

PULSE SURVEY

Purpose: The Critical Importance of Tying It to the Customer



Sponsored by

SPONSOR PERSPECTIVE

The shift from shareholder to stakeholder capitalism has gained significant steam over the past two years. So much so, that corporations are joining the movement to view customers as primary stakeholders and create experiences embracing this reality. Consequently, investments in customer experience (CX) programs have reached record levels, despite a lack of clear understanding around how effectively these investments deliver on business outcomes. In late 2019, we embarked on a series of executive interviews* to determine the nature of their organizational CX investments, as well as internal factors that impact implementation and results of experience strategy.

Surfacing from that research were five focus areas of investment (business model transformation, human capital, employee culture, digital innovation, and data and analytics) and the organizational challenges faced in realizing returns on these investments. Just as importantly, one of eight identified accelerators of CX outcomes was a connection to purpose. This may come as a surprise. Rarely does the core of organizational identity and culture come into the conversation within the measurement-driven realm of CX. However, our work with organizations of all sizes and industries has shown time and again that purpose is the engine enabling organizations to better deliver on customer, and ultimately business, outcomes.

To more deeply understand if and how organizations embed purpose within their operations to achieve customer-centered growth, we engaged with Harvard Business Review Analytic Services, and can now demonstrate that “customer-committed companies” have a different formula for growth.

Indeed, executives seek to improve every aspect of their organizational performance, including top-line and bottom-line metrics, customer metrics, and employee engagement. But it’s truly infusing a customer-centered purpose into the veins of an organization that helps fuel an ecosystem for growth.

How does this take shape? A customer-centered purpose sets the vision for how an organization serves its customers, providing a powerful rallying cry when articulated clearly and consistently from leadership. But that’s not enough. It can only infiltrate strategy if there are clear frameworks to ground near-term priorities in the long-term vision, silos are broken down to deliver on customer needs, and customer understanding is leveraged to its highest potential. Employees at all levels must then be empowered, and even incentivized, to execute on the customer-centric purpose, led by leaders who role model by incorporating the customer perspective in decision making. And finally, integrating purpose into day-to-day operations requires clear communication and understanding at every stage.

This report provides an enduring perspective into the ways companies can maximize their potential by properly investing in and activating on their corporate purpose. We invite you to join us in this pursuit to cultivate customer experiences and outcomes that flow both from and to the very heart of your organization’s existence.

*Results published in “Experiences to Outcomes: CX Strategy Through the Executive Lens” in partnership with Insight Wave.



Samantha Herzing
Strategy & Implementation Lead
Gongos, Inc.
sherzing@gongos.com



David Robbins
Vice President, Client Consulting
Gongos, Inc.
drobbins@gongos.com

Purpose: The Critical Importance of Tying It to the Customer

Many companies claim a purpose beyond profit. Maybe they want to help save the environment, inspire curiosity, or just make the world a better place—worthy causes all. Still, many companies may not be getting all they could from their commitment to their purpose.

“There’s a big misperception that purpose is about some social goal, or philanthropy, or aligning yourself with some cause or nonprofit,” says Jim Stengel, former global marketing officer for consumer products company Procter & Gamble, and now president and CEO of The Jim Stengel Company, a consulting firm. “You see a lot of generic statements about making the world a better place.”

The problem, he contends, is that objectives like that often have only tenuous ties to the company’s business and its stakeholders, including, most importantly, customers. “A company’s purpose has to be rooted in its business and the impact it is trying to have on its customers’ lives,” he says. Only when that happens are company and customer interests aligned, making the company’s purpose a win for both.

That’s the sort of logic evident at companies like Brooks Sports Inc., a maker of running shoes and apparel, which sees its purpose as helping its customers “run happy,” and online networking service LinkedIn, which strives to “connect the world’s professionals to make them more productive and successful.” By working toward these aims, these companies help their customers achieve their goals.

Now, a new survey of 434 executives by Harvard Business Review Analytic Services reveals that organizations claiming a purpose beyond profit reap the greatest business benefits not only when they put their customers at the core of their purpose but also when they deeply embed that purpose into the mindsets and actions of their employees. It’s the combination of both that wins the day.

