink and Blackrock talking about the purpose of the company, but there was also a confounding of the debate at the macro society level, and the use of purpose within a single organization level. How can you use your mission statement and put it to work. And that was the puzzle that I began with. And I found plenty of examples of companies that had figured out that you can put your purpose to work. Purpose can drive economic success, and it allows you to have a social impact as well. It also allowed employees to feel more inspired when they came to work. So, you have this kind of trifecta of things going on: I can energize my employees, I can align my strategy, and I get everybody working towards our strategy direction. I can think about our social and commercial impact - and do that all through this exercise of having a purpose. And by the way, I can connect to my investors, I can connect to my customers. So, I suddenly saw a possibility of how organizations can unlock growth. That purpose was a lever that had yet to be fully explored.

## **Roland Deiser**

A very comprehensive concept, right?

## Ranjay Gulati

Yeah. But you know, one of the problems is that the word has been hijacked, right? It has been hijacked by the left-wing and right-wing, it's politicized. It's called woke capitalism, that purpose is forcing companies to do charity work; purpose is only shareholder value; purpose is just a mission statement. And then you have a lot of purpose-washing going on - people pretend to have purpose. So, the cynics are out, the debaters are out. I think we've kind of done it into muddy water. That's why my book was all about trying to bring a little bit of clarity into what I think has become a very murky topic.

## Roland Deiser

That's a very good point, Ranjay, thank you. Well, Ralf - what is your take on that? I think you can relate very much to what Ranjay just said.

## Ralf Schneider

Yeah, very much so and lovely to meet you all. And thanks, Roland, for the invitation. How did I come to it? Originally, as an academic, because I was looking from an organizational theory perspective into what would networked organizations look like. What makes them work when you take away hierarchy and get more into networks. We are talking about late 1980s, early 1990s, when that was not even a way of looking at organizations. And very quickly you come to the notion that it's actually a lot about relationships. And when you look at relationships in networked organizations, then you need to look at how do your relationships become productive. And then you end up in the space of trust. And when you end up in the space of trust you must ask where does trust come from? And then you evidently end up somewhere at the level of purpose as a place from which you need to kind of emanate, and build this trust, and then build productivity within a networked organization.

And then I took it into practice, because I thought that's an interesting concept, but where can you find and explore that? That's why I joined PwC as a partner at the time on the on the human capital side and tried to find out what would leadership need to look like in networked organizations? What do you need to do? How do you lead in networks? When you don't have hierarchy and it is more about relationships. There is of course today a very clear connection into all the conversations we have around adhocracies, network structures, network leadership, and obviously agile leadership, etc. It all comes back to the question: how does the leader show up in the relationship? And that very much comes down to the self as a leader, the purpose of the leader.

So, I started to look into leadership development very much around the process of self-exploration, identity of you like: who am I, and why am I here? What am I trying to create? What's my work? And in network organizations, that's the kind of the starting point of everything. Because, after all these years, my core belief is that leadership is the key differentiator in networked organizations, and that is very much a soft skill. Yes, you need hard capabilities, but it's very much about how you show up, about having the right conversations, creating the right environment. Make the right things happen without control, through who you are and through the way you engage with people. That's the leadership space.

And later in my role I had to look at how to create this at an organizational level. So, I started to explore culture, purpose, and mission statements in organizations. Now, we can look at purpose statements in isolation. But of course, they get formulated in context. So - what is the role of business in society as a

contextual frame around which the companies come to conclusions? Then the question is, what's the relationship with society? What's the ethical dimension that the organization wants to hold itself accountable to? And you end up with the question of what's the role of business in society? Where are you in terms of your strategic choice of purpose? On the purpose curve? I've written about that a little bit in the prologue in the article - organizations need to make a conscious choice around what is their definition of value. And who are the stakeholders. What is the ethical proposition you bring into the business, and how do you show up as an organization. That then becomes the orientation for leaders who need to translate that into actions. So, from an organizational theory perspective into what makes networks tick into what's the role of business in society. That's kind of been my journey.

### **Roland Deiser**

Well, it's quite a journey - from leadership to business and society. As Ranjay mentioned, there is an individual element to purpose. And then we go through all the systems levels, eventually up to a societal impact and their relationship to society. -- Roddy, maybe you want to say a few words, too. Why did we pick this as a topic for Developing Leaders Quarterly?

### **Roddy Millar**

Well, we chose it because it really resonated with us. We saw that there was a lot of discussion out there, and quite a lot of noise around it. I think what's come through from our three guests today is also that there's a huge variety of perspectives around it. And certainly, what Ranjay was saying - that a lot of people still look at it as being a very soft topic, and one that perhaps doesn't have the impact that other people see it as so importantly having.

But there is more than that. The subtitle of Developing Leaders Quarterly is 'making organizations more human'. And I think that's the thread that really comes through: the purpose element, and our quest for purpose is about the people in the organization. Products and processes aren't too bothered by purpose - it's the people. It's identifying how purpose is important for individuals, - individuals who make up the organization - that makes it such a critical topic all of a sudden. And we've seen from the fabulous articles that people wrote that it's that kaleidoscope of different angles that people bring around purpose that that creates the drive and the growth that has been referenced already.

A couple of years ago I had a great conversation with Hubert Joly, who was then chief executive of BestBuy, the electronics retailer, who's now a colleague of yours, Ranjay, at Harvard. He had to turn around that company from a very fragile position. And many people thought it was a poisoned chalice when he took it on. What he did is he focused on the people, and he focused on purpose. And the phrase that resonated and that I remember him talking about was the human magic that happens when people come together with a common purpose. I think it's trying to capture that. That is the sort of the holy grail of a lot of management at the moment, which is why it became such rich pickings for us in the magazine.

