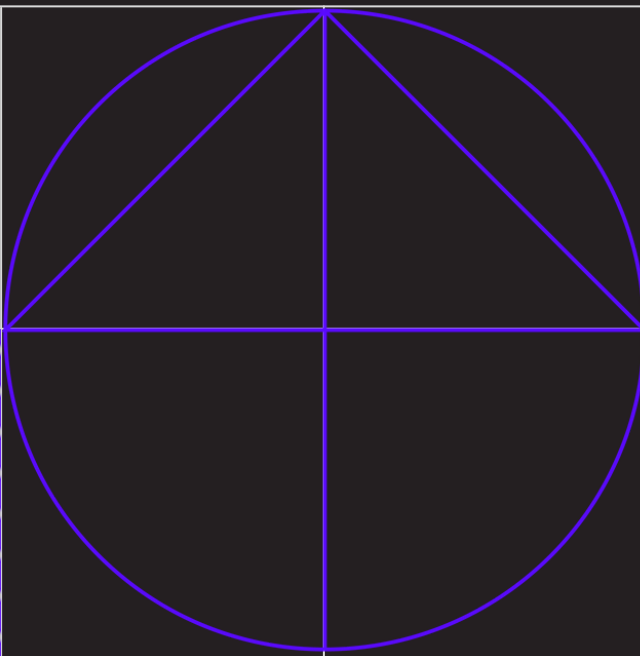
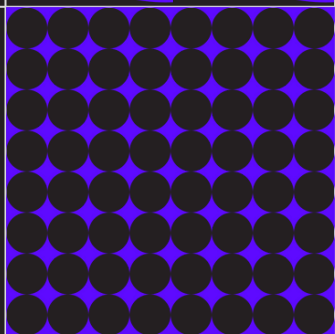
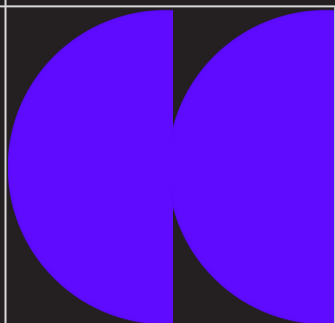


INNOVATION NORTH



Session 10 Briefing Note:

INNOVATING WITH PURPOSE



In our rapidly changing world, corporations can quickly lose sight of the purpose of their innovations and start chasing opportunities that simply increase sales. They can distract the company from the business in which it is in.

A turbulent business environment is known to make innovators increasingly short-sighted and innovations increasingly incremental. The corporation's purpose can help keep things on course.

In the upcoming Lab session, we will ask you to reflect on your corporation's purpose to help shape the innovation process. We will discuss:

- what is corporate purpose, what makes a 'good' corporate purpose, and how is it developed;
- how corporate purpose can foster innovation and vice versa.

What Is Corporate Purpose?

The traditional view of the purpose of business is to make money for shareholders, however this perspective is outdated. The myopic focus on short-term profits has been blamed for catalyzing some of the world's biggest disasters including the recent pandemic, climate change, and biodiversity loss.

The belief that corporations now need a purpose beyond profits is reflected in popular media, business literature, and calls from industry groups. Corporate leadership is also changing. In August 2019, 181 CEOs of America's largest companies promoted a new set of principles and released a statement committing to inclusive prosperity titled "Business Roundtable Redefines the Purpose of a Corporation to Promote an Economy That Serves All Americans."

Corporate Purpose Statements

Suncor: To provide trusted energy that enhances people's lives, while caring for each other and the Earth.

Kellogg's: Creating better days and a place at the table for everyone through our trusted food brands.

IKEA: To create a better everyday life for the many people.

LaFarge: Building for people and planet.

Canada Life: Improving the financial, physical, and mental well-being of Canadians.

Unilever: To make sustainable living commonplace.

Society expects corporations to seek a 'higher' goal, one that positively contributes to everyone's well-being, meaningfully and authentically. Corporations should consider not only typical economic stakeholders, such as customers and suppliers, but also the wider, often invisible parts of the system, including the community, the marginalized, the natural environment, and future generations.

An organization's purpose describes an organization's 'why' and sometimes their 'how'. It should include a statement of the products and/or services the company provides and the destination they are seeking in providing those products and/or services. A purpose can also indicate how a corporation will consider how it conducts itself in the world. To understand this expanded sense of purpose, an organization needs to consider how their activities fit with the desirable future state of the world.

Much has been written to disentangle corporate purpose from vision, mission, corporate objectives, the north star, and corporate sustainability and responsibility statements — our view is that the semantics are not important. It's the content that matters, no matter the form it's expressed in.

Purpose-Driven Companies Focus on the Long Term

Executing on a corporate purpose asks executives to make tough choices. They must be willing to forgo short-term profits to make long-term investments, such as in research and development, employee benefits, and community impact initiatives.

There is ample research evidence that shows these long-term investments build trust with stakeholders, align internal resources and decisions, and stimulate creativity. The outcomes of these types of investments lead to corporate resiliency, innovation capabilities, and long-term success.

