



Research insight

Shared purpose and sustainable organisation performance

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Background

This Research Insight is designed to help stimulate thinking about the benefits of creating a shared sense of purpose within organisations and is aimed at those in strategic HR roles and organisational leaders.

The paper is based on the findings from a literature review, data from the CIPD's *Employee Outlook* survey (May 2009) and includes a detailed illustrative case study.

This Research Insight looks specifically at:

- the concept of shared purpose in organisations
- what creates a strong sense of shared purpose
- the benefits that a strong sense of shared purpose can bring
- how shared purpose might contribute to sustainable organisation performance
- how shared purpose works in practice, with an example from the RNLI.

What is a shared sense of purpose?

Two different definitions of an organisational purpose are detailed below:

Organisational purpose 'expresses the company's fundamental value – the raison d'être or over-riding reason for existing. It is the end to which the strategy is directed.' (Ellsworth 2002, p4)

'Where strategy is concerned with what an organisation wants to achieve, and how that will happen, purpose deals with why the organisation exists in the first place and what ultimately matters in its work.' (Springett 2004)

The difference between simply having an organisational purpose and having a shared sense of purpose is that this sense of purpose is shared by all employees working for the organisation and often beyond this to include external stakeholders. An organisation's shared sense of purpose is its identity and 'the golden thread' to which its strategy should be aligned.

Clearly, organisations vary significantly in terms of how much employees feel that they have a shared sense of purpose. A high level of shared purpose suggests that people from across the organisation work to common goals and are highly motivated to deliver those goals. Low levels of shared purpose indicate a fragmentation of effort and, typically, little sense of strategic direction.

The CIPD's *Employee Outlook* survey (May 2009) asked 3,000 UK employees whether they experienced a strong sense of shared purpose in their organisations. Encouragingly, just under half (47%) either strongly agree or agree that they experience a strong sense of shared purpose at work. However, over a quarter (28%) disagree or strongly disagree with this statement.

Should HR professionals be concerned about the level of shared purpose that employees experience? Our *Employee Outlook* survey (May 2009) suggests that they should because it is closely linked to employee engagement, which has been positively associated with organisational performance within the management literature.

What creates a strong sense of shared purpose?

From our review of the literature and our recent analysis of our *Employee Outlook* survey (May 2009) data, we have found six factors that drive a strong sense of shared purpose inside organisations.

An invigorating organisational purpose

At the root of any organisation there needs to be a statement of purpose, which typically describes the principal beneficiary group and the nature of the benefit being provided. All decisions, including strategy, should flow from this purpose (Basu 1999). Our *Employee Outlook* survey has shown that in a business context, four types of purpose are common (although they are not mutually exclusive):

- 1 making the most profits for investors and owners (49%)
- 2 balancing the needs of all stakeholders (25%)
- 3 creating most value for customers (20%)
- 4 giving the most benefit to society (6%).

The research literature shows that people want to have a purpose beyond making money. A purpose of maximising shareholder value leads to employee disenchantment and a lack of loyalty and commitment. In contrast, purposes that are about creating a better world for customers, stakeholders or society as a whole seem to lead to the strongest sense of shared purpose. An invigorating purpose conveys something distinctive that is both uplifting and deliverable (Bains et al 2007). However, the statistics above show that most employees (49%) from our *Employee Outlook* survey believe the core purpose of their organisation is to make the most profits for investors and owners.

Effective leadership

Formulating, defending and bringing to life the common purpose are central leadership functions (Burns 1978). Deciding when to refresh the purpose is a crucial judgement call. Effective leaders actively develop shared

purpose across the organisation and mobilise people's energy – this can be heightened through crafted language use and storytelling. Gratton (2004) has described leaders as 'architects of shared purpose'.

A compelling vision and strategy

Leaders draw people into a shared sense of purpose by creating a distinctive, well-crafted and compelling vision of the organisation's future. An organisation's purpose should be at the heart of its vision and strategy. Both vision and strategy need to be grounded in clear goals to be achieved and employees need to understand how their roles contribute to delivering those goals. Communicating and celebrating progress towards the achievement of the goals is necessary in maintaining the shared sense of purpose.

