

Boards' Role in Embedding Shared Purpose

Examining board and corporate responsibilities in an era of pressing global challenges

As part of the Directors Development Program, Namrita Jhangiani, Egon Zehnder hosted a fireside chat that looked at corporate responsibilities in an era of pressing global challenges, in a session titled “Boards' Role in Embedding Shared Purpose”. The discussion featured Jill Ader, Chair of Egon Zehnder, whose work focuses on unlocking CEOs' potential and using leadership as a force for good in the world.

The Benefits of Finding a Shared Purpose

Today, countries around the globe are facing no shortage of challenges. Increasing damage from climate change, soaring costs of living, and widening inequality are all taking their toll, made worse by the continuing impacts of the COVID-19 pandemic. At times like these, there is understandable cynicism in businesses' capability to adopt a wider purpose and find solutions to these challenges. But businesses do have that capability, and according to Jill Ader, “it's a capability in board directors and leaders that needs to be encouraged if we're going to have any impact.”

“It’s the overarching thing that connects us to something bigger”

That encouragement might take some work, Ader noted. Looming large in any such discussion is the stereotype of the “feel-good” company initiative that has no real-world impact, and may even damage the business’s reputation, like accusations of “greenwashing” in the climate space. But taking on an important purpose doesn’t have to be just lip service to ideals, and nor does it have to put a company’s reputation or revenues at risk. A shared purpose can serve as a common driver, motivating employees and stimulating creative thought and problem-solving.

“Purpose is the big driver,” said Ader. “It’s the overarching thing that connects us to something bigger than us as individuals, bigger than us as companies. It challenges us, and I think there’s enough evidence to say you do get better profits because it leads to higher engagement of your people.”

It can also help retain that talent. “What we’re finding now is people are attracted to join organizations and the boards of organizations that have a strong and valid purpose,” said Ader. “The companies who followed that purpose and their values during COVID are retaining their people and attracting more people.”

And studies show that when people have a purpose, they are healthier, more resilient, less likely to have burnout, and feel more fulfilled. “And I would translate that to an organizational level,” said Ader. “Our organizations become more resilient with a purpose.”

Defining purpose and what it takes to make change

What is “purpose” when it comes to the business world? The answer is broad, but according to Ader, “it’s making meaning of what we do. It’s sort of an inner compass that gives you that momentum toward something that’s worth going for.”

Ader shared an example of a CEO who focused solely on quarterly reporting and shareholder returns. This was not “purpose”—it was all about profit, and, not surprisingly, this CEO had difficulty inspiring his employees. “He just fundamentally missed that it’s not an intrinsic motivator for many people,” said Ader.

This sentiment gets the conversation around “stakeholder” capitalism supplanting a pure focus on shareholders; in other words, using a business to fulfill the needs of employees, customers, communities, and even the planet.

Ader shared another example, this time, a positive one: Novo Nordisk, the Danish pharmaceutical company. “Their purpose is to not just help patients with diabetes, but completely eradicate diabetes so the medicines that they produce won’t be needed,” Ader said. “So ‘purpose’ has to have some edge and some consequence to it...it’s bigger than all of us.”

Engaging both individual and corporate purposes

When asked about securing buy-in from employees for whatever purpose a company pursues, Ader recalled her own journey with Egon Zehnder. She believed the firm’s purpose—leadership for a better world—wasn’t precise enough.

“So I came in with an inclination to try and make it more specific, but actually, I was wrong,” said Ader. “What I realized over the last four years is it’s about engaging individual purposes and corporate purposes, and you can’t tell people what to be passionate about or what to care for.”

These individual purposes can range from increased diversity to a positive impact on the planet to mental health. The broadness of mission that Ader initially thought to change was what was allowing individuals to find their own connection to their work. “You allow people to find the motivation in that at a different pace or in different moments.”

Underscoring this idea is the concept of the “triple bottom line”: that companies should seek to maximize not just their profits, but also their value to the planet and their people. The companies that strike that balance well will be stronger in the long term.

Ensuring accountability in the pursuit of purpose

Customers, employees, and the general public will be able to see through a company that’s only paying lip service to a particular purpose instead of committing to it. That’s why measures of accountability and impact tracking are so important when choosing to pursue a broader cause.

“All of you sit in boardrooms, and you’re the ones that can decide whether this is a passing phase or something that you are totally committed to,” Ader told the audience.

Ways that board directors can ensure accountability include establishing an impact committee and putting well-respected people on that committee; tracking progress on goals; and finding executives who will “walk the walk.”

“So if you have a well-intentioned purpose but you decide to appoint someone as CEO who does not embody that purpose, who is purely about profit, then you might as well write off your purpose,” said Ader. “It’s all the signals in communications and appointments that help bring that purpose to life.”

For more information, contact:



Rahul Rana
New Delhi
rahul.r.rana@egonzehnder.com



Namrita Jhangiani
Mumbai
namrita.jhangiani@egonzehnder.com



Vineet Hemrajani
Mumbai
vineet.hemrajani@egonzehnder.com



Darpan Kalra
New Delhi
darpan.kalra@egonzehnder.com

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