REDEFINING THE ORGANISATION

'Robber Baron' or 'Robin Hood'? **Dan Pontefract** argues that some, if not many, organisations have forgotten what they once stood for. It is time, he says, to review, refocus, recreate and thus redefine their true purpose

The purpose of an organisation (and business itself) has long been discussed. Some leaders — firmly ensconced on the far right — believe the purpose of an organisation and its sole identity is to forever increase the magnitude of profit ... and nothing more. Decades ago we might have referred to these folks as "robber barons".

Others — particularly in public sector or government outfits — use their role and thus the organisation to uphold and gain positions of power through bureaucratic and partisan leadership practices.

Thankfully, there are those who see the organisation as a supporting agent in improving society's multiple stakeholders, whether it is customers, employees, communities, owners or the environment.

Let us first investigate the greedy ones.

Take, for example, private equity investor Carl Icahn, who repeatedly issues public letters urging Apple CEO Tim Cook to buy back more of the company's publicly traded shares in order to drive up the stock price and thus its market capitalisation.

We might argue that IBM has become caught up in this thinking, too. By reducing the amount of its stock outstanding (through multiple share buyback instances) IBM was able to continue reporting higher annual earnings per share, a key Wall Street benchmark. Countering a significant decline in its revenue in recent years, this strategy upheld IBM's forecasts and guidance to "the street"'.

Interestingly, IBM has repurchased such quantities of its own stock that there are now less than one billion shares in circulation, the lowest number since 1999.

This is the definition of "maximising shareholder value". It puts profit (and arguably greed) ahead of society's collective needs.

This myopic, short-term thinking is something far too many private and publicly traded organisations endorse as a core operating practice. In the case of Apple, William Lazonick has pointed out in *Harvard Business Review* (October 16, 2014) that its shareholders have perhaps already received plenty of returned profit and cash. After all, what could the world do with $90 billion?

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On the public sector side, do you remember the US federal government shutdown in early October 2013? Roughly 800,000 federal employees became furloughed for an indefinite period and another 1.3 million employees continued to show up for work but did not know if they were going to be paid or not.

Due, perhaps, to a blind fixation on power, partisan eccentricity and bull-headed bureaucracy from some of the country's highest elected leaders, hundreds of thousands of employees were left wondering if they would have enough money for groceries that week. And we wonder why, according to a Gallup poll, employee engagement in America's federal government agencies and departments is so low that 72% of workers are either actively disengaged or not engaged in their role.

There are those on the extreme left who seem to argue profit is evil and thus the mere mention of making money is (or has been) destroying society. Balderdash, I say.

Frankly, this line of partisan thinking is just as nonsensical and counterproductive as eliminating job titles or hierarchies in the organisation. Believing a private organisation should not make a profit exacerbates the societal rifts that are already in desperate need of being mended.

If there is no profit, how can there be anywhere to innovate or dream up new ideas for our collective future? How can there be meaningful places to perform the work without the security of continued investment?

It should become the quest of every senior leader to begin operating his or her organisation with a demonstrably improved sense of purpose. The shift from focusing solely on profit or power to one that takes into account all of society's stakeholders is what is needed for our downtrodden planet and crestfallen employees.

A change in positioning is necessary. The shift from believing profit is evil to becoming a necessary component of progress should also be enacted. In summary, a new balance between "management and meaning" ought to be our collective moon shot for the 21st century.

But why does a fixation on profit or shareholder return — arguably the singular motive for so many private firms — continue to be prominently displayed in many of their mission statements?

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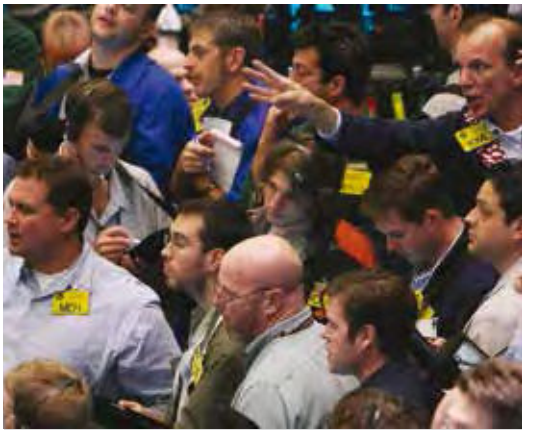

Author and academic Lynn Stout argues in her book *The Shareholder Value Myth* that "Many people are 'prosocial,' meaning they are willing to sacrifice at least some profits to allow the company to act in an ethical and socially responsible fashion." She adds: "Others care only about their own material returns."

