

**NICHOLAS BARNETT
RODNEY HOWARD**

WHY PURPOSE MATTERS

**AND HOW IT CAN
TRANSFORM YOUR ORGANISATION**

**FOREWORD BY
PETER NASH
NATIONAL CHAIRMAN, KPMG AUSTRALIA**

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Views from leaders about Why Purpose Matters

“Over time, we expect that our purpose will be responsible for delivering superior financial performance as it drives stronger profitability through improved productivity per employee, greater employee engagement and higher discretionary effort.”

Peter Acheson, Chief Executive Officer, Peoplebank

“The challenge for any organisation in embedding purpose into culture and making it part of everyday language and thinking is to ensure that all plans, projects, decisions, actions, behaviours and messaging are aligned with and easily linked to the strategies which evolve from it.”

John Blewonski, Chief Executive Officer, VincentCare Victoria

“As leaders, one of our major roles is to align our people around a shared purpose and values. Our values in combination with our purpose and what we see as our competitive advantages form ‘The Geelong Way’—our unique way. We recruit, develop and reward people who demonstrate ‘The Geelong Way.’”

Brian Cook, Chief Executive, Geelong Football Club

“A heightened sense of positive purpose is what our organisations, our businesses and our society desperately need. Nicholas Barnett and Rodney Howard make the compelling argument that organisations succeed best when long-term goals are aligned with collective purpose rather than mere corporate cheer-leading; when

employees and business leaders re-evaluate what they do and why they do it. This is a guide to getting the most out of our careers and our lives.”

Tim Costello AO, Chief Advocate, World Vision Australia

“Finally, to achieve meaningful change that your purpose demands, companies need to forge a shared agenda with shareholders, employees, suppliers, customers, as well as society. Focusing only on the return of value to shareholders not only undermines the purpose, but can also drive companies towards short-term outcomes that blind them to longer term risks and opportunities.”

Chester Cunningham, Managing Director, Xynteo

“Although it is still relatively recently that we articulated our statement of purpose, our purpose is driving greater employee satisfaction, improving our organisation’s ability to change and providing even greater focus on improving client experience. Clarifying our purpose and combining it with the commitment of our people and our excellent products and services provides a strong platform for our long-term success.”

Christopher Kelaher, Managing Director, IOOF

“Welfare can teach the corporate world that it is not necessary to pay big wages to create an impassioned workforce. Purpose is a greater motivator than dollars.”

Bryan Lipmann AM, Chief Executive Officer, Wintringham

“We need a foundation upon which to anchor our day-to-day working lives. People and businesses with a clear sense of purpose are better equipped to make decisions, to lead and to be successful in their chosen endeavour. That is why KPMG has embraced our

purpose and why we are working hard to embed a sense of purpose across our organisation.”

Peter Nash, National Chairman, KPMG Australia

“Our ability to articulate our purpose acted like a flywheel that gave us forward momentum and more resilient performance that was more durable than short-term results. Looking in the rear vision mirror, purpose has been far more transformational than I could have possibly imagined when we initially set out to discover it.”

George Savvides, former Managing Director and CEO, Medibank

“Our family vision and purpose is the foundation stone for all our plans and decisions. Those simple yet profound words also give clear answers and direction to those very deep and complex questions that we struggled with around why we should stay together as a family and what we want to pass on to our children and grandchildren.”

Chris Stillwell, Chairman, Stillwell Family Enterprise

“Our purpose has also helped our employees to find much more meaning in what they do. We are still on a journey and there is plenty of room for us to do this better, but we now routinely discuss and celebrate how we are creating better lives by making a difference in the wealth, health and career of those we serve and proactively use our insight and different perspectives to help make tomorrow today for our clients.”

Ben Walsh, Managing Director and Pacific Leader, Mercer

“All of us enjoy a good story, especially when it has a realistic touch (even if today’s reality TV takes it a touch too far!) But within this general kindred spirit, Nick and Rodney have given us an engaging

but also fast-moving book on ‘Why Purpose Matters’. They begin with a story of corporate life, comprising hypothetical characters who can be easily identified from our own careers and experiences, and who have to face, embrace and tremble their way through a major change journey on the job—as they also try and achieve just a little work–life balance, not to mention the odd sanity breaks for themselves and those they lead. The story is realistic, credible and gripping, and the reader can join the flow and identify strongly with it. At the end of the book, Nick and Rodney break down the code from their story in robust business literature fashion—so the learnings ‘on a list’ are there for readers who want to apply the general approach to their own work experiences and lives. Well worth the read. Follow their code on purpose, and you will be the richer for it.”

Peter Wilson AM, National President Australian Human Resources Institute and World President, World Federation of People Management Associations

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This book has been significantly enhanced through the contributions made by nine Chief Executive Officers. The stories they tell are testament to the benefits that organisational purpose can provide and we are grateful for the time they have invested and the wisdom they have shared.