### **Roland Deiser**

Maybe you want to show it really quick, the magazine.

## **Roddy Millar**

(Holds the magazine up) Yeah, it's a bumper edition of over 200 pages, in fact, and gorgeously illustrated as always.

## **Roland Deiser**

Well, that was our quick commercial here, our common ground. Maybe a personal note from my side, too. I really liked the topic purpose as well; our current work here at the Center for the Future of Organization is on business ecosystems. And one thing that happens in ecosystems is - and that relates to Ralf's talk about networked organizations - that there are a lot of centrifugal forces if people engage at the periphery of an organization. What really holds you together at the end of the day is belonging to an organization with a shared purpose.

The problem is that what you said, Ranjay - how can you really have something that is organizationally authentic? How can you go beyond - you called it purpose washing. We have all this greenwashing, these mission statements, even if they are the result of long, long processes, I've seen companies who've been two years into a process of creating their mission and vision, with a very participative process. But at the end of the day, it still was not that what they thought they would do together. What can we do against that type of superficial purpose thing? Is it engagement of everybody? Is it engaging the larger ecosystem like customers and what not? How can we really create that? And how can we link it to the individual, so they are really excited to be part of a venture that is worth being with, like Sertac said with impact investing - there is a heart behind that, there is meaning behind that, there is passion behind that? How can we do that?

## **Ranjay Gulati**

I'll just say one thing on this because I ended up having to explore this in more detail than I ever thought I would. I was going to call my book 'Purpose', but I had to call it 'Deep Purpose', because I found so many companies practicing what I thought was superficial purpose. And I want to just suggest a few thoughts to you.

First of all, what is purpose? I think we've gone into the topic without defining it. Purpose is fundamentally an individual level construct. If you look historically, for thousands of years, people have contemplated the purpose of life, what is our purpose in life? And if you want to have a definition, William Damon of Stanford has a definition which I like a lot, which is 'a stable and generalized intention to accomplish something that is meaningful to the self and consequential to the world beyond the self'. And the most powerful word there is meaningful to the self and consequential for the world beyond the self. And I think that humankind, that all of us - most of us at least - have a residual desire to do something for the self. There's no hiding the self, okay, we're not altruists out here. But we also want to do something for the world. It's the intersection of the two that we're looking for in our lives. Some of us are very intentional about it, some of us are not intentional about it. Some of us get to purpose much later in life. My big regret, personally, is that I waited too long to get to my own personal purpose.

Now, you now juxtapose this idea to organizations - can a company have a purpose? We certainly have confounded that with the mission statement. The one learning I had was that purpose is not a purpose statement. You can have deep purpose without having a formally written down statement. And you have lots of companies with purpose statements that mean nothing. So how do you bring this intentionality to what we do? And how do we bring it then to the individual in the organization? This is the dilemma that we must figure out, that's the nut we must crack. How do we make purpose personal? The problem is that if people haven't thought about their own purpose in life, they're not going to have some company purpose.

For the longest time, when we talked about organizations, we talked about organization as a place to work, and you were measuring job satisfaction. How do we create jobs - that was kind of the holy grail. And then, in the 1970ies, there was a Harvard professor named Richard Hackman, who, along with another gentleman named Oldham, came up with something called the job characteristics model. They said job design, and suddenly you had the category of engagement. That people are actually more connected if they feel they have more empowerment, if they are part of an autonomous team. So we went from satisfaction to engagement. We're now at a third level - which is not something that I did but some other faculty did - how do we get people to feel inspired at work? And inspired is not the same as engagement or satisfaction. And that you are only inspired when you feel connected. This is the old janitor story of NASA. When President Lyndon Johnson asked him, 'What do you do here?' He said, 'Mr. President, I'm here to put a man on the moon'. This old story that had been retold 1000s of times suggests that people look for a different kind of connection with what they do at work.

Somehow it ties into what I do in my own life. My life purpose - some part of it, not all of it, you can't live your life through work only - some part of my life purpose is manifest through what I do at work. And it is that fulfillment that inspires me, that fills me in some way. The CHRO of Microsoft likes to say you don't really work for Microsoft, until Microsoft works for you. I think that's the connect that makes work more human, because I personally feel that I have a part of my life that I'm living through work. And furthermore, I feel more connected, I feel more inspired, I feel more engaged all those things. But how do you do that? It is not easy.

### **Roland Deiser**

I don't say much because I want to have a kind of a horizontal conversation. Ralf - I think that should resonate with you knowing you a little bit.

### **Ralf Schneider**

Of course, yes. You know, this making it personal is a key thing. And in a way that connects us right into this topic of Developing Leaders. How do you develop individual leaders? And how do you develop collective leadership as part of the culture of an organization to bring that to life? My experience in leadership development is that it's about creating environments where leaders can start to reflect on the question of why I am here, what am I doing, and look at their own purpose within the context of the organization. And I love what you said about making Microsoft work for you. So, the question is - is this the right environment? It holds some tension here in terms of recognizing what my values really are. What's my purpose? And can I live this here? Or do I feel I'm an extension or is the company an

extension of myself in achieving that purpose. And that dialogue is the key to connecting the individual with the organization, to answer your question, Roland.