HIGHLIGHTS



96% of survey respondents say providing a good customer experience **gives companies a competitive edge.**



92% say a customer-centric company purpose **delivers better business benefits** than a purpose not centered on the customer.



38% say their company has a customer-centric purpose that is **deeply embedded in the mindsets and actions** of employees.



“Customers want to shop at and interact with companies that value them,” says Blake Morgan, author of *The Customer of the Future*.

FIGURE 1

Customer-Committed Companies Reap Big Benefits

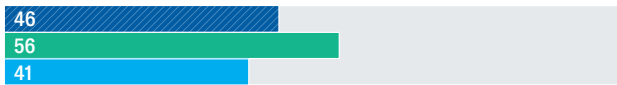
Customer-committed companies say their purpose is a differentiator in the marketplace.

Percentage of respondents who selected the following answers in regard to their company

■ All companies ■ Customer-committed companies ■ Other companies



Company sees customer experience as a critical contributor to business success*



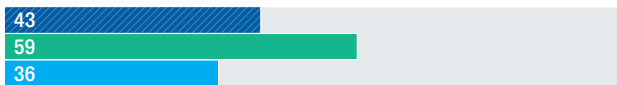
Company's purpose brings value by differentiating company from competitors*



Investment in purpose has strengthened brand identity



Employee experience is very positive**



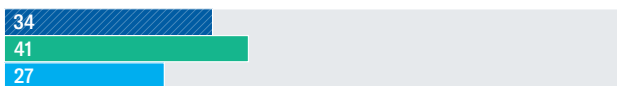
Customer experience is very positive**



Investment in purpose has improved customer engagement



Investment in purpose has increased customer loyalty



Investment in purpose has increased growth

*Strongly agree

**8, 9, or 10 on 10-point scale

Source: Harvard Business Review Analytic Services Survey, August 2020

Compared to other businesses, respondents at these customer-committed companies are more likely to say their investment in their purpose leads to a stronger brand identity, improved customer engagement, increased customer loyalty, and greater overall growth. They also are more likely to consider their company's purpose to be a differentiator for their organization in the marketplace, and to say their organization delivers not only a better customer experience but also a better employee experience. **FIGURE 1**

“Customer experience plays a huge role in business performance,” says Blake Morgan, author of *The Customer of the Future*. “Too often it is pushed toward the back because it doesn't have as obvious an ROI as things like marketing and sales. But modern customers prioritize experience over product or price and are willing to pay more for a better experience. Creating a great and reliable customer experience builds loyalty and drives sales, making it one of the most important parts of the business.”

Why Committed Companies Get More from Their Purpose

Why might a purpose centered on the customer be more beneficial than one that may sound more noble but also be more abstract? Jeanne Bliss, president of the consulting firm CustomerBLISS and cofounder of the Customer Experience Professionals Association, ties it to the central role customers play in a company's success. “If you're not helping your customers achieve their goals, why are you in business?” she asks.

“What other alternative is there?” echoes Phil Klaus, professor of customer experience strategy and management at the International University of Monaco, founder of Dr. Phil Klaus & Associates Consulting, and chairman of the Phil Klaus Customer Experience Institute. “The customer is the one signing your check.”

Indeed, 96% of survey respondents agree that providing a good customer experience gives companies a competitive edge, and 92% say a customer-centric purpose delivers better benefits than a purpose not centered on the customer. Additional survey findings support their feelings on this: 70% of the respondents at customer-committed companies strongly agree their company's commitment to its purpose helps to drive better business outcomes, versus 50% of respondents at other companies.

Committed companies also may realize greater benefits from their customer-centric purpose because they are more likely to invest in the customer experience itself. Overall, companies that claim a purpose are most likely to say these investments focus on customer-centric innovation around the products, services, and experiences their company delivers; 72% of executives say their organizations invest in this. But committed companies are even more likely to do so, with 81% of executives at those companies saying their organizations make those investments, versus 64% at other companies. Similarly, executives at committed companies say their organizations are more likely to invest in aligning the employee culture with the company’s purpose (75% versus 53% at other companies); in data and analytics (68% versus 52%); and human capital, e.g., optimizing organization design and skill building (60% versus 37%).