If an enterprise wants to ensure stability, especially in the midst of systems disruptions, then a focus on a higher purpose beyond profits is sound leadership.

How to Develop a Higher Corporate Purpose

A higher corporate purpose requires corporations to engage in two processes: (1) the norming process of aligning current activities and strategy and (2) the inspiring process of envisioning a desirable future for the world.

Innovating with Purpose: The Example of Novo Nordisk

Novo Nordisk, a Danish manufacturer of insulin, is an often cited as a company that was able to spur innovation through its corporate purpose.

Novo Nordisk's purpose had traditionally been to treat people with Type 2 diabetes. Upon reflection, the executives at Novo Nordisk realized their purpose was not merely to treat Type 2 diabetes, but to help prevent diabetes. Their widened purpose catalyzed collaborations and innovations beyond simply manufacturing insulin.

After their renewed purpose in 2014, Novo Nordisk asked each employee to spend time with someone connected to diabetes – a patient, a healthcare professional, or a caregiver. These activities saw 18 projects across 6 cities initiated from the ground up, which focused on improving community involvement in health, health policy, and strengthening the health system. The expanded pro-social purpose not only stimulated innovation, as Novo Nordisk is now a trusted health product supplier with strong organizational and community support.

1. Aligning current activities and strategy

In the process of aligning the current corporate activities and strategy, company executives should consider the following questions: what can we do that is unique, what do we want to do that inspires us, and what do we have the capacity to do? In aligning those unique activities with passion and capacity, executives can determine where they can play a role in realizing a desirable future.

2. Envisioning a desirable future

In the process of envisioning a desirable future, executives engage their employees and corporate stakeholders in thinking about desirable futures over three different future horizons: long-term (50 years); mid-term (25 years), and near-term (5-10 years). Employees are then asked to backcast what they need to do realize those futures – both in terms of new things the company could do and what they need to stop doing. The Innovation North Lab community engaged in a process of envisioning a desired future in the 6th Lab session with Terry Irwin and Gideon Kossoff, using the COVID-19 response in the US as an example.

Why Corporate Purpose Is Important to Innovation

Drives Creativity

A higher corporate purpose that goes beyond profits has been shown to inspire creativity and innovation. A robust body of research has shown that social purpose sparks intrinsic motivation in one's work and gives people meaning, in contrast to financial incentives and time pressures, which are extrinsic motivators that can stifle creativity. The research also shows employees are happier, more resilient, more proactive, more engaged, more committed to the organization, and more likely to help colleagues. Aligning the innovation agenda to a strong corporate purpose helps employees unlock new perspectives.

Attracts Talent

Millennials (1980-1994) and Gen Zs (1995-2010) are driving the purpose movement at home, amongst their friends, and in their workplaces. They are attuned to global issues and recognize the challenges confronting society and the planet. They look to their employers to not just follow the crowd, but show their commitment by pushing the boundaries on new products and/or services that demonstrate the authenticity of the company's purpose.

Assures Accountability

We learned in Session 9 on 'Measuring and Assessing Impact' that innovations have impacts wider than simply corporate profits. In a period of rapid systems change, a corporation's innovations can end up chasing the 'next big thing', distracting the corporation from its objectives or even strengths. A corporation's purpose ensures that the innovations are measured and held accountable to the general direction of the firm. Revisiting and reflecting upon organizational purpose should be a first step of each innovation project.

Creates Long-Term Value

Creativity, employee engagement and trust all help to lower costs, innovate new products, lower risks and drive long-term profits. Most importantly, there is considerable evidence to show that companies with purpose beyond profits create more value for companies in the long-term through the investments they make in innovation, employees, and community. These companies are able to sustain their competitive advantage and are more resilient, better recover from shocks better than companies without a higher purpose.

Corporate Purpose Catalyzed Innovation and Revenues at Blackrock

In 2018 and again in 2019, the CEO of Blackrock, Larry Fink, wrote an open letter to corporate CEOs that they need to invest in sustainable, long-term growth with a higher purpose.

To inspire changes in his own company, Blackrock built out the impact investing capabilities in the strategic product development group. Innovation went viral at Blackrock, with over 100 employee SWAT teams spread across the organization that incubated new ideas in social investment. The teams shared these ideas at a “strategic summit”, which inspired them further. Now, new product lines at Blackrock have opened up, attracting new clients and \$2.2 USD trillion under management.

Corporation Purpose Offers Direction, Not A Destination

Although no single innovation project can fulfill the organization’s purpose, each innovation project seen together should advance the purpose. As innovation executives adopt a systems-based view to innovation, they need to recognize their organization’s purpose in the system in which the organization sits.

Reflecting on purpose is essential at each moment throughout the innovation process. It is also critical in determining the success of the innovation portfolio.

Citation: **Aguanno, M. & Bansal, T.** (2022). Session 10 Briefing Note: Innovating With Purpose. Innovation North, Powered By Ivey, London, ON.

**INNOVATION
NORTH**

Innovating for a better future.
innovationnorth.ca