An excerpt from

WHY *is a* VERB

How Well-Managed Teams Turn Purpose into Productivity

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Chapter 1: Our Purpose Paradox

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"How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it."

ADAM SMITH
The Theory of Moral Sentiments (1759)

CHAPTER 1

Our Purpose Paradox

*"Every business is full of sh*t. They don't even tell you about the product no more. They just tell you how much charity they do."*

Chris Rock

MONTHS BEFORE COVID-19 ARRIVED, a group of almost two hundred CEOs from leading American companies, broke with a half century of tradition to restate its view on the purpose of business.

At its 1972 inception, the Business Roundtable (BRT) had cohered around a principle articulated by economist Milton Friedman two years earlier: "the one and only social responsibility of business" was to make money legitimately.

Companies, the "Friedman doctrine" reasoned, could only profit *sustainably* by delivering ever-better products and services at ever-better prices. This required treating employees well enough to attract and retain them, and doing no harm: neither deceiving customers, breaking the law, nor injuring third parties (polluting). This made it impossible to serve shareholders without also serving society.

By 2019, this argument was taking water. Offshoring had devastated communities, even regions. Corporate lobbying had made many laws governing companies seem unfair or ineffective, particularly regarding the environment and competition. Voters were skeptical that legitimate profit-seeking necessarily led to positive social outcomes, especially in the wake of the 2008 financial crisis. The Republican Party, long "the party of Big Business," had come to house some of big business' most vocal critics.

Against this backdrop the BRT expanded its members' concerns to include the needs of employees, suppliers, and communities. "While each of our individual companies serves its own corporate purpose," its revision stated, "we share a fundamental commitment to all of our stakeholders."

If signatories expected general acclaim, however, they were soon disappointed.

Scattered applause came from some corners. The *New York Times* marveled at the "break with decades of corporate orthodoxy." The *Wall Street Journal* called the move "a major philosophical shift." Some academics hailed it as "a milestone" in business history, as well as "a sign of the times."

Others saw this new stance less as leadership than catch-up. In light of corporate America's failings, interest in the purpose of companies—and of the individuals who worked for them—had surged to unimaginable heights. Since Google began tracking online queries in 2004, searches for "business purpose" and its new shorthand, "WHY," had grown more than tenfold.

Against this backdrop, the BRT's shift seemed to many "generic" and "rhetorical," little more than "a marketing ploy."

Three years later, JUST Capital, a nonprofit promoting corporate responsibility, took stock of the statement's impact on stakeholder perceptions. The poll's findings were perplexing. Less than half believed companies were actively "promoting an economy that serves all Americans," let alone "building an economy that allows each person to succeed through hard work and creativity." Only a slim majority believed companies were "building an economy that allows each person to lead a life of meaning and dignity." And all three figures were falling.

At the same time, BRT members had achieved meaningful gains in JUST's social responsibility scores, increasing their share of the "JUST 100" from 49 percent to 62 percent.

What was going on?

WHY COMPANIES CARE ABOUT WHY

"Did you ever expect a corporation to have a conscience, when it has no soul to be damned, and no body to be kicked?"

England's top law officer in the late 1700s, Lord Chancellor Edward Thurlow, has proven to be far from alone in questioning companies' commitment to the common good. It's not hard to see why. Corporations may be "artificial persons," subject to the laws of the land like any real person. Yet the dynamics of how they operate in practice—notably insulating their human representatives from accountability for corporate malfeasance—often stretch the analogy to a breaking point.

So why have we come to see these soulless entities engage in so much soul-searching lately, articulating not only inspiring missions and visions but ethical credos and values statements?

