

## Chapter 9

# Purpose-Setting

This was not the way Mark had wanted to start his new job as CFO. The previous officeholder had quit in frustration, after needing to explain to the bank once again how the mounting losses would make it impossible to repay the extensive debts on time. The bankers had thrashed the company's strategy and made it absolutely clear that the company was on the last of its nine lives. Once the old CFO had cleared the field, the bank had insisted on parachuting Mark into the company to try to turn it around, before it went into receivership. Now, here was Mark across the table from the visibly shaken CEO, Jerry. As majority shareholder of his family-owned business, Jerry had run the company since taking over from his father nine years ago, but now he felt control slipping through his fingers. He was disappointed, confused, angry and desperate.

If only the bank had more patience, Jerry protested. Innovative players in traditional markets always need time to change customer behavior, he explained to Mark, while his company had the added challenge of selling its innovative water piping solutions to very conservative local governments and water utilities. When these customers need to renew their water pipes or extend their water supply network, they typically engage in a tendering process based on established terms of reference, picking the cheapest supplier. Jerry's firm had come up with high-tech flexible tubing that could be installed without ripping up streets. So, while more expensive to buy, it was cheaper to install, lasted a lot longer than old-fashioned pipes and was easier to maintain. However, few procurement managers were immediately enthusiastic about changing the existing tendering process and explaining why they were buying more expensive products.

The innovation that Jerry was most proud of, he immediately pointed out, was that the newest range of products had full cradle-to-cradle credentials. These products used only recycled materials and after an economic lifespan of about fifty years could easily be removed and recycled again. This was the crown on his work of becoming an entirely sustainable company, in which he had invested so much time, effort and money. Not only had he worked on all things green, but he had gone to great lengths to contribute to the local communities where the company worked, particularly at the manufacturing plants in California, Poland and Thailand. He was extremely proud to be one of the first companies to be certified as a B Corp (Benefit Corporation) and enjoyed being invited as guest speaker at Corporate Social Responsibility events.

Besides "taking environmental and social responsibilities very seriously", as he put it, Jerry was also intent on creating a healthy organization. Inspired by Ricardo Semler, he had decided to do away with hierarchy, instead organizing into self-steering teams. Local and cross-border teams had been formed and empowered to "do what is right given our mission to bring healthy water in a healthy way to as many people as possible". This move had drawn many idealists to join the company, including his own young son, Brian, who was at the forefront of developing the new product range.

"But hasn't doing away with hierarchy also created some chaos?", Mark asked. He continued to summarize what else he had heard in his first round of interviews: that country managers were suddenly demoted to team members, causing odd situations, multiple resignations and a general loss of market focus; that many self-steering teams, incited by the company mission, had started to spend money freely to 'do what is right', raising wages and lowering prices for poor customers; that most units weren't selling much at all, as Brian's new green product line was hugely expensive, while he had insisted on discontinuing the cheaper older products because they didn't meet the company's sustainability requirements. "Isn't it true that in most of our 32 countries procurement managers actually show little interest in the green labels we stick on products, as they see it as a ploy to raise prices?" "All true," replied Jerry, "but who said that changing the world for the better was going to be easy? We have a mission! We have a purpose! We can't let short term problems hold us back."

As Jerry left the room, Mark also stood up, weighing the words he had just heard... "we have a purpose". Potentially powerful, he thought, but he doubted whether everyone agreed with Jerry's mission. The bank didn't, the minority shareholders didn't and many employees thought it sheer madness. As he also left the room, Mark was still wondering what to do – support Jerry's purpose, but

bring in some financial discipline, or to push the company harder, to embrace profitability as its purpose, in order to save it from its impulses to avoid economic reality. Or was there some way to promote 'doing good' and 'doing well' at the same time?