Survey respondents also suggest that having a customer-centric purpose makes it easier for employees to engage with that purpose, perhaps because it aligns with their day-to-day responsibilities for meeting customer needs. Fifty-five percent

of respondents at customer-committed companies say their company’s employees are motivated by their purpose, versus 29% of other respondents.

“Customers want to shop at and interact with companies that value them,” Morgan, the author, observes. “When a company is purpose-driven and customer-centric, it has a strong culture that brings in the best employees and leaders. That leads to great customer service, which drives customer retention and loyalty, which [then] leads to higher sales. A customer focus is the foundation for growth.”

CustomerBLISS’ Bliss agrees. “A customer-centric purpose helps you keep the best employees,” she says. “That better employee base not only keeps customers coming back, it drives more customer advocacy.”

More customer advocacy, and, perhaps, more innovation. A customer-centered focus, Stengel Company’s Stengel says, gives employees a sense of meaning and passion that can lead to greater creativity in service of the customer and the company. “When you start with a purpose,” adds Bliss, “you drive innovation that leapfrogs you out of the ordinary.”

Defining Customer-Committed Companies and Others

Throughout this report, the term “customer-committed companies” refers to companies where the customer is the sole or primary focus of the company’s purpose, and that purpose is very or extremely embedded in the mindsets and actions of employees. Thirty-eight percent of respondents to the Harvard Business Review Analytic Services survey report that they work at this type of company. The term “other companies” refers to those where customers are not the sole or primary focus of the company purpose, or, if they are, that purpose is only slightly or not at all embedded

in the mindsets and actions of workers. Forty-seven percent of survey respondents report working at these types of organizations. A small group of survey respondents (14%) say they work at companies falling between these two extremes: customers are the sole or primary focus of their company purpose, but that purpose is only moderately embedded in the workforce. All comparisons made in this report are between customer-committed companies (or just committed companies) and other companies (or just others).

Extent to which company’s purpose is embedded in the mindsets and actions of employees	Extent to which company’s purpose involves customers		
	Customer-centric purpose	Some customer consideration in purpose	No customer consideration in purpose
Extremely embedded	Customer-committed companies	Other companies	
Very embedded			
Moderately embedded	Middling companies		
Slightly embedded			
Not embedded			

Challenges to Embedding Purpose Across the Workforce

To be sure, having a customer-centric purpose isn't the same thing as living it. Giving life to a corporate purpose requires that it become deeply ingrained in the way employees think and behave. Among the executives surveyed, 59% say that's happened at their organization—that their purpose is extremely or very embedded in the mindsets and actions of their employees. But that leaves 41% who say it is only moderately or slightly embedded,

or not embedded at all. What's more, only 38% of all respondents work at organizations that qualify as customer-committed companies.

Companies can fail to marry a customer-centric purpose with workforce behaviors for a range of reasons. In some cases, they may simply suffer from the confusion Stengel describes—the mistake of equating purpose with philanthropy or a social cause only loosely related to the business and its customers. It is hard to equate concrete work behaviors with goals that are only tenuously connected to what customers are seeking from a company—a comfortable pair of shoes, perhaps, or fresh produce, or maybe just an easy way to buy tires for their car. Survey respondents themselves identify a litany of challenges to engaging employees in their company's purpose, led by not having enough time in the day to nurture the purpose (cited by 46% of respondents), followed by employees receiving little recognition or reward for contributing to it (38%). Thirty-one percent also blame poor or inconsistent promotion of the company purpose, and 27% say their leadership team does not prioritize the purpose. It is worth noting in the latter two examples, as in so many others, that customer-committed companies tend to have better experiences than others. For example, only 18% of respondents at committed companies report poor or inconsistent promotion of their company's purpose, versus 38% of those at other companies. Similarly, only 14% say their leadership does not prioritize the purpose, versus 36% at other companies. **FIGURE 2**

Customer experience experts say the failure to embed company purpose in the workforce almost always lies at the feet of senior leadership, although siloed operations and responsibilities don't help either. "The problem at a lot of companies is that it doesn't become part of the operating model or the leadership strategy," says Bliss. "They come up with a great mantra and may even put it on the wall. But if it isn't lived by the leaders, it's just a great statement on a wall."

