Purpose is an aspirational reason for being that inspires and provides a call to action for an organization, its partners, stakeholders, and society as a whole. EY Beacon Institute research* has consistently shown that purpose enables organizations to perform well in times of volatility. The research joins a growing body of evidence demonstrating that a strong and active purpose raises employee engagement and acts as a unifier, makes customers more loyal and committed to working with you, and helps to frame effective decision making in an environment of uncertainty. Global Leadership Forecast 2018 finds that getting purpose right builds organizational resilience and, crucially, improves long-term financial performance as seen in the figure below. We found that the real benefits come when leaders walk the walk by behaving in a manner that exemplifies their organization’s purpose.
Why make purpose your guide?

Of 1,500 global C-Suite executives surveyed, 84 percent say their business operates in an increasingly disrupted environment. In this world, purpose is a North Star—a fixed point to help navigate through change and uncertainty. To understand the impact of purpose, we identified three types of organizations:

- Those without a purpose
- Those with a purpose statement
- Purposeful organizations where leaders bring the stated purpose to life through behaviors

We found clear evidence that companies in this third category are earning a significant performance premium.

Why isn’t just having a purpose statement enough?

Companies with only a purpose statement realize considerable performance improvements across many outcome measures. However, we discovered that purposeful organizations (those with active leadership support) get even stronger financial performance in the short and long term—and are better equipped to deal with the fast-changing, competitive environment.

More benefits of being a purposeful organization

The advantages to being purposeful are many:

- Engagement. Purpose is a key driver of employee engagement. In previous research, 96 percent of leaders said that purpose is important to their job satisfaction. In Global Leadership Forecast 2018, we found that having a purpose statement not only has a positive effect on engagement overall, but twice as many leaders get meaning from work and energy levels are 60 percent higher. This effect is amplified in purposeful organizations, where engagement levels are 12 percent higher and employees’ intent to stay is 14 percent higher.

- Culture. Companies with a purpose statement boast a stronger culture than those without, and the effect is multiplied threefold in purposeful organizations, which also report greater levels of psychological safety. The culture is savvy but not fearful; optimistic without being naive. Radical candor thrives, and people across the enterprise can robustly tackle pressing issues.

- Agility. Having employee and stakeholder buy-in enables a purposeful organization to respond more quickly and effectively when opportunities arise or danger threatens (50 percent higher than non-purposeful organizations).

- Resilience. Purposeful companies enjoy higher levels of trust and loyalty, making them more resilient when the going gets tough. They’re also better able to retain customers, employees, and shareholders during the often-painful transition periods that comprise the new 21st century normal.

- Vision. Serving all stakeholders and aspiring to improve society enables a broader vision—a bigger game to play—making organizations more likely to spot unexpected opportunities and new risks.

Impact of purpose on financial performance

<table>
<thead>
<tr>
<th>Financial performance (on compound measures)</th>
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</thead>
<tbody>
<tr>
<td>Companies without a purpose statement</td>
</tr>
<tr>
<td>Underperform by 42%</td>
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<tr>
<td>Companies with a purpose only</td>
</tr>
<tr>
<td>Average</td>
</tr>
<tr>
<td>Purposeful companies</td>
</tr>
<tr>
<td>Outperform the market by 42%</td>
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</tbody>
</table>

Where to start

- Articulate a clear purpose for your organization. Focus on answering the why questions. We all know what our organizations do. Purpose is about asking why we exist in the first place, what our employees and stakeholders care about, and what resonates with customers.

- Use purpose as a lens for everything you do. Let purpose guide the solutions you offer, how you treat your customers, and how you engage your workforce.

- Communicate success stories to all constituents. Stories perpetuate purpose. Each time people repeat them, purpose entrains more closely with day-to-day business.

How to differentiate

- Integrate purpose into the company’s DNA. Reinforce purpose through the day-to-day customer and employee experience. Treat purpose as a commitment to stakeholders and publicly update on its progress.

- Focus on leaders. Help them develop their own “why.” Work with all leaders to articulate their own purpose as it relates to the overarching purpose for the business. Then, help them do the same for their teams and employees.

- Develop key skills. Purpose-driven leaders form teams, inspire, and motivate in a fast-changing world. They develop psychological safety and agility.

This article featured as part of the Global Leadership Forecast 2018 released by DDI, The Conference Board and EY.
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We work globally and collaborate to bring you professional teams to address complex issues relating to organization transformation, end-to-end employee lifecycles, effective talent deployment and mobility, gaining value from evolving and virtual workforces, and the changing role of HR in support of business strategy. Our EY professionals ask better questions and work with clients to create holistic, innovative answers that deliver quality results.

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