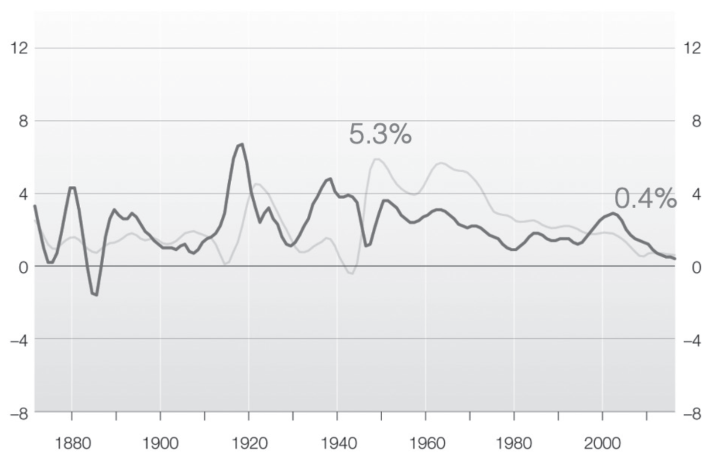
The short answer dates back not to Peter Drucker's 1973 "call to purpose" (see preface) but to an article published almost twenty years earlier. MIT economist Robert Solow's "A Contribution to the Theory of Economic Growth" demonstrated how changes in productivity (output per hour worked) contributed to economies' long-term growth, driving increases in wages, employment, and living standards.

No sooner did productivity growth become a primary focus for macroeconomists and policymakers, however, than something shocking happened.

It began to fall.

In retrospect, outsize productivity growth was to be expected after World War II. Peace meant not only recovery from wartime constraints but also the arrival of new and more efficient technological and process improvements developed during the war, which also contributed to record productivity growth that tripled by the mid-1950s.

Few expected that the measure would stagnate over the next two decades before beginning a steady decline, interrupted only briefly by the commercialization of the internet around the turn of the century (Exhibit 1.1). By the early 2010s, productivity growth across advanced economies languished at around 1 percent, a level not seen in the US since after the Civil War. A decade later, the figure had fallen below zero in many countries, the miserable conclusion of a seventy-year slide.



[1] Productivity defined as GDP per hour worked. Calculated using Hodrick Prescott filter. Drawn from similar analysis in Martin Neil Baily and Nicholas Montalbano, *Why is productivity growth so slow? Possible explanations and policy responses,* Brookings Institution, September 2016. See technical appendix for details on methodology. Figures may not sum, because of rounding.

Source: A. Bergeaud, G. Cette, and R. Lecat, "Productivity trends in advanced countries between 1890 and 2012," *Review of Income and Wealth*, volume 62, number 3, 2016; McKinsey Global Institute analysis

Exhibit 1.1: Average advanced country and US productivity growth since 1860. Source: McKinsey

Solow's theory suggested such decline would be accompanied by despair. Without productivity increases to pay for it, real wage growth (wage growth adjusted for inflation) would be expected to stall. Successive generations would notice they weren't seeing the improvements in living standards their parents and grandparents had enjoyed. Widespread resentment and social unrest would follow.

Reality turned out to be even worse. From the 1970s, as shareholder activism took hold, wage increases fell even faster than productivity (Exhibit 1.2). Combined with rampant offshoring and outsize inflation in sectors associated with lifestyle improvement (housing, health care, and higher education), early twenty-first-century workers became the first peacetime generation in memory to feel poorer as adults than they had as kids.

Hand-wringing lessened during the early months of the pandemic, when the trend appeared to reverse. As companies laid off workers and sought to make do with less, productivity growth spiked. But the reprieve was temporary. In early 2022, the US recorded negative productivity growth (minus 1.7 percent) for the first time since tracking began.