"They don't make it part of their story on how they're trying to grow their business," adds Stengel. "If it's not embraced by the full leadership team—if it becomes just the chief marketing officer's thing, or the advertising agency's thing—it dies an ugly death."

In fact, 43% of survey respondents say their companies' customer experience initiatives are not integrated across teams, and 37% say their leaders do not articulate a persistent, top-down customer experience strategy. The latter is a particular problem at companies that don't have a deeply embedded customer-centric purpose, where 39% cite it as a barrier, compared to just 25% of committed companies. Other top-five barriers, cited by about a third of all respondents, include poor line of sight across all areas of customer experience strategy, a lack of data to compare ROI across investments, and unclear accountability for solving customer needs. **FIGURE 3**

FIGURE 2

Time, Leadership Keep Employees from Engaging in Purpose

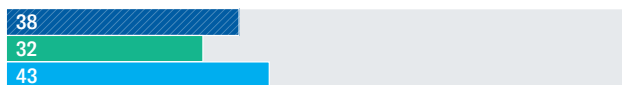
Time constraints and leadership shortfalls hamper employee engagement in a company purpose.

What are the biggest barriers to engaging employees in your company's purpose?

■ All companies ■ Customer-committed companies ■ Other companies



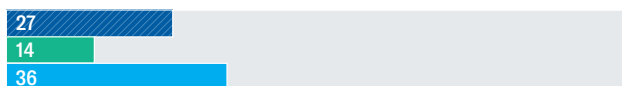
Not enough time in day to devote to nurturing the company purpose



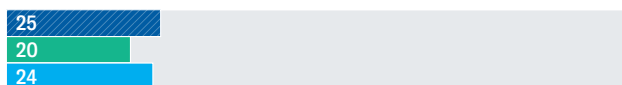
Employees receive little recognition/reward for contributing to the company purpose



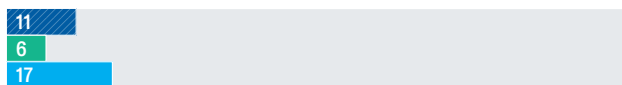
Poor or inconsistent promotion of company purpose



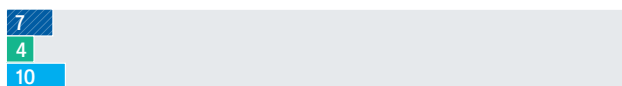
Leadership team does not prioritize company purpose



Employees do not feel their work supports company purpose



Company purpose is not clearly defined



Company purpose does not align well with customer interests or needs

Source: Harvard Business Review Analytic Services Survey, August 2020



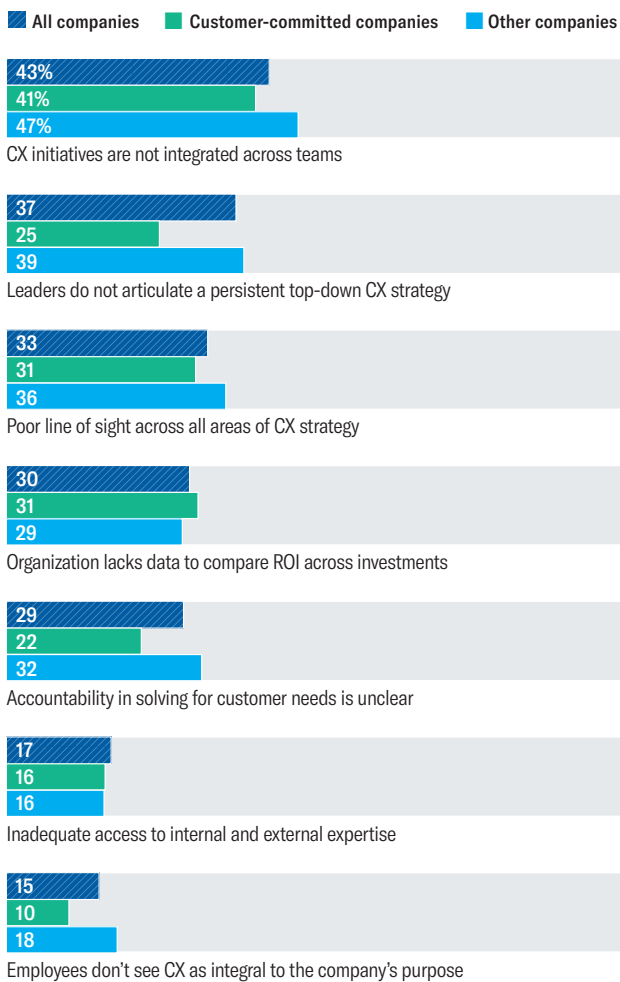
“The problem at a lot of companies is that [purpose] doesn’t become part of the operating model or the leadership strategy. They come up with a great mantra and may even put it on the wall. But if it isn’t lived by the leaders, it’s just a great statement on a wall,” says Jeanne Bliss, president of the consulting firm CustomerBLISS.