So how do you inspire to connect? It's engaging people into that conversation, and it may happen within the process of creating a purpose. But you don't revisit purpose all the time - so how do you make this connection in an ongoing environment; how do you make it a dialogue around purpose? Here very often the leadership development context can be productive and bring this to life, creating that connection. And it also enables leaders in a way to find their way of talking about it as they engage with others, because they need to translate it to others. Leadership very much is the connection between the organizational purpose and lofty statements. I experience it through how my leaders show up on a day-to-day basis, what they reinforce, and to what extent they act as role models. So, I think leadership development has a key role to play to keep that alive and keep it real.

### **Roland Deiser**

Well, we are talking here of course about large organizations - Microsoft, and Best Buy, and so on. I wonder - if you have a startup, if you're an entrepreneur, purpose usually is not your problem, right? Because you're born out of purpose, you want to contribute, that's your pitch.

Sertac, I'm thinking that you left a 180,000 people organization, which was very complex - Unicredit was the result of multiple mergers and acquisitions, with all the cultural kind of chaos that came with that - to be now in an environment where you work with small groups, who want to make a difference. Isn't it much easier in that context than if you're in these large, huge monsters of global corporations?

### **Sertac Yeltekin**

Well, I mean, it is easier in the sense that they're manageable, but life is much more difficult, because they're fragile companies, and the likelihood of success is very slim. I work with early-stage startups, mostly, anyone from the seed phase up until what the jargon calls Series A, when a company starts to raise institutional money. That is a very, very fragile stage. Next day is of no guarantee to you because you could just go under. The reality is that what makes any company succeed, regardless of their business model, is having access to capital. Access to capital makes a huge difference at those stages. And the big fat corporations usually are aware that access to capital is much easier. Whereas startups - they would listen to us and roll their eyes, probably, because they live on day-to-day survival. Most of the times they're cut from access to capital, cut from getting any financing from a bank. I worked 25 years in a bank. It's almost impossible for a startup, because the bank's models, the credit models, the risk models, they have no way of understanding the startup needs.

So, what happens is that it's easier, yes. Because you manage on a much smaller scale, and the purpose is much more clear - you're doing something that you're doing. For a person who works at a startup, it's easier to connect with purpose. In larger organizations, you never set your own agenda, you don't determine. Somebody else determines your agenda. So even if you're at a very high executive level - the company has its own mind. And you just play out the game. I think a lot of what happens in those environments is that the people run, run, run around trying to give a meaning to their life. Because essentially, you're one of many. And they struggle, partly because it's not in the human nature to be one of many and being without any agency of taking control of what to do and what to decide.



## Ranjay Gulati

Let me try to react to Sertac's point because Roland asked an excellent question. First of all, purpose doesn't come easy for anybody, large company or small company. Sertac made the excellent point that survival instincts are so critical, and survival is so hard, you have no time to think about these larger existential questions that are luxuries.

I actually did a study a couple of years ago, that came out in a series of two HBR articles. The first one was: why do startups have big ideas and grand ideas? And it was basically saying that some of them - not all of them - will not only have an idea pitch. So, when they're going out to venture capitalists like Sertac they would not only say 'Oh, here's my idea'. They also have a bigger ambition about wanting to change something, not make the world a better place, necessarily, but like some kind of change in the market. Ambition, that is captured in something bigger than a product or a service. So, they have a more encapsulating ambition that some might call a purpose.

But then I also looked at fast-growth ventures that had already grown, to the few that make it. I interviewed a bunch of founders of those companies, because many of them would lament the loss of something. The good old days, you know - whatever the good old days were. And when you push these people, then they'll pull out the catch-all word culture - 'oh, you know, the culture has changed, you know, it's the culture'. Well, culture is a catch-all for everything, it's a vessel to throw anything and everything into it. So, I asked 'what do you mean by that?' And we unpacked it, and asked ourselves 'what is it that gets lost?' And they talked about three things that get lost. The first was the deep customer connection that they used to have when they were small. The second was the employee experience, or autonomy and control and agency that got lost. And the third thing they talked about was a loss of purpose, that they had an ambition to be something great, memorable, that people would remember them for. So, I want to just point out that small companies are not automatically purposeful. I want to just kind of dispel that myth - even small ones can lose it very quickly. It's a fragile thing.

Now, I want to also dispel a second stereotype. Yes, it's true, you and Sertac made the point that large companies can be bureaucratic and create different experiences. It's like a Kafka novel, you know, the castle, where it's a horrible experience of work, which is alienating, as Karl Marx told us. And there are plenty of large organizations that create that kind of indifferent, impersonal, transactional experience. In fact, economists even like to refer to companies as a nexus of contracts. Everyone has issued a contract; we are here to contract our time. But I think Microsoft, BestBuy, Etsy - you know, a few companies show us it's possible to create a humane work environment, at scale. Maybe we can all learn something from that, that there's a possibility of creating a work environment at scale. So, I just want to dispel these two myths, that small companies are Hidden Lake Gardens of heaven and large companies are that horrible dark side where you are burning in hell. I think that's not easily the case.

## Roland Deiser

No, that's a very good point, Ranjay. And, Ralf, let's in a minute talk with you about contracts, because it's part of your article as well, right?

But I just thought - there is something in human nature, where we have just a hard time to connect with abstract structures. Once organizations reach a certain size, it becomes just really hard - much harder than if we can have direct communication. There is maybe a limit of 300, 400 people - tribal, in a way - and beyond that it becomes necessarily abstract. You've got to build hierarchies, you got to build

representation, you don't have direct communication anymore. And that might impact the development of purpose. It creates the loss of the culture people cherish when they were small. That's just a thought - based on that interesting work, by the way, by Dieter Claessens, a German sociologist, who wrote about the relationship between the concrete and the abstract.