And there's the rub. We need more of the former and less of the latter.

Deloitte LLP has unearthed wonderful evidence suggesting a culture of purpose in the organisation directly creates confidence, short and long-term growth as well as an improved internal culture and financial benefits.

Based on the research, Deloitte's Chairman, Punit Renjen, stated: "An organisation's culture of purpose answers the critical questions of whom we are and why we exist through a set of carefully articulated core beliefs".

He contends that an organisation that instils a sense of purpose — permeating all stakeholders, including employees, citizens and society — not only builds business confidence, it fosters a thriving business community.

When an employee, leader or organisation has lost or buried its sense of purpose — driven by hedonic pleasures, management inanities, power tripping, or myopic and singular fixation on maximising shareholder value and profit extraction — society becomes the ultimate victim. When employees are disengaged at work, treated unfairly, bullied or not listened to, it becomes difficult for them to believe their role has any meaning or value.

This trough of disillusionment has proven to lessen an employee's level of fulfilment and well-being both at work and in life itself. There is no opportunity for an employee to achieve his or her "calling".

If an organisation fixates on profit — as opposed to balancing its need for profit with an external purpose to aid all stakeholders — society ends up as the unwilling harbour of dysfunction. I believe it is the predicament we face as the 21st century slowly inches closer to the 22nd.

If a pig-headed leader believes fatter paycheques, larger teams, fancier job titles and increased levels of authority and power are the sources of workplace purpose then, ironically, the organisation ends up suffering too.

The apex of such hopelessness is when the organisation itself (aided and abetted by its most senior leaders and directors) shamelessly states profit is the only *modus operandi* of management. It puts this mindset not only ahead of other stakeholders; it knowingly ignores the tentacles that make up society. It is a self-serving act of greed and short-termism.

The financial crisis of 2008 might be the cover story but it is the legions of leaders who shamelessly sought (and continue to seek) personal wealth that linger as the new pages of normality.

Ever noticed that the wage gap between senior leaders and the average worker has increased even further since 2008? Is it surprising, then, to witness leadership habits evoking command and control tactics versus collaborative or participative behaviours?

Senior leaders shed jobs like a snake sheds its skin, not for an annual rebirth but to uphold its guidance and "profit promises" it has made to analysts and investors. It is a recipe for societal and organisational disaster.

Sadly, leaders today are demonstrating much of this scenario across far too many organisations through massive layoffs and other management trickery to ultimately protect the stock price and guidance.

Of course it was none other than leadership guru and author extraordinaire, Peter Drucker, who once wrote: "To know what a business is, we have to start with its purpose. Its purpose must be outside of the business itself. In fact, it must lie in society since business enterprise is an organ of society. Thereis only one valid definition of a business purpose: to create a customer".

There is no doubt Drucker was ahead of his time — he penned this passage some 60 years ago — but he was also far wiser than many gave (or give) him credit for. It is particularly so as it pertains to the true purpose of an organisation.

While Drucker insisted there is no such thing as the one right organisation, he did believe that for organisations to truly prosper that there ought to be a better alignment between profit and purpose. Indeed, our new purpose of supporting customers, employees, shareholders and communities ought to manifest itself through the creativity of its employees – not the profit-extraction practices of a scant few.

I believe the organisation, its leaders and employees are in need of a revival if not a resuscitation. The reset button has to be hit for many firms, whether they are private, public or as Henry Mintzberg has coined in his latest book, *Rebalancing Society: Radical Renewal Beyond Left, Right, and Center*, "plural".

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> **PETER DRUCKER – 1955**

redefine the true purpose of an organisation. It is as though some organisations have forgotten what they once stood for; dumbfounded with the path forward for fear of potential reprisal.

For every Paul Polman of Unilever or Richard Branson of Virgin or John Mackey of Whole Foods there are a thousand leaders who have truly confused the meaning of work and thus the purpose of the organisation. It is time to stop the thoughtlessness.

So, to leaders everywhere, and to the leaders business schools are producing for the future... how would you like to be remembered?

Do you want to be a modern-day "Robber Baron" or perhaps an improved 21st century version of "Robin Hood"?

The choice is yours.

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ABOUT THE AUTHOR

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