



READY?
REDEFINE YOUR AMBITION

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A CLEAR PURPOSE AND VISION WILL HELP YOUR COMPANY RESIST
SHORT-TERM PRESSURE AND PREPARE FOR THE FUTURE

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What is your organization's ambition? Or, to put it another way, why do you exist and where are you going?

When you mention purpose and vision in many organizations, eyes start to roll. Surely these are just words used by marketing departments, people think; they aren't relevant to anyone making real business decisions.

This should not and cannot be the case if you want to prepare your organization for the future. Purpose and vision, which summarize your organization's ambition – plus the metrics that underpin them – have an increasingly critical role in a fast-changing and uncertain world.

If your organization's purpose and vision are clear, positive, and well-articulated, they will help you to avoid the short-term trap, make decisions that will guide it toward future success, and align and focus people behind those decisions. Without this clarity, companies often take protective, reactionary decisions and actions that see them clinging on to the past.

A positive purpose matters

Why do you exist? An investment bank's purpose, for example, might be to make as much money as possible for their core stakeholders – generally themselves. One investment banker told us: "Probably per square inch, there is a greater brainpower in this building than you could find in most any other building anywhere. We attract these individuals because we pay them through the nose. And we retain them because we continue to pay them through the nose."

Now contrast this with the purpose of the Mahindra Group. Its mission states: "We will challenge conventional thinking and innovatively use all our resources to drive positive change in the lives of our stakeholders and communities across the world, to enable them to rise." This purpose has not been at the expense of success; the company's stock price increased more than 20 times between 2002 and 2012. In fact it has played a key role in shaping and directing the dramatic growth and expansion of the company, including deciding what businesses to enter and not enter, and how to operate in each business.

Our point is not that investment banks are bad and Mahindra Group is good. In and of itself, purpose is a value-free concept. It simply reflects a choice made by a particular company or group of individuals. Theoretically, at least, no one type of purpose is better or worse than another as long as it forms a coherent foundation for the decisions an organization takes – but it does have consequences.

Purpose shapes how other stakeholders see you, what they expect of you, and whether or not they choose to associate with you. It guides what an organization does and does not do. It gives meaning to those inside the organization. It unites stakeholders in their understanding of what they can expect from the company and its leaders – a critical element in a connected world, where relationships are key to success and where stakeholders, including consumers and employees, are increasingly demanding.

A positive purpose puts something more than money at the heart of an organization's existence in order to help leaders bridge the gap between short-term pressures and longer-term goals. A positive purpose is typically aligned with sustainable success, which makes it a valuable tool when resisting short-term pressures and promoting long-term profit.

Earning permission to be successful

There are a number of factors to consider when thinking about purpose. The most obvious, and probably the most important, is trust. These days there is a low and generally declining level of trust in institutions broadly, and in business in particular. This is often linked to a perception – maybe even a reality – that companies have a win-at-all-costs mentality that leads them to focus entirely on protecting their own interests. Demonstrating that your organization's purpose is wider than this will go some way to rebuilding that trust.

Regaining trust is, in turn, the first step in earning permission to be successful. "Broadly, the role of business is to earn people's respect," Paul Polman, the CEO of Unilever, told us. "And I think that, despite what you hear from a lot of vocal individuals, respect for companies like ours is fairly high in

many places in the world. We have to ensure that we continue to strengthen that respect. Trust has to be earned every day.”

Earning this permission is not simply a matter of coming up with a statement of purpose that looks nice on a poster in the lobby. To make a difference, your company’s purpose needs to matter and to be kept at the center of things, even when it is inconvenient.

Ben & Jerry’s, which has a three-part mission statement that emphasizes product quality, economic reward, and a commitment to the community, offers a good example. In 1991, milk prices crashed by 25%. Co-founder Ben Cohen, true to the firm’s purpose, said the company would pay farmers an above-market rate. The half a million dollars that this cost, he said, would “come out of our profits, where it doesn’t belong, and into farmers’ pockets, where it does belong.”

Vision matters

Vision also matters, because it shapes the decisions on how to move a company forward. Purpose without vision is not sufficient – and both need to be complemented by clear metrics, for which we lay out a framework in our book.

An effective vision requires a point of view on what it will take to succeed in the future, not just continuing with what the firm does today. Some of the best vision statements we unearthed during our research were not the formal outlines published on websites or in reports. Instead, they were descriptions that characterized the business that the organization will pursue in the future.

Take Nestlé for example. Its vision and values are set out as: “Nestlé’s objectives are to be recognized as the world leader in nutrition, health and wellness, trusted by all its stakeholders, and to be the reference for financial performance in its industry.” This vision was created a little over a decade ago when Peter Brabeck-Letmathe, then the company’s CEO, decided to reposition the business as more than a food and drink company, recognizing that its playing field would shift substantially in the future.

This vision has helped to reshape the direction and activities of the whole business, including rethinking R&D and restructuring nutrition. At the same time, Nestlé has maintained strong discipline in its current core businesses to ensure that they maintain operational efficiency and keep up to date with changing consumer trends.

Balancing the demands of transforming your business’s vision while maintaining its success in the short term is not easy, but is critical. Without a clear vision, silo thinking can run riot, reactive decision-making will flourish, and organizations will be more likely to emphasize today at the expense of the future.

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This is an edited extract from Ready: The 3Rs of Preparing Your Organization for the Future. Find out more about the book at www.3RsReady.com. This is the third in a series of articles looking at how leaders can prepare themselves, and their organizations, for the future.

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