Okay. Ralf - you mentioned the contractual element, the various types of contracts. Maybe you want to talk about that real quick.

### **Ralf Schneider**

I think I mentioned it in the article more as an evolution in terms of what people expect from organizations to offer. And you know, there's no rocket science to this at all. People want to be paid for their work, for the job they do. That's the economic contract. Then they want to be at a place that they like to be associated with, where they feel appreciated and recognized beyond the monetary reward - a social dimension that fulfills needs in that space. That's the emotional contract, or psychological contract. And today, increasingly, companies are being challenged and being asked to provide a moral contract.

So, it's not only about 'are you treating me right and fair as an employee so I have a good experience', but 'is this the place I want to be connected with and what you stand for at the level of purpose?' If I choose to work for you - because I don't have to, specifically when I'm talented; I can make other choices, I can vote with my feet - you better convince me (this is where Microsoft needs to work for the individual) that you have the right moral grounds and suggestion for me, so I feel comfortable making you part of my brand and my CV. I think today there is a lot more demand and a lot more scrutiny when it comes to the moral contract. Therefore, purpose is a core element of offering something in that space. Maybe a deeper purpose that has a moral dimension that people feel attracted and energized by, and within which context they like to do their work and pursue their own purpose.

### **Sertac Yeltekin**

I am not exactly sure. And this is because I might lack the experience or the way to phrase it. But what large organizations, a lot of researchers, and the media in general look for is individual purpose. Essentially, it boils down to an individual working in an organization having a purpose, to be more engaged, productive, satisfied, in all the different phases that we've seen over the last 30 years. Nowadays, with what we call 'woke', they're probably more prone to understanding social and environmental implications, but essentially, it's about the individuals' sphere of purpose.

I think that individual purpose may not guarantee social good, though. Society and the community may have purposes that are larger than the sum of the individual purposes. I think that creates a lot of the confusion, and I agree with Ranjay that there's not that big a distinction between large or small organizations. What happens is that we tend to overemphasize the individual's purpose and underestimate how much it takes to create a social good. I don't think that those two could coexist; we cannot automatically deduct that if you make individuals in an organization happy and purposeful and engaged that this translates into a much larger good.

## Ranjay Gulati

Sertac, I think you make an excellent point. There was an HBR article in 2015, where they found that inspired workers are more than twice as productive as satisfied workers. Dissatisfied ones even three times, three times as productive as dissatisfied workers. So, a massive unlock of human potential when you are able to tap into this thing.

Now, there's another question that you can also ask in this conversation, which I think is also related to what you're saying: is social good necessary for people to feel inspired? Do companies have to go around doing charity projects to make people feel like I feel really excited to be here? I'm mixed about that, in my own opinion. But let me tell you the logic and why purpose has gotten messed up with this social impact. Purpose is fundamentally a way for you to think about the long term. Right? Purpose is not a short-term question. Purpose inherently is a long term. And the moment you think long term, you must think about how you are going to impact a broader set of stakeholders, not just your shareholders. It is true that long term thinking emerges some kind of social impact project. So, I think you must be very clear with the logical sequence of things. It's not that purpose equals social; it's that purpose equals long term, and long term forces you to think about that. So you can start to imagine what is our place in the world, if I may say so.

There's so much muddying of the water in this purpose space, my head has been spinning around it. What is purpose, is purpose social, or will social make employees more productive? We had these micro-assertions that are not untrue, but I think we have to put them in the larger context of what's the argument of logic behind this purpose conversation. As Hubert Joli says, it's about unlocking magic, right? It's magical, the outcome you get of people and how they choose to behave and feel connected and a sense of ownership. We've been talking about this in so many ways - entrepreneurial mindset, founder mindset, you know. We are desperately trying to get people to behave like owners, entrepreneurs, founders, connected in some more meaningful way to the enterprise.

So, I really like, Roland, your framing, that one thing to think about is how to create a deeper connection for employees with the organization, especially in a networked world, like Ralph is describing to us. And it's not just with your own employees, but also with your suppliers, with your customers, with your ecosystem partners. And how do you make all this work?

Since Ralf is in Switzerland, I think I'll give an example of Buehler. Buehler is an Agrotech company. And time permitting, I'm happy to share the example how by articulating a purpose, communicating it internally, and aligning the actions and behaviors around that purpose, they have created a much deeper connection with their employees, with their customers, with their ecosystem partners, even with their competitors. Purpose then unlocks economic value. So, it's not a tax on business, it's not writing a check for some community project. It unlocks economic and social value. I just think that's the point I wanted to make, because I think all of you are making excellent points, which I hadn't thought of.

## Roddy Millar

I think that's the key part, isn't it, Ranjay? That if you can get purpose embedded and you nurture it within an organization, you do make a significant, material improvement to the productivity of an organization. Purposeful employees will almost always be more productive employees. So that works.

But I'm also interested around this idea, Sertac, that you highlighted around agency. Because I think so much of this is connected to being able to see how I as an individual am making an impact, making a difference. Because that's where you see your purpose occur. And I'd be interested to know how the panel thinks that we can enable that greater agency within a coordinated organization. Obviously, we can't have everyone being entirely their own operator. But if you micromanage people into just doing one role, one task, then their sense of purpose gets hugely diminished. So, the challenge, I think, is around trying to balance those two. The need for efficiency and getting people to do very concrete tasks, but also enabling them to have a breadth of responsibility that they can see where they impact the organization.