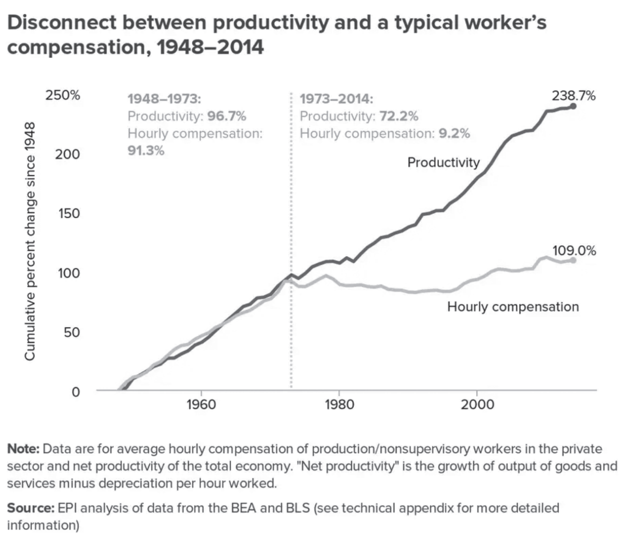


Exhibit 1.2: Real wage growth versus productivity growth, 1948–2014

Source: Economic Policy Institute

Later that year, the founder and co-CEO of one of the century's most successful companies, Salesforce's Marc Benioff, took to his company's Slack feed in anguish:

> *How do we increase the productivity of our employees at Salesforce? New employees (hired during the pandemic in 2021 & 2022) are especially facing much lower productivity. Is this a reflection of our office policy? Are we not building tribal knowledge with new employees without an office culture? Are our managers not directly addressing productivity with their teams? Are we not investing enough time into our new employees? Do managers focus enough time and energy on onboarding new employees & achieving productivity? Is coming as a new employee to Salesforce too overwhelming?*

Coming from a productivity software company, such questions conveyed how deeply leaders had come to be preoccupied with a new concern—the notion that employee mindset, often seen as a nice-to-have intangible, could impact something as critical as productivity. Benioff made no reference to information technologies, proprietary or otherwise, nor to any of the other productivity killers that economists typically bemoaned: outsourcing, restructuring, weak demand projection, and poor capacity optimization. Tellingly, he focused on the "soft" drivers of productivity growth that HR professionals had long worried about. Culture. Knowledge sharing. Onboarding. Fit.

He was far from alone. Around the same time, an unusual workplace study began to catch leaders' attention. In 2018, the digital coupon platform Vouchercloud had investigated the productivity question from the bottom up, asking two thousand UK office workers how they spent their time. Reported activities included engaging on social media, shopping online, and making hot drinks—fair enough. What shocked was the average time per day spent on activities they were paid to do: two hours and 53 minutes, just 36 percent of a typical eight-hour shift.

In one respect, this finding confirmed managers' worst fears. In another, however, it gave them hope—for it pointed to a solution.

"Employee engagement," a term coined by a 1990 Boston University study, refers to how connected workers feel to their work, colleagues, and employers. Having been found to correlate with key performance measures like employee turnover and productivity, online interest in the subject has grown more than fivefold since 2004. The curious have included more than disgruntled employees and worried HR managers. Hard-nosed leaders have increasingly come to see what many find to be an uncomfortably "touchy-feely" factor as a key to reviving flagging productivity growth. It's not hard to see how motivating workers to invest just a few more minutes in productive work activity day might create significant value.

Alas, engagement has proven to be almost as mysterious as the ill it promises to cure. Internal studies are often distorted. Employees fear revealing their lack of commitment to bosses, even in anonymous surveys, resulting in rosier-than-actual readings.

Gallup's State of the Global Workplace report, which has become the gold standard of engagement across companies, has been more helpful—and sobering. Its first edition in 2012 found that only 13 percent of employees in 142 countries outside the US felt engaged at work. The US figure was much higher, but still just 30 percent. A decade later, the global figure had climbed, but only to a still-dismaying 23 percent, with the US effectively unchanged.

Leaders generally avoid discussing such findings with staff for fear of making things worse: the disengaged are unlikely to take heart by learning many colleagues have also checked out. Privately, however, many have come to see engagement as the puzzle they urgently need to solve to revive productivity growth—and they believe the answer has something to do with WHY.

WHY EMPLOYEES CARE

September 2009: a fine evening in the picturesque Seattle suburb of Newcastle, Washington. A bespectacled marketing executive from London steps onto a modest stage before a few dozen curious faces to talk about the subject of his first book, coming out the following month. Eighteen minutes later, he steps down to rapturous applause—though few at this TEDx event truly appreciate what they've just witnessed.

