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# Book Review

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Ranjay Gulati, *Deep Purpose: The Heart and Soul of High-performance Companies*. Harper Business, 2022, 304 pp., ₹567.15.

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Traditional economics looks at the purpose of a firm as profit maximisation. The book argues that mere profit making without central purpose is incomplete and modern strategic management goes beyond this and seeks every firm to decide its central purpose. In the noise surrounding this purpose, firms often confuse the purpose with mission and vision statements. They forget to raise the existential questions of—‘reasons of being’ and ‘why companies do what they do?’ The book *The Heart and Soul of High-Performance Companies* considers that purpose has to be an essential part of most organisations’ management ethos and top-level management agenda. Every organisation needs to have a stated purpose. Today, a significant percentage of organisations use it as a marketing and positioning tool used for virtue signalling, or virtue cloaking customers and stakeholders. Ranjay Gulati, the author of the book, dwells deep into this and has conducted field research and interviewed several leaders to look at the purpose of firms closely. He echoes how companies like Etsy, Lego and Microsoft have a central purpose and also looks where companies go wrong while selecting a central purpose for their firm. His research on fast-growth companies—small and large—led to one common conclusion that successful companies have a perfect strategy combined with execution efficiency that makes them successful in the first place. However, despite being successful, this sense of a ‘void’ or something amiss that would keep them going on that successful path is attributed to lack of clearly defined purpose.

In Chapter 1, ‘What is Purpose Really?’, Ranjay Gulati opines that even the top management of an organisation has a somewhat superfluous idea of the ‘purpose’ of an organisation and often equates it with mission, vision and long-term strategy. The result is a half-hearted approach to understanding, defining and cascading the organisation’s purpose to employees and a signal to customers that the organisations are ‘profit’ leaning versus having a purpose that truly resonates and establishes a connection with the customers. The author takes us into this journey of



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successful companies going into the reasons for their success and what the leaders can learn from it. Having a clearly articulated purpose can engage employees more purposefully than ever before and act as a catalyst for passing on benefits to society in general.

By the author's own volition, in Chapter 2 'Walking on the Razor's Edge', the author calls the organisation's purpose a 'loosey-goosey' topic but all too important. His years of extensive field research highlight the mistakes organisations commit while defining purpose, although unknowingly and the impact it has on the stakeholders. He advises leaders to begin with themselves and be part of the exercise to describe and relate to the defined purpose.

In Chapter 3 of the book, the author looks at the four levers for supreme performance and how they need to be leveraged for sustainable competitive advantage. The author addresses the 'why' part of defining the purpose exercise by listing these four distinct functions the 'purpose' serves—as a compass, compassion, relational and reputational.

Motivational—To not only attract but also retain motivated and engaged employees.

Directional—To have clarity on correct strategic choices.

Reputational—To be a trusted brand to elicit customer loyalty, customers trust companies that have a clear and deep sense.

Relational—A strong network of suppliers, partners and others' ability to build external relations.

In Chapter 4, the author through his field research with successful companies exhibits how purpose-driven culture gives us an idea of the consequences of an engaging versus ill-defined purpose. The trust deficit of customers with today's businesses due to their overtly capitalistic tendencies can harm a business's reputation in the long term. Defining the 'purpose' is not a 'quick-fix' formula but a sustained effort over decades. There is a paradigm shift in organisations' approach towards employees, from creating satisfaction at work and driving engagement towards inspiring employees to be at their best, something that is intrinsically motivating.

In Chapter 5, 'Are You a Poet or Just a Plumber', the author states that the leaders must function both as a plumber and a poet. He quotes the late James March, the former Professor at Stanford in the Graduate School, who said, 'Leaders have not just to be plumbers, but they have to be poets'. Plumbing is putting the organisation chart, defining business and financial models, understanding customers and markets and others, whereas poetry is all about inspiring people, to motivate them and to inspire them to achieve higher goals for the organisation. According to the author, both functions are of equal importance for the success and long-term competitive advantage of the firm. Mere focus on operational task loses sight of the larger goal and mere focus on emotions and passions become a storytelling which fails to align the purpose with corporate structures, systems and processes.

In Chapter 6, 'The Me in Purpose' means to find out the role for the leader in the purpose, to make mistakes, to reflect on them and taking a learning is essential. The purpose is not an inanimate goal, it needs the leader's heart and soul to

drive it passionately. Organisations perform best when their purpose resonates with your own purpose. He cites the example of Microsoft's CEO Satya Nadella; during the time before the turnaround at Microsoft, there was a sense of 'loss of purpose' and how he went around to redefine the purpose with customer centricity and moving from just having an 'idea' to an 'ideal'. He further substantiates his argument with examples of successful companies of the past decade from diverse industries like Etsy, Warby Parker and Gotham Green, all being purpose-driven.

In Chapter 7, 'Escaping the Iron Cage', the author warns the leader that leadership is bestowed upon him by his followers. As long as he follows the purpose and guides others, he wields the power to lead. The author asks the leaders to be like Sankofa bird—a Ghanaian mythological bird to fly forward but never lose sight of where he has come from. The author opines that the top management's job is to work on the 'deep purpose' of the organisation that will have a customer buy-in and comes with a lot of self-belief and conviction of the leader. He substantiates his argument by showing a correlation between a deep purpose and the organisation's high performance.

In Chapter 8, 'From Ideas to Ideals', Ranjay talks about the power of ideals. He cites how the past generation leaders cared less about profit and loss accounting but focused more in attaining the organisational purpose. He also takes up many cases, one being on Mahindra, a firm in India and how the leadership there never loses sight of the ideals. There is an intriguing story about Haryana (India) farmers from our global Indian firm 'Mahindra & Mahindra' showcasing how deep purpose and a high-performance organisation go hand in hand. They follow enlightened business practices, challenge conventional thinking and innovatively use all their resources to drive positive change in the lives of stakeholders and communities across the world. He also takes up the example of startups who are essentially focusing on growth and profit—so the focus is on idea but not ideals. The ideals serve not only moral purpose and also three strategic advantages, that is, expansion plans for organisation, attracting people with similar thought processes and ideals and making of a more cohesive team aligned on common ideals. The firm needs to enact this in the context of an organisation taking these 'ideals' and converting them into meaningful action.

To conclude, the author cautions that merely defining a purpose is not the end of it, more than having a defined purpose what is needed is organisation and stakeholders 'living' that purpose; examples are Enron, Facebook, and Purdue Pharmaceuticals—all of them had a purpose, and somehow their actions were exactly opposite to the stated purpose. There is undoubtedly cynicism surrounding the topic of driving, lots of smoke and mirrors! Some of the recommendations include:

- Be more conscious of the trade-off choices and repercussions they might have on the short and long-term value for the organisation.

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- The purpose should be systematically built into every function of the organisation to enhance performance.
  - A direct correlation exists between autonomy, collaboration and purposeful work; organisations should strive to create autonomous structures and roles.
  - Emotions play a significant part in communicating purpose effectively to build a committed community of stakeholders.
  - They are fostering a culture that creates natural employee affinity towards purpose and their purposes.

Overall, the book is a fascinating take on the role inspiration, and profound purpose plays in an organisation's success and how it should be enacted in the context of an organisation—a must-read for business leaders and business students.