A meaningful employee voice in decisions

Our *Employee Outlook* survey (May 2009) data shows that organisations have a significantly stronger sense of shared purpose when senior managers consult employees on key issues and when employees feel that they have opportunities to be involved in decisions that affect them.

Effective performance management

A shared sense of purpose is strengthened when employees understand what is expected of them, receive clear performance feedback, coaching on the job from their boss and have regular discussions about their training and development needs.

Common practices

In the research literature there is evidence that common practices, such as the adoption of a shared approach to quality, can enable a shared sense of purpose across the organisation, which breaks down functional and physical boundaries. Adopting the Investors in People (IiP) standard is an example of practices that impact in this way.

What benefits can a strong sense of shared purpose bring?

Our review of the literature combined with our *Employee Outlook* survey (May 2009) data analysis reveals three immediate benefits associated with having a strong sense of shared purpose.

High levels of employee engagement

A sense of purpose leads employees to feel motivated and committed to the organisation. Our data shows that employees in organisations with a strong sense of shared purpose find their work to be absorbing and meaningful and they are willing to expend discretionary effort. They are also more satisfied with their pay and want to stay with the organisation. This initial review therefore suggests that developing a shared sense of purpose drives employee engagement, a relationship that requires further examination due to its potential value to organisations.

A strong sense of community

A shared sense of purpose is an integrating force that enables people to work collaboratively to achieve the organisation's goals, rather than developing their own position at the expense of colleagues. This sense of community can be expressed through the articulation

and application of shared values and principles – which in turn further heightens the shared sense of purpose. Our data shows that it is much easier to build such a unity of purpose when the organisation is small and on a single site than when large and complex. A significant challenge of leadership therefore is to maintain the sense of community as the organisation grows and becomes more structurally and geographically complex.

Effective teams

Leaders must instil a strong sense of shared purpose in every team for them to be fully effective. The ideal is to foster a sense of purpose both 'locally' in the team and 'globally' within the organisation as a whole, as demonstrated later in the RNLI case study. People are then aligned both with their team's goals and those of the organisation, which will facilitate cross-functional working. This applies to teams of all types, such as ongoing, project, co-located and virtual. The shared sense of purpose enables distributed leadership, which has been shown to increase team performance. A team charter process, in which the team collectively agrees a common purpose, goals, priorities, roles and norms, can underpin a shared sense of purpose at the team level.

How might shared purpose lead to sustainable organisation performance?

While the causal link from shared purpose to sustained organisation performance has yet to be proven, there are pieces of evidence that suggest such a link.

In 2002, Richard Ellsworth published data indicating that companies whose organisation purpose is focused on delivering value to customers are significantly more profitable over a ten-year period than companies aiming to maximise shareholder value or those trying to balance the needs of all their stakeholders.

Part of the explanation for these findings seems to be that a customer-focused purpose leads to both a strategic focus and creative capability inside organisations (Springett 2004). Springett also found that a customer-focused organisation purpose produces a strong sense of shared purpose among employees, suggesting that shared purpose might be driving organisation performance. This view was echoed in the work of Bevan et al (2005) and Buytendijk (2006), who both found that high-performing organisations have a strong sense of shared purpose internally and this purpose is understood and shared with their external stakeholders.

So, how might having a shared sense of purpose lead to sustained organisation performance? Our analysis of our *Employee Outlook* survey (May 2009) data indicates that a strong sense of shared purpose leads to high levels of employee engagement. Further, various studies – such as Brakely et al (2004) and Beslin and Reddin (2006) – have linked employee engagement with high organisational performance.

Where a shared sense of purpose has been successfully embedded into the way an organisation or team operates, the value of having done so is recognised.