### **Sertac Yeltekin**

I mean, the way a lot of the discussions around purpose are about the business of productivity at the end of the game. So, either you're in that business or you're not in that business. When you look at a big chunk of people who are not within corporate confines, or even big institutional confines - I'm talking about Asia, whether East Asia or South Asia, also Africa - when you look there, you have billions and billions of people outside of these organizational frameworks. What do you do with them? You just ignore them? Do you do corporate social responsibility projects? Or shower them with a lot of promises and stuff like that? Which sometimes works - I mean, I'm not totally cynical about it. But I think a lot of the purpose discussion right now revolves around how do we leverage purpose to increase the productivity of our companies and organizations. I don't think that is equal to generating a lot of good in the overall scheme of things. I mean, there has to be some other, additional way, beyond the scope of organization and the confines of an organization. There could be something better that can be created, that can be implemented. And then, probably, those two worlds do not coincide.

You know, you see a lot of attention coming from organizations, especially big corporations, because they have the PR machine, they have all the people who explain why they're doing what they're doing to the world, and they spin it. Sometimes they're genuine about it, sometimes they're not. But they do have means to create the illusion that individual aspirations and purpose would translate into social and environmental good. I don't think so. I don't think that that's the case. My experience over the last five years, six years has been quite different. Just looking at it, I spent three months in Cambodia. And what's happening there - with all the good intentions that corporations bring in, they haven't resolved anything. And this is true for a lot of stuff that I've seen in other parts of Asia. So, in that sense, I think we have to be mindful of the purpose talk. What do we confine it to? Are we confining it to the organizational sphere and productivity? Or are we doing something else?

### **Ralf Schneider**

Hm, Sertac, if I understand you correctly - let me put it in my words - there is there is something beyond using purpose as a tool to improve productivity. I'm not saying that's suggested, but very often it can be seen that way. It becomes something like a strategy that creates another tool and instrument to get more out the old the organization.

I think that's the wrong starting point. I think what you're raising is also the question what is the purpose of organizations within the greater good? Which is the question around ethics or morals or value creation. Is this again, shareholder or stakeholder? And what do we define as value? Is it the value

creation in terms of money? Or is it value creation in the sense of the greater good? So, I think what you're asking is this whole question: yeah, you have a purpose, but in what service is your purpose in terms of the wider society? That then raises the question of what's the role of business in society? I know, I'm opening another kind of Pandora's box with that.

Very often, I see executives in very senior roles and leadership development programs who find themselves trapped in organizations, even with purpose statements there and in the economic system. If they are reporting on a quarterly basis, and the only measure is results, they find themselves trapped and say, well, can I really within that context pursue my purpose? Or is purpose getting in the way? Or is it that once we've earned the money, we put some CSR programs out? So how can I move from having a sustainability strategy to having a sustainable strategy and building a brand that has a wide response to society and a wider responsibility? That's the space where we struggle, because we are working within the remit of certain market mechanisms. Within certain reporting requirements and certain definitions of value, and everything else is externalities. Anyway, I just want to throw that in there. I think there's a higher level, I know, abstract, but higher-level conversation, which is more than purpose creates more productivity in an organizational context.

### **Ranjay Gulati**

I could not agree with you more, Ralf. I mean, it's beautifully said. And I think we must realize that purpose is not a management tool to get people to work harder in the company. If it gets framed that way, as an HR tool, saying 'Okay, I'm going to now brainwash my employees to work harder than they ever did, because they're working towards some greater good' - that plays into the cynics view that this thing about purpose is yet another smoke and mirrors game. I think purpose is fundamentally about your intention as a business, what's your place in the world? Why do we exist as an enterprise? And who are we here to serve? And over what time horizon? That's when purpose really works. And yes, there are benefits of that for employees and all. But purpose starts as a directional tool, it creates clarity.

In business, if you think about it, there's so much turbulence and noise. This is like a NorthStar or a directional clarity about where are we going as a business. Where is our direction over here? In that statement, in that dialogue emerges also what is our unique contribution? What markets are we going after? What are the externalities in our business, and so on.

Now, to your point about value, Ralf - I think it also is hard to measure purpose, you can't measure purpose. So, companies start to measure purpose through the consequences of purpose. One of them being what Ralf touched on, which is value.

EY is a great example. Let's make it concrete. I think that will help our listeners as well. Carmen Di Sibio [CEO of EY] redirected the company by saying, 'let's think about a better working world'. Now think about these words - they don't tell you anything. You could say come on; we're spending time talking about three words. But what they did then was they said, okay, now let's understand how is that going to impact the value we want to create? Until now we measure ourselves on financial value. We haven't measured ourselves on client value, we haven't measured ourselves on employee value. We haven't measured ourselves on social value. So, if we are living our purpose, we should be able to drive these four different types of value. What we're going to do is measure every partner on these four dimensions. It's no longer billable hours only. Yes, that's one of the four dimensions, which is financial value. But you also want to measure employee value - the people who work for you. You want to

measure client value - how satisfied are they with you with what you do for them. And we're going to measure you on social value. So suddenly, when you have this expansive view of yourself, a longer horizon, much larger stakeholders, you then start to think about how you are creating value for whom.

I just want to echo what you said, Ralf, I think it's a really important point. That purpose is not just a purpose statement. Purpose benefits customers, customers are more loyal. Purpose helps branding - and branding is a huge topic. It helps stakeholders, it builds trust. I've just finished a study looking at how purpose elicits trust in your ecosystem partners. Because when you have a clearly stated purpose, it signals predictability of behavior. It activates your ecosystem of partners. And it activates employees. Ralf's point is huge. This is not some kind of an HR activation exercise to play the game.