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Foreword by Peter Nash, National Chairman, KPMG Australia

I have always been incredibly proud to work at KPMG and had a strong sense of the importance of the work we do and the difference an organisation like ours can make for our people, our clients and our community. But this wasn't something I spent a lot of time thinking about or talking about—it was just who we were, something innate and perhaps something I took for granted. Four years ago, this changed. Our Global Chairman, John Veihmeyer, started a conversation about purpose. It was like a light had suddenly been switched on. It helped me understand, at a much deeper level, the value we deliver. It helped me articulate what I had always known—why my work was important and why, what we did at KPMG mattered—the difference we made.

At a personal level this was both inspiring and liberating. I had found a powerful means to better understand and communicate my contribution and the value of my organisation. It also revealed to me how incredibly powerful an explicit conversation about purpose could be for our engagement with our people, our clients and our communities.

It's important to note that for KPMG our understanding of our purpose and our capacity to articulate this did not arise in a flash of blinding light. It wasn't something we came up with in a focus group session or through the engagement of a marketing firm. As an organisation we had to spend significant time and effort

thinking deeply about our past, present and future. We took a step back and asked why what we do really matters and what would the world miss if KPMG didn't exist. We spoke to and engaged with all of our stakeholders, our partners, our people and our broader community. Together we identified the clear purpose that has driven KPMG people for over 100 years that still drives us today. We did not 'create' a purpose, rather we unearthed or 'excavated' the purpose of our work, which in fact had always existed. And, we found a way to communicate that and to put it into words—'Inspire Confidence, Empower Change'. That's our purpose and that's why we're here.

It was not a difficult task to get our senior leadership to buy into the notion and the power of purpose. While they were an important audience, they were not the most important. If any organisation desires to embrace purpose, truly be purpose-led, then this must filter right down through the organisation. We knew that to unleash the power of our purpose, we needed everyone on board, to believe in it, to embrace it. Without this, it ran the risk of being a superficial exercise or simply a marketing gimmick.

Effectively embedding an understanding of purpose requires more than sending out a communication that announces the arrival of 'purpose' and anticipates that your people and your stakeholders will embrace it. It takes effort, it takes time and it takes a genuine belief. If just one of these ingredients is missing, particularly the last, then the promise and the potential power of understanding purpose will never be achieved.

We have approximately 6,700 employees in Australia and more than 189,000 employees globally so we are in the midst of our 'purpose

journey’ at KPMG. There is no doubt it has inspired our leaders and is starting to inspire our people. Our surveys evidence a real desire among our people to understand and talk about our purpose and discover how they can bring it to life. Indeed, we see from those survey results that discussion and understanding of purpose is directly correlated to higher levels of employee engagement and a greater sense of ‘place’ and ‘team’ within our business.

As we have gained clarity and confidence in talking about our purpose, we are engaging in different conversations with our clients and community stakeholders. A different kind of conversation that is richer and deeper in nature about purpose and the power of being purpose-led is emerging.

We live in challenging times. Change is occurring at a pace more rapid than at any time in our memory. The volatility that this gives rise to is evident all around us—at a political level, within our communities and through our economies. Is it really a surprise that in such circumstances giving people an understanding of why what they do everyday matters?

We need a foundation upon which to anchor our day-to-day working lives. People and businesses with a clear sense of purpose are better equipped to make decisions, to lead and to be successful in their chosen endeavour. That is why KPMG has embraced our purpose and why we are working hard to embed a sense of purpose across our organisation.

My many discussions with Nick Barnett and Rodney Howard have evidenced to me that they understand deeply the intrinsic nature of purpose and the value it can deliver. In writing this book they have

sought to inform others and to add to the volume of knowledge and understanding of this most important notion—purpose.

If purpose is something you and your organisation have a genuine interest in then I commend this book to you.

Preface

Why we wrote this book

This book was written with the aim of transforming organisations for the better and improving the way in which they engage with their employees, customers, shareholders and communities. We have seen this better way play out in many organisations with which we have had the privilege to work.

We hope this book inspires conversations at your workplace about the value that purpose might add to your organisation. We would love it if purpose were used to help transform the culture of your organisation and enable a more meaningful experience for you and your colleagues on a daily basis.

A book of three parts

The first part of this book tells the story of a fictitious business, FinServ, and the transformation it undergoes as it becomes purpose-led. The story begins with an organisation that has a proud history, strong commercial capabilities and an enviable market position. Yet, there is a recognition that ‘something is missing’. The resultant journey of discovery and realisation serves as a metaphor for what we typically see when we work with organisations that embrace purpose.

The second part of this book is a how-to guide. It explains what

happens during each of the four stages that we see organisations traverse, as they bring purpose to life.

