Journal of
Management Inquiry

Purpose-led organization: 'Saint Antony' reflects on the idea of organizational purpose, in principle and practice

Journal:	*Journal of Management Inquiry*
Manuscript ID	Draft
Manuscript Type:	Meet the Person
Keyword:	Leadership, Ethics, Institutional Entrepreneurship

Abstract: Antony Jenkins, whose tenure as CEO/Chairman at Barclays makes his name synonymous with 'purpose-led leadership', speaks in this interview about a working conception of purpose to inform key decisions for large organizations and about the internal and external challenges these organizations face while implementing purpose. We interviewed him at Oxford in February 2016. He draws our attention to (a) how purpose and performance go hand-in-hand, (b) the importance of recognizing purpose at the individual level and how that gets integrated into the organization's purpose, and (c) the steps in becoming a purposeful organization that involve challenging the fear of short-term loss and aspiring to employ performance measures that stretch beyond our sense of control. He offers pieces of hard-won advice for an organization attempting a purpose-led transformation and shares his philosophy on how to do so starting with individuals.

Purpose-led organization: 'Saint Antony' reflects on the idea of organizational purpose, in principle and practice

Antony Jenkins, whose tenure as CEO/Chairman at Barclays makes his name synonymous with 'purpose-led leadership', speaks in this interview about a working conception of purpose to inform key decisions for large organizations and about the internal and external challenges these organizations face while implementing purpose. We interviewed him at Oxford in February 2016. He draws our attention to (a) how purpose and performance go hand-in-hand, (b) the importance of recognizing purpose at the individual level and how that gets integrated into the organization's purpose, and (c) the steps in becoming a purposeful organization that involve challenging the fear of short-term loss and aspiring to employ performance measures that stretch beyond our sense of control. He offers pieces of hard-won advice for an organization attempting a purpose-led transformation and shares his philosophy on how to do so starting with individuals.

Keywords
purpose-led organization, leadership, financial services industry, transformation

Purpose-led organization: 'Saint Antony' reflects on the idea of organizational purpose, in principle and practice

Today, 'purpose' is increasingly used to capture the amalgam of strategy, culture change, and value creation required for 21st century firms to thrive under today's challenging business conditions and institutional context. The word purpose itself is not new, and brings with it much resonance for long-time work of leading. A growing and varied number of CEOs use the word 'purpose' to speak directly and vigorously to the underlying issues and practices of rethinking how corporations work and also rethinking the basic relationship between corporations and society. Their work has vitalized the debates about corporation purpose and purpose-led transformation. Antony Jenkins, Irene Rosenfeld at Mondelez, Mark Weinberger at EY, Arianna Huffington at Huffington Post Group, and Paul Polman at Unilever exemplify this commitment to articulate and implement purpose-led corporations. This has involved them making many public statements as to why 'purpose' is important, and describing the decisions that they are making inside their companies to align activities with this purpose.

There is a social and institutional context for this conversation. Over the last decade the Financial Services Industry in the UK and globally has experienced turbulent times. From the liquidity crisis of 2008 to the Libor scandal and sub-prime mortgages, the industry has had to come to terms with stakeholders (regulators, customers, and governments) who are both increasingly unhappy and also powerful. The bailouts provided by governments in countries such as the UK, US, and Iceland in response to some of these crises also put claims on the table that some banks are 'too big to fail'. In other words, that as a society we are so dependent on these firms and their activities that their failure could result in major economic and social shocks that are unacceptable.

Along with increased scrutiny from customers and social and shareholder activists, there is a growing recognition that people want to work for companies that create positive value – a phenomenon illustrated most vividly among so-called 'Millennials'. In addition, investors are increasingly using environmental and social corporate governance criteria to guide their decisions and are taking steps to define and support longer-term value creation through investment decisions. In parallel, a conversation and debate about the purpose of the corporation itself is emerging in private board and executive team meetings, and international conferences such as the World Economic Forum at Davos.

Management researchers and many publics recognize a growing role of stakeholders in strategy policy and practice (Eccles, Krzus, and Serafeim, 2011; McGahan, 2014; Washburn and Bromiley, 2014). Since the 1970s, this has taken form as shareholder activism, new frameworks for stakeholder analysis, in the evolution of Corporate Social Responsibility (CSR) initiatives, and more recently in a focus on sustainability policy (Ioannou and Serafeim, 2015; Cheng, Ioannou, and Serafeim, 2014; El Ghoul, Guedhami, Kwok, and Mishra, 2011; Goss and Roberts, 2011; Lee and Faff, 2009). These initiatives have moved from 'heresy' within insider corporate leadership, to articles of strategy 'dogma' (Hoffman, 1997), albeit diversely implemented across firms and industries.

At Barclays, Antony sought to address this sea change in corporate purpose by recognizing that the bank exists '*at the pleasure of society, not the other way around*' and that their purpose should be "…*predicated on the fact that almost everything that banks do has no inherent value to the customer. But what it empowers and enables in people's lives is incredibly important*'. In the interview below he also talks about the need for values that guide behavior and public performance measures that show progress against these values.