### **Roland Deiser**

Well, we're over an hour into our Round Table now. At this point we usually try to bring in some perspectives from the audience as well. So, if anybody in the audience wants to join a kind of an open chair, you're welcome. Just raise your hand and we have a look who wants to contribute here.

And just briefly, because you mentioned ecosystems, Ranjay. People often ask me what the first thing would be to do if you want to create an ecosystem strategy. I usually say, well, you first need to know who you are. If you don't have a clear identity, it's very hard to have a clear ecosystem strategy. So, having a strong business idea and identity or purpose is a precondition to engage in larger system, otherwise the larger system tears you apart. Just as another brief comment on this.

Ralf - you want to extend on this? Meanwhile I just have a quick look if there are raised hands as well.

### **Ralf Schneider**

Yes, I guess there were two additional points. And then the question is, what value do we mean? And what do we mean by value, which is the different ways of measuring value inside. But then the question comes up how organizations get measured on value creation at the market level. And how do we account for externalities. In that context, I think, the ESG conversation is helpful, because it opens up that wider perspective on looking at companies and how they hold each other responsible within that wider context. This is also what Sertac was responding to. Maybe we can explore purpose within that wider context of definition of value and contribution and how organizations need to be looked at and what they're ultimately trying to impact positively. Because they're there to solve a problem, but often at the expense of something else.

### **Ranjay Gulati**

Tony White has made a question in the chat, where he says purpose is to make money, and that if you're losing money, you won't talk about purpose. I think this is a real question, right? I mean, Danone had a great leader, Emmanuel Faber, who kept talking about purpose, but the company was way behind compared to his peer benchmarks. And eventually, investors who bought into his logic of purpose as a social project, finally had enough. You know, you can't hide behind purpose and say 'well, we're so busy creating other value that we don't have time to create economic value'. Investors like Sertac cannot go on to say, okay, I'm willing to take a haircut, you know, give me a haircut, give me lesser returns, because

you are out there saving the planet. I think there's an appetite for some of that, within limits. There is appetite for some of that with some investors, but within limits. I'm going to quote Peter Drucker, again, who said, profit is like oxygen. You need it to live, but you don't live to breathe. I mean, that'd be a horrible thing to do. So, yes, we need profit. It's like oxygen, but there's more to life than just oxygen and breathing. I think we need to think about this. And I think Tony raises an excellent point.

### **Roland Deiser**

Tony, now you have panelist rights, so can make your point yourself. Maybe you introduce yourself quickly. Tony and I know each other from Allianz.

### **Tony White**

Well, Ranjay, I think the question as you raise it, is what can we then do if we're trying to influence our senior leaders in the organization? If the company is struggling financially, or if the company is struggling to try and find its direction to create that purpose, when the conversation is about cost cutting, or right-sizing or synergies or whatever that might be? Have you got ideas that we could employ as an internal organization consultant to try and do that?

### **Roland Deiser**

Before you before he answers Introduce yourself really quick, Tony, please.

### **Tony White**

Oh, sorry. Yeah, I'm Tony White. I'm currently the chief learning officer for Inizio, which is a private equity owned health care organization. It's about a one and a half billion-dollar healthcare business.

### **Ranjay Gulati**

It's a very hard question. We always like to say in a stakeholder world that there are many stakeholders, but there's somebody who's first among equals. Right? Who is that first among equals? You may say, oh, all equal, all stakeholders matter equally. But I think for a public company, more than even a privately held company, I think is you must have alignment with your investors. You must have shared alignment with your investors as to what you're doing, why you're doing it, how you're doing it, what returns they can expect over what time horizon. I think is back to Ralf's point: when purpose works, it drives economic value. When it doesn't work is when you're having to reapportion value saying, well, we have a mission statement, and we also like to give money to charity. Our employees don't really believe in it, you know. Our suppliers don't believe in it. Our customers don't believe in it. But since we have it, we can do some charity work. So, it's a tax on business.

I think we must be able to reconcile this idea that economic value is part of purpose. Some people on the left have defined purpose of business as anything but profit. How can you do that? I mean, shareholders are also ordinary people who have entrusted their retirement, their pensions to these

companies. Investors are not just rich, greedy people, you know. Look at Pepsi - I'm trying to inject some examples into this - when Indra Nooyi launched her purpose movement at Pepsi, it was performance with purpose. It wasn't purpose with performance, but performance with purpose. So, I think we need to keep an eye on the prize. Enterprises must deliver financial value, along with other dimensions of that. It's not an either-or situation.

I'll give you an example. In some companies I've seen that they have a threshold of acceptable returns to investors. That's a given. That's why I said first among equals - they get the first slice of the pie. If we can grow the pie beyond that, wonderful. I'm not saying that money is murky. Because you have also a time horizon woven into this. Not only who gets how much, but over what time horizon. You're also negotiating implicitly or explicitly with your investors saying, hey, listen, we have this thing that's going to deliver value in three, four years. Transitional finance in oil and gas, right, we need to get discounted financing because we have a transitional plan. So lower returns now for greater returns later. So, there's other complexities woven into this as well.

But I'd love to hear from my colleagues. This is my perspective. They live in the real world. I live in an ivory tower.

### **Tony White**

I was fortunate enough to hear Clayton Christensen speak in the Victoria and Albert Museum in London at one time, and he talked about that organizations need to break this insane obsession with shareholder value, that they exist for shareholders. Because they don't, and he said until we can decouple that, all we're going to be is on this treadmill of trying to return capital to shareholders. Shareholders are just one portion of the owners of that company; the company exists to make the world a better place, or make better products or make faster, better special things, you know, so that people feel better or have better experiences.