Phil Jackson, former coach to Michael Jordan and the Chicago Bulls is quoted by Roche and Sadowsky (2005) as saying:

'The most effective way to forge a winning team is to call on the players' need to connect to something larger than themselves. Even for those who don't consider themselves "spiritual" in a conventional sense, creating a successful team – whether it's an NBA champion or a record-setting sales force – is essentially a spiritual act. It requires the individuals involved to surrender their self-interest for the greater good so that the whole adds up to more than the sum of its parts.'

Shared purpose is one area of investigation within the CIPD's Shaping the Future research study. Shaping the Future is a longitudinal action research study and engagement programme exploring sustainable organisation performance. It aims to advance both thinking and practice through generating new insight, provoking debate and providing practical guidance and tools that can be applied in a work context.

To find out more about the Shaping the Future research programme, please go to www.cipd.co.uk/shapingthefuture

What does shared purpose look like in practice?

Case study: shared purpose in practice at the Royal National Lifeboat Institution (RNLI)

Organisational purpose and vision

Founded in 1824, the RNLI is recognised as one of the more successful charities. Although the organisation has significantly expanded its services and its geographical presence since 1824, its core purpose remains the same. It is 'the charity that saves lives at sea'. This unifying purpose underpins the organisation's vision, values and strategic and operational priorities.

The organisation's vision is 'to be recognised universally as the most effective, innovative and dependable lifeboat and lifeguard service'. A clear operational focus underpins this vision, including: having a strategically located fleet of lifeboats (coastal and inland) that can be launched in all weathers; provision of lifeguard services on a seasonal basis; and ensuring resources are allocated to supporting safety education and accident prevention at and by the sea. A clear set of performance targets underpin these operational targets and are published in the organisation's strategic plan for all stakeholders to refer to.

Factors that have contributed to the organisation's success

A number of factors have contributed to the organisation's success. First, it operates a long-term planning timeframe. This includes a 20-year strategic plan supported by a five-year business plan and an annual operating budget.

Second, given the nature of its business, the RNLI has to maintain adequate financial reserves. Innovative fundraising has played a key role in building these reserves. A large percentage of the organisation's funding (60%) comes from legacies. The general public give to the RNLI because they respect the work that lifeboat crews do. They perceive lifeboat crews as courageous, selfless (that is, they put their lives at risk to save others) and independent (the public are aware that the RNLI does not receive any central funding). It is this independence that generates tremendous respect amongst the general public, without which the organisation's future may not be sustainable. However, changing external factors means that the organisation cannot afford to be complacent: an ageing population, increasing cost of elder care, as well as reduced investment funds could all affect the organisation's future financial base. Long-term financial planning is already difficult for the organisation. Despite knowing that a donor has set up a legacy, it is difficult to plan for when that legacy will arrive.

Third, and something that is aligned to the organisation's core values, is maintaining a strong volunteer ethos. This ethos enables the organisation to prioritise spending on areas that allow it to achieve its core purpose, as opposed to staffing costs. Maintaining the organisation's reputation amongst the general public and other key stakeholders is thus key to sustaining the organisation's business model.

Case study: shared purpose in practice at the RNLI (continued)

The organisation has identified a number of external factors that could impact on its current and future success:

- the impact that the current economic situation could have on the RNLI's own operations as well as that of its key suppliers, including the supply of funding and the supply of volunteers
- technological advancements and changing legislation linked to risk-taking that could affect future demand for RNLI lifeboat services
- climate change and the potential increase in demand for lifeguard services on UK beaches
- changing demographics and the effect that this could have on the number of people who choose to spend their time volunteering.

Organisational structure and resourcing

Currently, just under 1,300 staff work at the RNLI. In addition, there are a large number of volunteers: 5,000 volunteers work in roles that directly involve saving lives, for example as lifeboat crew and shore helpers (these are people who help run the lifeboat stations). The majority of those who head up the lifeboat stations are volunteers, rather than paid employees. There are also large numbers of volunteers working in various fundraising roles as well as trustees.