Nine CEOs have generously shared their experience of leading organisations as they become purpose-led. Their stories are detailed in Part Three. They provide a unique, firsthand account of their aspirations, the struggles they encountered and the benefits they witnessed. Their stories are testament to the potential that purpose unveils and we are grateful for their contribution.

What is purpose?

Purpose is an expression of the contribution we wish to make in order to help the world become a better place. It represents a desire to contribute to something greater than our self.

For us as individuals, it may be as local as raising our children or growing a beautiful garden; alternatively, it may be as global as reducing world poverty or enhancing the sustainability of our planet. Inevitably, it helps us find meaning in our daily endeavours and make sense of our place in the world.

For our organisations, purpose is an expression of the contribution we collectively wish to make to our customers, staff members, shareholders, industry and community. It defines the reason for our organisation's existence and gives us a profound sense of why we do what we do on a daily basis.

What purpose is not

Purpose is not a description of what your organisation does. It will not explain that you build roads, manufacture widgets, bake bread or provide a service. Your organisation might do one or more of those things, but that doesn't explain why it does those things.

Also your purpose won't simply be to make as much money for your shareholders as possible. Whilst that is the espoused purpose of many organisations, we define purpose as something that is worthy or provides a meaningful contribution to others and goes beyond making money for shareholders.

Finally, your purpose will not simply be a bunch of words emblazoned on glossy brochures, fancy posters, mugs and mouse mats. If that is what an organisation's endeavours amount to, it has missed the point, which is of course, to bring purpose to life.

Examples of organisational purpose

Expressions of organisational purpose are typically short in words but long in conviction and belief. Examples of purpose from some of the organisations represented in this book are listed here.

Organisation	Type	Purpose
Medibank	Health insurance	We stand for better health
Peoplebank	IT and digital recruitment	To make lives better by helping people achieve their goals
VincentCare	Services for the homeless	To create opportunities and lasting change for the most marginalised

Bringing purpose to life

Bringing purpose to life is a courageous journey of organisational transformation.

It is not for the faint hearted; it will require sustained leadership commitment, perseverance and a belief in the potential that purpose can yield.

The rewards are many: the contribution you make will be uplifting; the people who benefit will be grateful; and the organisational and commercial benefits will be significant.

We wish you well on your journey.

PART ONE

THE STORY

SOMETHING

IS MISSING

CHAPTER

ONE

“Something is missing.”

“What do you mean?” asked Jim.

“I don’t know,” replied Jane. “I just know there is something missing – it’s as if there is something we are not seeing.”

It was the weekly meeting of the senior leadership team of FinServ, a leading financial services organisation. Gathered around the boardroom table, the executives’ mood was more tense than normal. Jane, FinServ’s Chief Executive Officer (CEO), chaired the regular Monday morning discussion.

“We have all the data we need,” continued Jane. “We keep strategising and planning, executing and implementing; and the numbers are still tracking south when we need them to go north. We have spent months refining our strategy and building capability and we are still not getting the results we need. My question is, what is it that we are missing?”

The room became silent. Except for the softly repetitive tapping of Mike’s pencil on his notebook, the senior leadership team of FinServ was unusually quiet.

“You know my view, Jane.”

The voice was Jim’s, the longest serving member of the senior leadership team and the Chief Operations Officer (COO) of FinServ. Jim was highly regarded within the organisation as a representative of the “old guard” and one of the few senior staff that had served under the previous CEO, Peter Hammersmith. Away from work Jim was a devoted family man, mountain climber and outdoor enthusiast. At work he was forthright, pragmatic and exceptionally good at achieving operational targets, which is why he had excelled for many years as the firm’s COO.

“The problem is not the lack of data, nor are we missing anything. The impact of the Synergize project is still being felt throughout the firm, particularly in the back office. We haven’t received the value creation we expected from it and the loss of Finance Global from our portfolio has had a dramatic impact on gross revenue.”

Synergize was Jim’s baby. The project was an idea that had been generated during Peter’s reign as CEO three years earlier. It took nine months to plan and a further six months to gain board approval. Synergize had been implemented two years ago, just prior to Jane’s arrival as CEO.

It was hailed as the expected saviour of the firm, yet to date Synergize had caused enormous internal tension with little reward in terms of productivity and profitability. The true believers, like Jim, were still waiting for the expected uplift, but support for Synergize as a solution to the firm’s flagging market share was waning.

“We are due to receive the consultant’s report in three weeks; that will give us a good read on the depth of the recent systems integration and what’s next in terms of business unit consolidation. Sue, Mike and I are meeting with our respective teams next week to

implement the final phase of Synergize and that will align marketing, sales and distribution. The last plank in our revitalisation process is the Client Partnership Project and we expect to see an upward trajectory in sales volumes as a result of that exercise.”