FIGURE 3

Organizational Failures Hinder Employee Engagement with Customer Experience

Failure to integrate customer experience initiatives across teams is the biggest barrier.

What are the biggest barriers to engaging employees in the customer experience (CX) at your organization?



Source: Harvard Business Review Analytic Services Survey, August 2020

The International University of Monaco’s Klaus says a myopic focus on quarterly results also can be to blame at some public companies when “no one has the guts or liberty” to make customer experience changes that might carry short-term costs but deliver long-term superior profitability. Turnover in the C-suite also can be a problem, Stengel says, since changes in leadership can disrupt culture.

John Kotter, professor of leadership, emeritus, at Harvard Business School and chairman of the management consulting firm Kotter International, also sees complacency as a hurdle to better performance, especially at companies that have enjoyed high levels of business success. “You become successful and you don’t have enough pressure on you,” Kotter says. “Eyeballs can turn inward rather than toward the customer.”

Finally, many companies do a poor job of making their customers aware of their purpose. Right now, only 38% of survey respondents say their customers are extremely or very aware of their company purpose. That figure jumps to 56% among customer-committed companies, but falls to just 28% at others.

Creating a Customer-Centric Purpose Starts with Listening

Customer experience experts offer surprisingly straightforward suggestions for creating a company purpose that aligns with customer needs. A good starting point, they say, is talking to customers and listening to what they say.

“You want to find out what would make a person choose you over your competitors, or vice versa,” Klaus says. “Once you have that, you know what drives profitability, and you can build everything you do around it.”

Klaus also encourages organizations to do exploratory rather than confirmatory research. “A lot of focus groups lead to self-serving prophecies because the questions are leading or biased,” he explains. “Organizations need to start with a blank canvas, and then just listen, listen, listen.”

Stengel says his firm will run through a checklist with clients aimed at making sure their purpose is appropriate for their business. Among the questions they’re asked: Is your purpose fitting for your industry or category? Is it meaningful to your employees? Is it meaningful to the customers you’re seeking

to attract? Is it improving the experience of people who touch the brand in some meaningful way? And is it measurable? “The purpose has to be rooted in the business,” Stengel says. “It has to be important to the CEO and the leadership team, but it must begin with what impact you’re trying to make in your customers’ lives. I often say that if you just talk to a bunch of your employees and talk to a bunch of your customers, you’ll come back with a pretty good idea of how you could elevate the experience of both groups.”

Once companies understand their purpose, putting it into play requires that they create an operating plan that helps customers achieve their goals, makes clear to employees what they should and should not be doing in support of the purpose, and explains how they will be rewarded for bringing the purpose to life.

Embedding a Customer-Centric Purpose into Operations

Of course, creating a customer-centric purpose and embedding it into the mindsets and actions of employees are two different things. Many companies will find the latter more challenging.

“This is where the heavy lifting comes in,” concedes Stengel. “If this doesn’t show up in every employee work plan and in their evaluations, it’s not going to be fully baked in. And you can’t just slap something on a work and development plan. You need to have discussions with each employee about the kind of company you’re trying to be and what your purpose means, and then engage and enlist them in how it changes their daily work.”

It also helps to give employees the flexibility and license they need to make on-the-spot decisions in service of the customer. “The goal is to bring the purpose to life in the daily activities of employees, and ultimately that’s about making a difference with customers,” Stengel says.