Having access to such large numbers of volunteers enables the organisation to prioritise its expenditure around achieving its core purpose – saving lives at sea.

Building and maintaining a volunteer pipeline is crucial to the organisation's sustainable future and forms a key element of the strategic people plan. It is recognised that a number of external factors could affect the volunteer pipeline in the future: changing demographics and the attractiveness of the RNLI to different age groups; the general state of employment opportunities; as well as the perception of volunteering amongst different groups of society. The multiple priorities and opportunities that the 'Baby Boomer' generation, for example, have access to have been identified as a key risk that the organisation needs to actively manage.

Developing a shared purpose

Perhaps the strongest sense of connection with the organisation's purpose can be found in the lifeboat stations. The operational benefit of this connection with the organisation's purpose is that staff and volunteers in lifeboat stations invest energy in making sure that the lifeboats and other essential lifesaving equipment are kept in peak condition ready to be put into action at all times and in all conditions. While this does lead to a strong sense of responsibility and accountability amongst lifeboat crew members, the organisation has to work hard to ensure that lifeboat crew engage with the work of the whole organisation, not just their particular lifeboat station. Maintaining this strong sense of shared purpose is thus something that needs to be continually reviewed alongside changing operational priorities. An example of this is the development of dual-purpose lifeboat stations, that is, as a base for developing both lifeguard and lifeboat services.

Case study: shared purpose in practice at the RNLI (continued)

Having such a clear purpose has helped the organisation maintain a continuing supply of staff, both volunteers and employees. It helps with high levels of organisational engagement too. Staff turnover is particularly low, currently averaging around 9%.

While most staff find it relatively easy to identify with the organisation's core purpose, not all staff find it so easy to appreciate the impact of their individual contribution on the wider purpose of saving lives at sea.

To address this, a number of changes have been introduced by the HR and training team. These include: creating development opportunities for staff working in support roles to spend time experiencing what life in a lifeboat station is like; encouraging staff and volunteers working in lifeboat stations to share stories of their work with staff and volunteers in other parts of the organisation; and using more visual communication approaches to bring the business of saving lives at sea more alive for everyone, such as the TV/video footage used to promote the 'Train One Save Many' fundraising campaign.

Despite these changes, the HR team recognises that more could be done to help people develop a greater sense of connection with the organisation's purpose. One way of doing this is to develop the awareness and capabilities of line managers so they are more equipped to help staff and volunteers develop a better sense of connection. Another way would be to encourage lifeboat crews to take personal responsibility for helping colleagues in other parts of the organisation connect with this core purpose through personal feedback.

HR's role in supporting the organisation's shared purpose

The HR team is currently reviewing the organisation's people plan to ensure that the HR practices support the priorities in the 2010 to 2030 strategic plan.

Some of the key strategic priorities include:

- ensuring a continuing supply of highly skilled volunteers who are capable of filling operational and fundraising roles in the future: linked to this priority is ensuring more-transparent career development frameworks so that current and future staff are more aware of what a career at the RNLI could look like
- the introduction of a competency framework, reflecting organisational values, will underpin recruitment, performance management and development activities for staff in all roles
- an enhanced performance management system that reflects the need for personal excellence through focusing on continuous improvement to ensure enhanced organisational efficiency and effectiveness
- building line manager capability so that managers are more skilful in creating an environment where all volunteers and staff perform at their best and continue to connect with the organisation's purpose: this initiative will include helping line managers understand their role in creating opportunities for staff to experience the 'sharp end', as well as providing managers with the necessary tools to do that; in addition, it is important to ensure that managers take more accountability for taking difficult decisions relating to individual and organisational performance.

Acknowledgements

In this section we draw on insights from a case study about what shared purpose looks like in practice.

We would like to thank Ali Peck, HR and Training Director, Sarah Burgess, Head of Human Resources, and Geraldine Grainger, Head of Training, for making it possible for us to develop insights into the RNLI's culture and focus on shared purpose.

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