



The Middle Manager

Executives might define a company's purpose, but leaders in the field have to bring it to life by going beyond a mission statement and giving employees something to believe in.

BY KATE ROCKWOOD

Profit: It is the main objective for every company. But to compete in a crowded, ever-changing marketplace, a brand also needs a clear identity. To define themselves in a way that resonates with customers and employees, many companies have expanded their **purpose** to include a shared set of goals and values that define not just what the company does, but what it believes.

Purpose has become a popular concept in the years since the global financial crisis, as corporations work to earn back some of the public trust that was lost. Public discussion of **purpose** has grown fivefold between 1994 and 2015, with mentions starting to spike in 2013, according to an Oxford University and EY study.

The study found that a clearly defined corporate **purpose** fuels targeted innovation

by focusing a team's time and energy around a common mission. In an environment that demands ever-faster decision-making, a shared **purpose** also helps managers across divisions move in lockstep, even if they are not in constant communication. As Richard Branson, founder of the Virgin Group, once tweeted, "**Purpose** spurs passion, which fans the sparks that light the fires that fuel change."

But some workers are cynical about corporate **purpose** statements, seeing them as little more than propaganda pushes intended to make them work harder. Those who think **purpose-driven** management subverts the profit motive and forces a company to make decisions that do not maximize shareholder value likewise raise their eyebrows at these statements. This tension has left many executives grappling with the question of whether it is feasible to create a **purpose-driven** culture that

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resonates with rank-and-file workers while also boosting profits.

Claudine Gartenberg, an assistant professor of management at the Wharton School of the University of Pennsylvania, Philadelphia, believes it is possible. She says successful **purpose-driven** management boils down to distinguishing between two kinds of **purpose** and instilling the right kind across the company. Her research conducted with George Serafeim of Harvard Business School and Andrea Prat, an economist at Columbia University, demonstrates that “**purpose-clarity**,” or the notion that leadership’s expectations are clear, corresponds to future stock returns of up to 7.6 percent annually. “**Purpose-camaraderie**,” on the other hand—the sense that work is fun—does not correspond to better financial performance.

Purpose-clarity fuels improved financial performance because it focuses on job effectiveness, Ms. Gartenberg says.

Although **purpose-camaraderie** creates an environment in which employees enjoy themselves and feel familial allegiance to one another, **purpose-clarity** defines expectations about direction, job responsibilities and tools that can help employees succeed.

“We’re not saying not to invest in a family-style atmosphere,” says Ms. Gartenberg, noting that happier employees certainly correlate to lower turnover, among other benefits. “You could work for the kindest person in the world, but if your work is meaningless, it doesn’t matter. Humans crave clarity and meaning.”

Ms. Gartenberg and her co-authors reached this conclusion, according to the report titled *Corporate Purpose and Financial Performance*, after surveying more than 455,000 employees at 429 companies around the world for six years. The responses to questions regarding **purpose-clarity** proved economically significant: There

Purpose, defined

Purpose has a different meaning to every person and often is synonymous with everything from passion to motivation. But when Claudine Gartenberg of the University of Pennsylvania’s Wharton School, George Serafeim of Harvard Business School and Andrea Prat of Columbia University parsed the results of their survey for the report *Corporate Purpose and Financial Performance*, a theme emerged from the responses in terms of the most recognizable versions of purpose.

Survey responses that indicate **high levels of overall purpose**:

- “My work has special meaning: This is not just a job.”
- “When I look at what we accomplish, I feel a sense of pride.”

Survey responses that indicate **high levels of camaraderie**:

- “This is a fun place to work.”
- “There is a family or team feeling here.”

Survey responses that indicate **high levels of purpose-clarity**:

- “Management makes its expectations clear.”
- “Management has a clear view of where the organization is going and how to get there.”

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was a difference of almost 4 percent in returns on assets between the companies with employees that indicated the lowest and highest levels of clarity. The study also revealed that CEOs cannot build this type of **purpose** alone. Middle management needs to accept and live the **purpose** statement in order for it to resonate across the organization.

THE MEAT IN THE MIDDLE

To parse the importance of middle management compared with C-suite execs or rank-and-file teams, Ms. Gartenberg and her co-authors looked at five different staff levels, from top executives to hourly employees. “The more senior the person, the stronger the perceived **purpose**,” she says.

For example, a high-level executive is more likely to buy in to the firm’s mission and stated **purpose** because his or her compensation is most directly linked to company performance. But Ms. Gartenberg says that buy-in does not correspond to improved financial performance. Acceptance from middle managers, meanwhile, does. “It’s really important for midlevel workers to believe in the meaning of their job and understand how to succeed,” she says.

A 2016 study, *Corporate Culture: Evidence From the Field*, conducted by professors at Duke University and Columbia University, offers an explanation for why midlevel buy-in drives the financial impact of corporate **purpose**. Based on a survey of almost 1,400 companies, the research demonstrated that in order to be effective, a stated corporate

mission must be complemented by rules and norms—including governance and compensation—that dictate actual behavior. These policies are implemented on a day-to-day basis by a company’s middle managers.

In other words, Ms. Gartenberg says, **purpose** flows efficiently through an organization when employees know that specific actions will be recognized and either criticized or rewarded by management. “This sort of clarity creates a contract between all levels of workers that helps implement **purpose** and drive performance,” she says. Middle managers, charged with executing a company’s strategy, are the ones who ultimately honor that contract. Conversely, if middle managers act without clarity and implement divergent practices—even if each individual plan is sound—a company’s performance will suffer.

“Management has to put practices in place that are consistent with the **purpose** of the firm,” Ms. Gartenberg says.

When that happens, employees are more likely to believe their company’s leaders are truly committed to the **purpose** they want workers to rally around.

FROM ACADEMIA TO ACTION

Middle managers are responsible for making **purpose-clarity** a reality, but that does not mean executives’ hands are tied, says Mr. Serafeim, Harvard Business School professor and one of Ms. Gartenberg’s co-authors. Rather, leaders can help teams succeed by laying out an effective and efficient framework for delivering on the company’s **purpose**.



1. Create an authentic corporate purpose.

That means ditching mission statement buzzwords such as “teamwork,” “integrity” and “innovation.” They are “well intentioned but vague,” Mr. Serafeim says, and do not translate to the average worker’s day-to-day experience. Using buzzwords and stock phrases likely will make workers tune out rather than buy in.

2. Explain why it matters.

A company’s **purpose** has to fill a void to really have impact, Mr. Serafeim says. What is missing? What do customers desperately want? How can your **purpose** provide this, and why is your company well positioned to deliver? If the company is not solving a problem, filling a void or supplying a solution, it will be hard to define its **purpose**.

3. Measure progress objectively.

“Leadership must develop defined ways to chart success that are aligned with **purpose**,” Mr. Serafeim says. Without the

ability to measure progress, neither middle management nor its staff will buy in. **Purpose** does not tread water—it propels momentum forward.

4. Keep the timeline loose.

Executives should communicate the idea that, while establishing and acting on **purpose** is a top priority, it is not necessarily something that can be fully accomplished. Instead, Mr. Serafeim likes to view the effort as “an eternal search for mastery.”

5. Practice what is preached.

Although championing **purpose** authentically and effectively can improve your financial results, doing so loudly and without action—or without acknowledging inevitable hurdles—can breed skepticism and doubt among employees, shareholders and customers. Leadership has to clearly explain its **purpose**, how decisions relate to that **purpose** and how it is reacting to explicit challenges to that **purpose**. **IQ**

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