

The purpose of the corporation

Can OD tackle the “Why?” and “What for?” of organisations?

Louise Redmond



The financial crisis (2007-9), and the many corporate failures since then, have prompted a debate challenging the assumption that the primary purpose of companies is to make profits for shareholders. Here, I argue that substituting for shareholder returns should be a renewed sense of corporate purpose which promises a set of benefits to a wide range of communities. These communities would include employees and pensioners, and also supplier and sub-contractor companies, neighbours, and, of course, customers.

Keywords

purpose, profit, virtuous managers,

Some advocates of revised corporate purpose

There have been organisations campaigning on revised corporate purpose for some time, of course. For example, [Tomorrow's Company](#) has been going since 1996 and still campaigns in this area. The CEO of the organisation, Norman Pickavance, says,

“We are entering a new era, not simply prefaced by changing technology, but by the changing attitudes of people who, after years of simply wanting more, are starting to want something different.”

More recently, a number of interesting new think-tanks and research projects on the topic of purpose in organisations have also sprung up to flesh out further this changing premise, and have produced useful reports on the topic. These include: [The Purpose of the Corporation](#) Project, which is run by law firm Frank Bold; a [British Academy research project into the future of the corporation](#) also has a major focus on purpose; and [the Big Innovation think tank](#) produced a report on purposeful companies.

Multiple stakeholders in corporate purpose: the example of Carillion plc

This need for purpose doesn't just affect our public sector organisations, hence the notion of a public limited company. Failed companies such as [Carillion plc](#) had taken over work from public sector organisations, thus highlighting questions of the private-public sector divide. Communities affected by the failure of Carillion include the patients and future patients of NHS hospitals that have not been built. However, there is no doubt, much of the debate centres around the differential distribution of earnings between owners, shareholders and senior executives on the one hand and workers, pensioners, sub-contractors and communities on the other.



Implications of corporate purpose for OD

So, if the debate on the purpose of the corporation is an important one, where does OD fit in? OD has traditionally focussed on interventions which improve the “how” questions of the organisation: How should leaders behave? How do teams best work together? How do we achieve change? How do we learn faster? And so on. Can OD professionals contribute to the definition of what the organisation is for, why it exists, who is it for? This is the “why” of organisations.

A philosophical perspective on purpose

[Richard Beckhard](#) said that OD is “an effort ... to increase organization effectiveness and health ... using behavioural science knowledge”. The behavioural science applied has traditionally been drawn from psychology, neuroscience, sociology, anthropology and applied organisation and management studies. To tackle the question of the purpose of the corporation, we see instead that digging into the field of philosophy is fruitful. One strand takes us into moral philosophy, which has contributed significantly to debates on business ethics, particularly by emphasising the need to set the right “tone from the top”. If philosophical principles can help emphasise the benefits of achieving a value-driven outcome for customers, the business should benefit as well as the workers, the pensioners, and so on. However, an important question is: are these philosophical principles something that OD professionals can apply purposefully as they aim to increase organisational effectiveness and health?

Applying moral philosophy to corporate management

Perhaps one example will serve to explain what I mean. What can moral philosophy tell us about leadership? What does “virtuous” management look like? A manager who is concerned for the purpose of the organisation would ensure that those doing the work are able to perform their roles and responsibilities well. Enabling workers to shape their own work practices to achieve the desired customer benefits is a critical task for “virtuous” managers. Managers need to sustain the work of the

organisation and ensure that it meets the standards required to meet the common good. But managers are not just concerned with how the work gets done. They need to make sure that the resources are there, that the law is followed, and that external parties are content. Managers also need to sustain the institution that houses the work. After all, the work can't get done unless the institution is healthy. Meeting both work and institutional needs is the key balancing act for managers. Many virtues might be needed for this, but can we highlight a crucial few? Two stick out for me.

First, a resistance to the corrupting forces that institutions can be subject to, such as over-concern about profits at the expense of perfection in the work. This requires an ability to stand up and resist pressures that might disrupt the best efforts of those carrying out the work. Secondly, practical wisdom (thank you, Aristotle) is needed. Practical wisdom (or *phronesis*) is the ability to remember the purpose intended and to make regular *practical* decisions to achieve this.

All this thinking on effective and purposeful management is thanks to [Aristotle's moral philosophy](#), developed and embraced by contemporary philosopher [Alasdair MacIntyre](#) (now a senior research fellow at London Metropolitan University) and [Geoff Moore](#), professor of business ethics, Durham University. (Most likely, in ascending order for those who would like to dig deeper).

Anybody wanting another way to taste moral philosophy should try the Netflix comedy – [The Good Place](#). In this series, Eleanor dies young and by mistake ends up in “the Good Place”; clearly a mistake as she has been pretty consistently nasty and unpleasant throughout her life on earth. Obviously, she doesn't want to be found out and sent to the horrible “Bad Place”, so she quickly has to learn how to be good. She is helped in this by a moral philosophy professor who has also recently died. It turns out to be an entertaining way for a comedy show to introduce moral philosophy, whilst giving us a good laugh.

What next for OD professionals?