While it’s easy to see how all this applies to employees who interact with customers, it can be more challenging to make it relevant to back-office personnel. But it’s not impossible. Stengel recalls working with a company in which the finance organization decided to start every internal meeting with a story about how the company purpose had been brought to life within their team. “It put pressure on people to think about it, and it made a difference,” he says. In fact, the finance team extended the idea all the way to their financial reports, which now start not with the quarterly numbers but with a story about the company’s purpose coming to life.

Although customer experience experts agree that a company’s focus on the customer must start at the top, they also warn that middle management needs a seat at the table if a customer-centric purpose is to permeate all layers of the organization. Managers do the important work of translating the purpose to the company’s operating model and helping frontline workers understand their role in pursuing it.

Customer-committed companies tend to deploy a wider range of strategies than others to engage employees with their purpose. Among other things, respondents at committed companies are much more likely to say their organization reports regularly on how the company is fulfilling its purpose (58% versus 40% of other companies), recognizes employees who contribute to fulfilling or advancing the purpose, and solicits employee input on fulfilling the company’s purpose. **FIGURE 4**

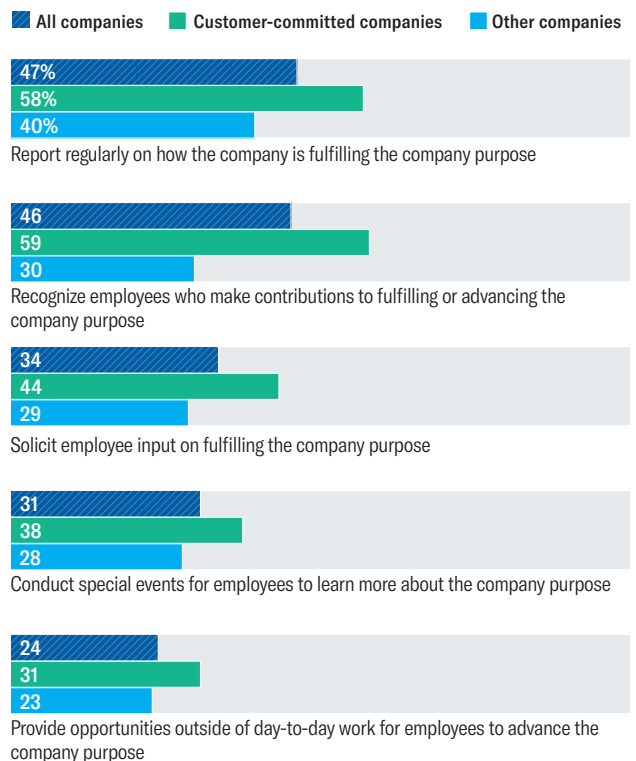
Paying attention to employees’ roles in supporting the company’s purpose goes hand in hand with building a business where employees feel valued and their work has worth. In fact, creating a great customer experience generally doesn’t happen where companies don’t deliver a great employee experience, too. Survey respondents and customer experience experts alike confirm this connection, with nine out of 10

FIGURE 4

Companies Use Diverse Strategies to Engage Employees

Communication is key to engaging employees in the company purpose.

In what ways does your company engage employees in the company purpose?



Source: Harvard Business Review Analytic Services Survey, August 2020



58%

**of respondents at
committed companies
say their company
regularly reports
on how it is fulfilling
its purpose.**

A Customer-Centric Purpose May Be Especially Valuable in Periods of Uncertainty

While having a customer-centric purpose can deliver business benefits anytime, customer experience experts suggest it could pay extra dividends during periods of uncertainty and ambiguity. In fact, the Harvard Business Review Analytic Services survey bears this out, with three-quarters of survey respondents agreeing that the Covid-19 pandemic increased the importance of having a company purpose centered on the customer in 2020.

“Companies that have fared better than their peers during the pandemic have done so because they were focused on the customer in the first place,” says Phil Klaus, professor of customer experience strategy and management at the International University of Monaco, founder of Dr. Phil Klaus & Associates Consulting, and chairman of the Phil Klaus Customer Experience Institute.