Sue, sitting across the table from Jim, listened intently. As the firm’s newly appointed Marketing Director she was still getting to know the personalities of her peers. Sue was regarded as being exceptionally bright, a brilliant market analyst and having a good eye for opportunities. She formed few close relationships at work, preferring to keep business relationships separate from her private life. At times this was interpreted as being cold and distant, although those who knew her well saw a much warmer and more caring side of her nature.

The only other appointment Jane had made since arriving at FinServ was to hire a new Director of Sales and Distribution. Mike was young, brash and at times irreverent, which appealed to Jane immensely. She liked him as soon as they met and believed that he would be a welcome injection of new energy into her senior leadership team. So far her judgement had been correct, although some team members still held reservations about his capabilities.

“My view is that we need to stay with the current strategy” Jim continued, “and go ahead with the review planned for the end of the financial year. By then we will be in a much better position to fully judge the merits of Synergize, as its implementation will have been fully realised throughout the firm.”

“We are not missing anything. We just need to stay focused and execute effectively,” he concluded.

Silence descended again around the boardroom table. After what seemed like an eternity, Sarah began to speak for the first time since the meeting had begun.

The Director of People and Culture, Sarah, was regarded as probably the most dependable and trusted person in the firm. Everyone knew that she continually received offers from Andrews and Ernest, as they were desperate to copy the firm's Reward and Recognition program, of which Sarah had been the primary architect and sponsor. Titled "The Dream Team," it had won industry awards for its breadth of scope and the improvement in employee engagement it had achieved.

Sarah was "old school." She believed in looking after people and gaining their hearts and minds in order to get the best out of them. She was a passionate advocate of career planning and development and encouraged mentoring as a formal process within the firm. Sarah had been at FinServ for many years and wasn't planning on going anywhere, as long as the choice was up to her.

"I agree with you, Jim. We absolutely need the feedback from the consultants, as well as going ahead with the current strategy and completing the planned review; yet I also think there is more that we still don't understand. Andrews and Ernest has been taking market share from us for over two years; and as you rightly said, losing Finance Global as a client was a telling example of that.

"We know that our people are working as hard as ever, but something is getting in the way of us getting the scores on the board. From my perspective, a worrying sign is the dip in engagement that we saw in last quarter's Pulse Check. That is the first time in four years that our engagement has dropped below 60%. While that's not alarming on its own, it certainly raises my concerns in the broader context of our results going backwards. Of most concern to me is that the biggest drop in engagement came from our frontline and they are historically our most engaged!

“I don’t know what it all means yet, so I have asked Nicole in Organisational Development to run some focus groups across the business to see what we can discover.”

Vince had been quiet throughout the discussion. This was fairly typical from the Head of the Corporate Division. He had been at FinServ almost as long as Jim and Sarah and was liked and respected. His few detractors saw him as “a diamond in the rough,” yet he had risen through the ranks to look after the largest business unit in the firm. He talked slowly, deliberately and in a quiet yet purposeful manner that demanded attention simply through his presence. On this occasion, however, he kept silent along with everyone else in the room.

Mike, however, could no longer contain himself. As the Head of Sales and Distribution he believed he knew the source of the problem. This was not surprising to those who knew Mike, as self-conviction and confidence were a large part of his nature. Articulate, street smart and with a love of healthy debate, he was a potent force in any meeting room.

“Five years ago we cracked \$415 million in revenue for the first time, following the glory years during which we averaged 9% growth in annual sales for over a decade. In three of the last four years our growth has been flat or negative and we have seen Andrews and Ernest take the number one spot in our market for the first time.

“Our sales and distribution networks are the envy of the market. We know that our relationship network is the most extensive in our industry, yet our conversion rates over the last 18 months have dropped by 15%. That should be alarming to everyone in this room. It’s one of the few things that keeps me awake at night.”

Jane, although quietly listening to everything that had been said, had also been listening to her own inner voice. This was unusual for her, as normally her ability to remain highly focused on tasks was exceptional, a result of many years of practice and discipline. On this occasion though, she could not stop listening to her inner concerns.

She knew that everything her team had discussed was valid. Their passion, intelligence, professionalism and concern for the business were the reasons that she had enjoyed being at FinServ from the moment she first walked in the door.

Yet she also knew that something was missing.

The numbers were down on just about all fronts, financial as well as non-financial. The only real high spot was the increase in graduates wanting to join the firm, although she knew this was largely a result of the strength of their brand, which still resounded positively throughout the market.

Her team was doing everything that she expected of them. They were driving themselves harder, expecting more from their people and implementing all manner of new initiatives to try and turn things around. It was just that the new initiatives were extrapolations of the current strategy and borne of the same mindset that had created the problem in the first place.

She had to find the solution. It was just that she didn't know the source of the problem, nor did she know where or how to find it.