These are interesting approaches to the question of how to run our organisations. So I return to my earlier question: could OD professionals help managers view their roles with these philosophical insights? For OD practitioners, recent attempts to apply moral philosophy to business ethics and the debates on the purpose of the organisation may seem rather abstract. However, the cultural and leadership consequences are significant. All organisational activities are imbued with values and with work practices that become the norm. In some situations, leaders' obsessions with institutional ends, such as sales and profit targets, can result in a widespread emotional disengagement of the workforce away from developing their work tasks so that the original customer value is achieved. Jack Ewing's book (2017), on the background to the Volkswagen emissions scandal, shows this well. What could leaders do, instead, to ensure that work practices are fully imbued with the values that could have met the overall purpose of a company like Volkswagen; namely, producing safe, reliable and non-polluting transport for all?

What might OD professionals do to help the focus on purpose? OD professionals can play a role in guiding leaders and in questioning whether work practices capture the overarching purpose of our organisations. It is not unusual for workers to feel a conflict between performing a task well and meeting some company target (efficiency, sales and so on). How are managers helping to resolve these tensions? The challenge of meeting customer needs and sustaining a viable business can be achieved. This can also be a significant source of innovation. The OD professional can prompt, guide and question, as well as offer processes to analyse these problems and evaluate the potential solutions. Perhaps there are ways to help people reflect upon their current practice in relation to the company purpose. Speaking out can be threatening for many, so can OD professionals help these issues emerge collectively through the organisation, rather than being associated with particular individuals?

The case of Wells Fargo Bank

One setting this reminds me of is that at Wells Fargo Bank in the US. This is the bank where employees were incentivised to open bank accounts without customer knowledge so that they could meet new business targets. Investigative journalist Bethany McLean (previously an exposé of Enron – “the Smartest Guys in the Room”) shows how nobody spoke up about this practice and the board had trouble finding out about the culture without encountering the “censorship” of senior management. What do we think an OD professional could have done in such circumstances? What would you have done?

A challenge for OD practitioners

No one is saying that these are easy issues. However, OD practitioners should concern themselves as much with the “why” and “what for” of the organisation as the “how”. It’s what we would all want to do.

References

Aristotle on YouTube. Look for simple introductions. Here’s one.

<https://www.youtube.com/watch?v=PrvtOWEXDIQ>

Jack Ewing. *Faster, Higher, Farther: The Inside Story of the Volkswagen Scandal*. W.W. Norton. 2017.

Alasdair MacIntyre. *After Virtue*. Third Edition. Bloomsbury Reprint. 2013.

McLean, B. (2017) ‘Wells Fargo’s cutthroat culture’, in CNBC (ed.) *Squawk on the Street*. New York: CNBC, pp. <https://www.cnbc.com/video/2017/06/01/wells-fargos-cutthroat-culture.html>.

Geoff Moore. *Virtue at Work: Ethics for Individuals, Managers and Organizations*. OUP. 2017.

Netflix. *The Good Place*. <https://www.netflix.com/gb/title/80113701>

Other websites

The Big Innovation Think Tank. The Purposeful Company.
[http://www.biginnovationcentre.com/purposeful-company.](http://www.biginnovationcentre.com/purposeful-company)

Frank Bold. The Purpose of the Organisation Project. [http://www.purposeofcorporation.org/en.](http://www.purposeofcorporation.org/en)

The British Academy. The Future of the Corporation.
[https://www.thebritishacademy.ac.uk/programmes/future-of-the-corporation.](https://www.thebritishacademy.ac.uk/programmes/future-of-the-corporation)

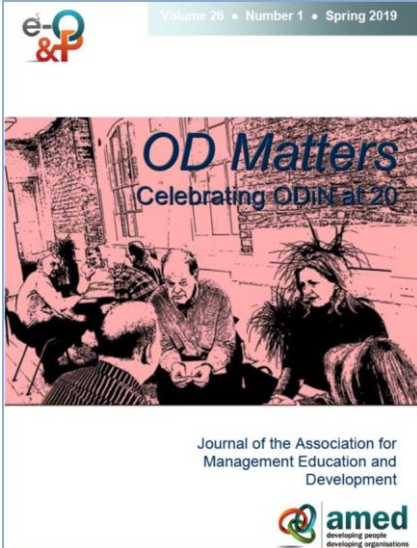
Carrie Foster (9/10/2012). Organisation Development: The Theorists - Richard Beckhard.
<http://organisationdevelopment.org/the-theorists-richard-beckhard/>, accessed 8.3.19

Tomorrow's Company. [https://tomorrowcompany.com/stewardship-governance-boards/.](https://tomorrowcompany.com/stewardship-governance-boards/)

About Louise

Louise Redmond is a founder member of ODiN. She has worked in OD and HR in senior roles in the public and commercial sectors. She now focuses on several non-executive director board roles and her research at Birkbeck, University of London into how corporate boards deal with questions of culture.

<http://www.bbk.ac.uk/management/our-research/phd/louise-redmond>



e-Organisations and People ([e-O&P](#)) is the quarterly online journal of The Association for Management Education and Development ([AMED](#)), registered under ISSN: 2042 –9797. 'OD Matters: celebrating ODiN at 20' is the Spring 2019 edition in which this article originally appeared. This edition has been produced in collaboration between AMED and the OD Innovation Network (ODiN), and can be accessed in full [here](#). Copyright remains with the author.

AMED is a long-established membership organisation and educational charity devoted to developing and supporting people and organisations. As an outpost of independence, AMED serves as a forum for people who want to share, learn and experiment, and find support, encouragement, and innovative ways of communicating.

For more information: W: www.amed.org.uk, E: amedoffice@amed.org.uk, T: +44 (0) 300 365 1247.