And yet, he was saying, the innovation cycle is broken. That we're not investing enough in R&D now, because all we're looking to do is trying to focus on operations. We invent new things, and then we wring them and wring them and wring them until we get them to be operationally efficient. And therefore, there's no innovation coming because the investment isn't coming back to R&D. And when I listened to you, I think that's where that disconnection with purpose and shareholder value really needs to be manifest itself.

The challenge that I've had in my career is that generally I'm talking to people that are from a quantitative background and therefore demand to see the bottom line all the time. And sometimes that doesn't do it. That's not necessarily why you're there. You're there to try and make the product better, and to make the world a better place. I know that's a very lofty statement. And I know that somebody must pay the bills as well. But at the same time, I think about Christensen when he spoke about that.

That was about 10, 15 years ago, and we're still obsessed with shareholder value. And I see Ralf nodding because I know - I spoke with Ralf at length about this over a coffee at Allianz - we're still not there. So, what gives you hope that we're going to get there, that we are going to get beyond this obsession with purpose? Because you're all writing books, all writing papers on it, but are we getting traction on it?



## Ralf Schneider

I don't know if I have the answer to those questions. But first of all, I totally agree with you. We've been talking about this for years. And it's the progress been made that we would like to see as an organizational practice.

Now, in my view, is it more difficult in large organizations, specifically when they trade in the public? I think so. Because there are different dynamics, market dynamics that play against what we've just talked about. And the only way to break that mold is to have a visionary leader who says, you know what, I'll break the rules, I won't follow that I'm set up for short term, not long term. Paul Polman [the former CEO of Unilever] is one of the examples and has been celebrated for it. And rightly so. And he's very outspoken about how you can break that mold, even in publicly traded companies.

I think it's easier in privately owned family businesses. I think they have a long-term perspective and a different quality of being embedded in societies. They have a vested interest in shaping these societies because they're personally invested. And visible, it's not an abstract. And when you look at small startups, it's usually an intrapreneur, who has an idea to solve a problem. And sometimes, at least in most of them, they have an idea to also make a positive contribution to the world. Sometimes that gets lost because they get passionate, too interested in selling off and creating unicorns. And that purpose somehow seems to disappear. So, they're all have their Achilles heels.

But I think if we focus on the large international public traded companies, we have a whole question around how do we measure value? What's the real impact of these organizations? And how do we make sure that the way that they're being held accountable by shareholders doesn't force them to let go of a more consistent and more deliberate and intentional pursuit of a wider purpose, like the one that you've just talked about. And again, I think I'm giving you more questions rather than answers. But I think those are the areas in which work is done. And when you look at the global reporting initiatives and the question of how do we then measure value? How do we do public reporting on the results? And do we move away into the ESG? And do we have the kind of tools and again, 20, 30 years of development of the right kind of tools to measure that dimension is still evolving. We're making progress, but probably not fast enough too much to this.

## Ranjay Gulati

I really like what you just said, Ralf. But I want to just take Tony's comment and break it into two parts. There's a macro level agenda about reimagining capitalism, as my colleague Rebecca Henderson likes to talk about, right? That what is broken in our capitalist institutions that needs to be reset, refocused, and so forth. And then there is something at an organization level, small or large, and what we need to understand.

Let me just take you through a very elementary level at the organization. I'll leave the capitalism project aside for now. There are measurement issues, reporting issues, what should be measured, what is value shareholder versus stakeholder? ESG or not ESG. There's a lot going on over there. But suffice it to say society expects more from business than before. You're not going to be measured only on financials - those days are getting over fast.

Now let's get to organizations. Businesses fundamentally - successful ones - exist to solve problems. They define a set of problems they want to solve and uniquely solve. I found a problem space, and I

want to uniquely solve these problems. And I believe I can do it and make a profit doing. That's the starting point for genesis of any business idea. I want to solve problems profitably. Now, what happens is, that there are some byproducts of the consequences of my business, negative externalities. I might pollute, I might be making this chemical, and then I'm letting off this effluent out into the river, all that other stuff that I could get away with before. And now I can't do that anymore. Do I care enough about everything? And what's my time horizon into my business? And I think the key variable in this is time horizon. What is the horizon in which you view your business? And I think there's a kind of a collective myopia. Leaders in public companies have a finite time horizon, they're not there forever, executives are not there forever, the investors are not there forever. And so we create this shared myopic view of the world, where we're optimizing in a very short time horizon. And that creates suboptimal outcomes in the long term. So optimum for short term, but some of them are the long term.

Now, this for me is a leadership failure. Because leaders need to articulate a long-term vision. The medium term is dead. It's all about short and long term. So, the leader's job is to articulate a clear long-term vision for their venture. And then define short-term milestones that they're going to work with, towards achieving those long-term visions. Where we get in trouble is that we don't have a long-term vision. So, then we are reactive and play the short-term game. But then we also attract a certain kind of investor pool. There are investors with different time horizons, institutional investors, individual investors, some have bought into long term visions, the business, some are playing the short-term game. So, we are kind of fixating on short term. I think Ralf makes an excellent point - we've got to think about this. How do we help leaders in business, really rethink how they reimagine their business?

### **Roland Deiser**

Well, we have this as a focus in our magazine that's called Developing Leaders Quarterly. We haven't talked much about the connection between leadership and purpose. I think it's an excellent point you make here, Ranjay.