To some degree, the pandemic simply accelerated or amplified efforts to expand in e-commerce or otherwise transform business models. “Companies that were already on these journeys went into overdrive when the pandemic started,” says Jim Stengel, president and CEO of The Jim Stengel Company, which is focused on helping companies leverage purpose to grow. “They knew what to do, and they didn’t make the missteps that some companies made.”

The Wall Street Journal highlighted this phenomenon in a recent article explaining how retailers like Walmart and Target, worried about online competitor Amazon, had been adding services like curbside pickup and home delivery networks prior to this year to make shopping more convenient for harried customers. When the pandemic struck, they merely ramped up those operations.

How companies respond to customer concerns and needs during uncertain or stressful times could play a role in how they are viewed going forward. “Customers aren’t afraid to stop doing business with a company that doesn’t take a stand or that doesn’t put customers first, especially when things get hard,” says speaker and author Blake Morgan, whose latest book is *The Customer of the Future*.

Conversely, says Jeanne Bliss, president of the consulting firm CustomerBLISS and cofounder of the Customer Experience Professionals Association, companies that live a customer-centric purpose will likely be forgiven for minor hitches in service when circumstances are difficult.

“Beloved companies,” Bliss says, “get the benefit of the doubt in times of crisis.”

respondents agreeing the employee experience has a strong impact on the customer experience at their company.

Getting Going: Pursuing a Customer-Centric Purpose

For companies looking to provide a better customer experience, the survey findings suggest that crafting and executing on a purpose centered on the customer has the potential to pay big dividends, provided that purpose is deeply embedded into the mindsets and actions of employees.

“To achieve your goals in business, you have to enable customers to achieve theirs,” says Bliss. “If your customer can’t say to another person, ‘Here’s what I get from this company and here’s how they improve my life,’ you don’t have a story to tell.”

While cultural change of any kind can be challenging for organizations, Stengel says one of the surprising things

he’s learned over the course of his career is how quickly a company purpose can come to life when it’s aligned with the customer and backed by senior leadership. In part, that may be because it gives employees a reason, beyond a paycheck, for doing their jobs.

“We all know that the bigger companies are the slower they are to act, and the harder it can be to deploy something new,” Stengel explains. “Inertia is real. On the other hand, I’ve been surprised over and over again by how quickly a customer-centric purpose catches on, even in big companies, and how quickly it can go viral. This idea of purpose, and bringing it to life and making it part of daily work, just moves very quickly.”

But it also requires ongoing nurturing.

“It’s a rinse and repeat undertaking,” says Bliss. “It’s the constancy and repetition of the message about caring for the customer that changes an organization and makes its purpose part of how the company does business.”

METHODOLOGY AND PARTICIPANT PROFILE

A total of 434 respondents drawn from the HBR audience of readers (magazine/ newsletter readers, customers, HBR.org users) completed the survey.

Size of Organization

30%
10,000 or more
employees

25%
1,000 – 9,999
employees

28%
100 – 999
employees

17%
Fewer than 100
employees

Seniority

39%
Executive
management/
board members

36%
Senior
management

23%
Middle
management

2%
Other grades

Key Industry Sectors

17%
Manufacturing

14%
Financial services

12%
Business/
professional
services

11%
Technology

All other sectors
less than 8% each

Job Function

30%
General/
executive
management

16%
Sales/business
development/
customer service

8%
HR/training

All other functions less
than 8% each

Regions

38%
North America

20%
Europe

26%
Asia Pacific

8%
Latin America

6%
Middle East/Africa

3%
Other

Figures may not add up to 100% due to rounding.



**Harvard
Business
Review**

ANALYTIC SERVICES

ABOUT US

Harvard Business Review Analytic Services is an independent commercial research unit within Harvard Business Review Group, conducting research and comparative analysis on important management challenges and emerging business opportunities. Seeking to provide business intelligence and peer-group insight, each report is published based on the findings of original quantitative and/or qualitative research and analysis. Quantitative surveys are conducted with the HBR Advisory Council, HBR's global research panel, and qualitative research is conducted with senior business executives and subject matter experts from within and beyond the *Harvard Business Review* author community. Email us at hbranalyticservices@hbr.org.

hbr.org/hbr-analytic-services