In the decade that follows, the talk will garner close to 100 million views, making it the third most popular TED Talk ever. The book, *Start With WHY: How Great Leaders Inspire Everyone to Take Action*, will sell over a million copies, topping bestseller lists and being translated into dozens of languages. By 2023, daily searches for its subject will have increased fourfold. The very language used to discuss it changes: "WHY" in all caps, effectively replaces "business purpose" in common usage (Exhibit 1.3).

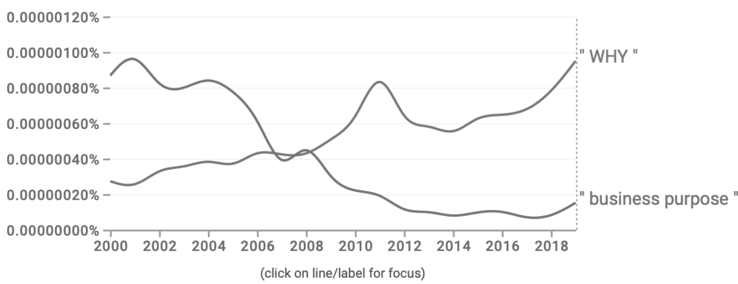


Exhibit 1.3: Uses of "WHY" and "business purpose" in print, 2000–2019
Source: Google Ngram Viewer

Simon Sinek has literally changed the way we talk about purpose. His impact on how we actually live it, however, has turned out to be rather less profound. As we've seen, a decade and a half after he took to that stage, less than one in six frontline managers and employees report feeling their WHY at work. From 2012 to 2023, the needle on employee engagement in the US, where most of those books were sold, moved up only 1 percent—statistically flat. Bosses who have tried to follow his prescriptions, like our friends at WowCo (preface), typically wonder if it has something to do with them—or, less charitably, if it's all B.S.

Before we can understand what hasn't worked, we need to unpack exactly what *Start With Why* has tapped into. Why did employee interest in purpose explode as it did after 2009?

A good place to start is with a more general question: Why do we talk about anything?

It well may be because we're newly enthused by the subject, as with a new job, relationship, or social trend, like "love" in the '60s. Yet often it's because of the opposite, as the counterculture philosopher Alan Watts noted. "When an organ is working properly, you don't feel it," he said. But if you're suddenly going on about, say, your vision? "You've got cataracts." As a society, we can easily get hung up on something that's not working, like "peace" in the '60s.

By the measure of Google's search and print databases, we now spend more time talking about why we go to work than any previous generation. Surveys suggest this is not because we're feeling elated about our jobs. They simply aren't delivering what we've come to expect or hope they should.

An essential question is why—and what we can do about it.

In Part Two, we shall peel the onion to reveal what we really mean by "purpose" or "WHY," why it matters to us as employees, and how this intersects with the WHY of companies. In Part Three, we shall explore how a more in-depth understanding of purpose might enable greater alignment of company and employee needs, and more promising practices for driving it.

Before we can do so, however, it helps to understand exactly how we've come to find ourselves beset by disconnects between our aspirations as individuals and our objectives as leaders, and where solutions to connect the two have failed.

In short, we could use a bit of history.

KEY TAKEAWAYS

1. Twenty-first century managers and employees care about WHY more than any previous generation. Since 2004, online searches for "WHY" and "business purpose" have soared fourfold.
2. Companies care primarily because productivity growth—annual increases in output per hour worked—has been in free fall for 70 years.
3. By one estimate, the average employee is only fully productive for just under three hours a day.
4. Twenty-first century employees have felt the pain of this productivity slump, at a time when real wage growth and living standards are also stagnating.
5. Incoming generations, millennials and Gen Zers, have embraced purpose as another form of reward, but they aren't entirely sure what they're looking for.
6. Simon Sinek's books and talks have changed the language we use to talk about the problem and elevated the need for WHY to the top of employee workplace requirements as well as the management agenda.
7. Sinek's solutions, however, have had limited impact. While employee engagement has risen, it remains around one in five globally and under one in three in the US. Moreover, one in six frontline managers and employees say they don't live their purpose at work.
8. We need to understand the disconnects between employee aspirations and leaders' objectives, and the solutions that have failed to bridge the two, by delving into how we got here.