There is a couple of hands more up, maybe I bring in one more person, but we're reaching also the end of our session soon. So maybe there is Michael Schreiber. Are you still interested in talking? If yes, leave the hand up, if no, put it down. I'll just wait a second. Michael, can you talk?

### **Michael Schreiber**

I raised my hand because I'm focusing on artificial intelligence alignment in my reading. I'm basically looking at the issue of creating alignment in machines and alignment in humans or organizations on a similar level and would suggest there is activity among developers to get personalities by specific prompts. So sometimes people wind up to a page of prompting before the user gets a chance to add his part to the prompt. And so Sydney, who was the Bing chat personality, was started through a basic kind of recitation of what is its purpose in Bing search engine intelligence.

I just wondered if there is somebody among you who sees a similarity between the development of purpose for organizations or regional development purpose or party purpose, in China, for instance, and the problem of training a machine to be aligned with what we believe it should be aligned with. This alignment issue is a training issue for machines at the moment, because we have, just in the last few years, got that generative capacities. And so, we really have to anticipate that these machines take part

as tools among our competitors - be it in the enterprise in a career competition, or be it in a market competition or be in regional national block perspective of competition. Just my curiosity, I don't want to make it too long, because there is shortness of time.

### **Roland Deiser**

That's an interesting point. I mean, ChatGTP and all the generative AI - is there a relationship with that? Any thoughts on that? Or it makes us think - let's put it that way. - Ralf?

### **Ralf Schneider**

I don't have an answer. But it's a hugely interesting question. The notion of training them on purpose obviously means you need to somehow give a sense of what your purpose is. And purpose, I think isn't exact science - it's a very human construct. And so you need to extract from who you are as a programmer. You almost transfer to some extent your identity, if you want to go that far, into the robot. And I think people can fail, and no purpose is complete for all the right answers, and for all the right cultures. So, who is the right person to give a universal purpose to a robot to be able to operate from that space? I don't know. I think that opens yet another dimension of complexity for us.

### **Michael Schreiber**

Yeah, I agree with you. And I think it is worthwhile to explore some of the history of alignment research because there are some fascinating insights in perversion of measure. It's usually humans who find a way to attack that measure, that leads to a denaturation of the correspondence between the measurement and what was supposed to be measured in the first place. Training humans is not trivial, and we are right now facing an emergence - some people say it's a singularity. It's a question how fast this will take off. But you if you look at it from last year - we saw these capacities. Now it's a built-in feature of the operating system in Microsoft.

### **Roland Deiser**

Yeah. Well, as we are reaching the end of the hour, we are reaching a very interesting challenge for us to continue thinking about these kinds of things. Thank you, Michael, really, for this contribution. Because there is a clear connection between purposefulness and impact - and clearly, knowing what's going on with AI, the impact will be very significant. We were talking a lot about in the last hour and a half about the connection between purpose and values, which is not necessarily the same thing. I mean, there are lots of concepts in the room - vision, and mission, and inspired. Large scale organization, society, individuals. It's a complex subject.

So, wrapping it all up - I want to thank everybody for these contributions, I think we can say that the discussion more or less just started, in a way. And now, with Michael's contribution, we got even a new angle on this. Maybe a very last comment on things that you may want to leave here at this roundtable. As always, our conversations are an experiment, a journey with surpriseful kinds of things. Anything you may want to wrap it up with, please go ahead - Sertac, Ralf, and Ranjay.

## **Sertac Yeltekin**

Just a few words - thank you very much for organizing this, I think it's been a wonderful discussion. I think that we have to go beyond our concepts of purpose in organizations to really be much more inclusive about what purpose would mean for others. Organizations play a role in that. But essentially, I think a lot of the discussion that happens gets a bit clouded by the organization's need to focus on the individuals and their engagement. We have to think probably a little bit out of the box on this issue.

## **Roland Deiser**

Okay. Anything else?

## **Ralf Schneider**

Great, great discussion. And you know, I'm looking forward, Roland, to the next round. Because when you take it into the context of networks and ecosystems, then the question is, whose purpose are we talking about? And can purpose statements be in competition with each other? What does that mean for networks? So how can you make purpose work across networks to solve even more complex problems, we can't even go to the first place in some places and within one individual organization. So, I'm looking forward to looking at that next level of complexity, as much as Michael's point about, what about human machine interaction and purposefulness in that space. Fantastic future conversations to come.

## **Ranjay Gulati**

I just end with one thing. You know, Nietzsche once said, the most common form of human stupidity is forgetting what we're trying to do in the first place. And I think it's unfortunate that we sometimes forget what we're trying to do in the first place. We're so busy with the doing we forget the why question, because purpose is the why question. It was a great conversation, I learned a lot from our interaction, I think is you really added wrinkles and nuance into, into what I think is a really important topic. So, thank you for inviting me, I really learned a lot.

## **Roland Deiser**

Well, I am super happy that guys were all there. And thank you to those guys who contributed from the audience. And as you said, Ralf - our next issue on Developing Leaders Quarterly is on business ecosystem leadership. And purpose, by the way, will play a real big role there as well, as an ecosystem has a purpose too. And you're absolutely right - multiple purposes in terms of business ideas meet and need to be negotiated within a social system that is ungoverned, by the way, in terms of traditional governance structures. A political system almost. So that will be an interesting one.

And to the audience - I hope you guys enjoyed it. We had people from 35 countries who had registered for this event. We have a video, and we'll share this with you. We also will summarize the discussion in the brief article in our upcoming issue. And so, for now, thank you again to everybody, and I'll see you hopefully at our next event.