This interview explores the situation Antony faced when he became CEO and what he did to address the challenges Barclays faced. His insights are compelling and provide guidance to inform a research agenda for an important changing area of practice. The interview prompts us researchers to consider these subjects that require further explorations:

1. The etymology of 'purpose' and its social construction by different actors
2. How paradoxes between shareholder and stakeholder perspectives are transcended
3. The means by which a senior executive can enable alignment between statements of purpose, values and the activities of a corporation – and the limits in that role
4. The possible archetype for a new type of corporate leader

Brief biography of Antony Jenkins
Born in north-west England, Antony Jenkins graduated from the University of Oxford with a first degree in philosophy, politics and economics, and he completed an MBA from the Cranfield School of Management. He began his career in finance as a graduate trainee at Barclays in the early eighties, over the following decades holding posts at both Citigroup and Barclays. In August 2012, Antony was appointed group chief executive of Barclays, with a publically-announced ambition that that he would bring ethics back into banking while still making decent profits for investors. The same year, he waived a bonus entitlement worth up to £2.75 million. He continued his career with provocative choices such as turning down his annual bonuses and announcing plans to shrink the investment banking division from half of the business to less than a third. He also initiated plans that transformed Barclays into a competitive, technology-savvy player in retail banking. These positions and his follow-up transformative work at Barclays led to many across the City of London, including the *Financial Times*, to refer to him as 'Saint Antony'. In July of 2015 he parted ways with Barclays and is now focused on industry-wide practices in support of purpose.

Conceptions of Purpose

Q: In 2015 at Davos at the Beacon EY – Oxford panel you said: 'Purpose is not an add-on. It's not an initiative. It is a culture change and it never finishes.' What is your working conception of purpose as it applies to key decisions for a large organization?

Antony Jenkins: Any large organization needs to clarify what they are about and what they are trying to achieve. In the past, some have expressed the purpose of businesses as mere profit generation. I think if you look back over time, it is really much more complex than that. And in many ways, this focus on profitability as the exclusive goal of the organization is a relatively recent phenomenon driven by people like Milton Friedman and the Chicago School.

But enterprises of all sizes, in my view, have always been more than about making money. You see this particularly in family businesses where longevity, sustainability, and broader horizons are key. Almost every enterprise that has survived over many years -and in some cases hundreds of years- has always been more than just about money. The reason for this, I believe, is that businesses have to serve all of their stakeholders in the short and the long term - the providers of capital, customers, colleagues, and society alike. They have to make sure that they have highly engaged and motivated colleagues, satisfied customers, and fulfilled shareholders. Businesses have to recognize that they exist at the pleasure of society, not the other way around. They therefore need to be net contributors to society.

And all of these things reinforce each other. So if businesses manage to have highly satisfied customers, they are likely to make more money. But in order to have highly satisfied customers, they must have highly engaged employees. And if they do all those things, they are likely to be seen to be a positive force in societies where they operate. Where businesses are not seen as a positive force, society reacts adversely. And we see this through history in terms of anti-trust or monopoly provisions, competition provisions and in the backlash against the banking industry post the 2008 crisis.

In my mind, this comes back, to put it bluntly, to the vested interest of the business. If businesses serve all of their stakeholders and if they are able to achieve a balance between short and long term views, they will inherently be more successful. And there are two reasons for that. The first reason I already stated: when businesses serve their customers better, they make more money. If they have more highly engaged colleagues, they are likely to serve their customer better. But the other thing is, in order to do that businesses set themselves more complex tasks than simply delivering one goal: short term profitability. And therefore they have to have a more capable organization. The more capable organization will be a high performing organization.

We certainly saw that when I was at Barclays. If you looked at a dataset comparing branches, for example, the branches with the highest levels of customer satisfaction tended to have the highest levels of colleague engagement, and they were the most profitable and most economically successful. So most of the data supports that high capability organizations and high performing organizations deliver for all of the stakeholders in the short and the long term.

So where does purpose sit in all of that? We tend to think about organizations as a sort of collective, as a whole, as something that has its own identity. That’s not true. An organization is comprised of the individuals within it and each individual within it will have their own motivations, their own hopes and fears, their insecurities, their own needs. Those needs will be on one level very basic - ‘I have to provide for my family’. But they will also be much more complex than that. They will be about the sense of self, about self-actualization, about their role in the world, about their purpose as an individual. And I've come to the conclusion that we've missed this very personal, individual aspect when we talk about purpose, culture, and leadership.

That’s not to say that the macro view isn't important. I think it is. But it's like physics, where you have a theory of relativity and you have quantum mechanics. You have to understand both, if you really want to harness these things to create organizational performance. So when an individual is working in an organization, how do you create that higher level of sustained engagement of commitment and of extra effort? This is where purpose comes in: Most people work for rather complex reasons. And I found that people who focus excessively on financial compensation tend to be the most unsatisfied because there is always somebody who will have more money than them and therefore the amount of money they earn will never be enough. They can be making £5 million but if they feel like they should be making £7 million then they are going to be miserable. Whereas if they make £30,000 a year and they think that's pretty fair for the work they create, then they are going to be relatively satisfied. It’s like the Country and Western song ‘Happiness is wanting what you have.’ For most people money is a by-product, it's not a goal itself. That's not true of everybody.

I saw this recently when I was in Silicon Valley, where I spoke to a whole bunch of people from Stanford graduates starting businesses all the way to established VCs. Nobody talked about the fact that they wanted to be the next billionaire. They all wanted to change the world. Now, if they get to be a billionaire because they change the world then they're very happy with that. But that's not their prime motivation. And so this is about how you unlock the commitment and the performance of individuals by stating a clear purpose for the organization.

Purpose in practice

When I took over Barclays in 2012, we really were in a very, very difficult position. Barclays had been through the financial crisis and had taken its fair share of knocks like all banks. But when the Libor scandal broke, it was devastating for the organization. And I myself had not been involved in it, even though I was on the Executive Committee, because it was held very closely. I remember talking to the Head of Compliance on the morning that the Libor scandal was to be announced and he was describing what was going to be revealed. I could feel my heart sinking because it was just a set of behaviors that were absolutely disgraceful. In addition to the external reaction, it made me and other people who were not connected to the scandal at all feel bad personally.

When the scandal broke, the organization lost its sense of self. Ironically, most customers understood that it was not the people they deal with at Barclays. But the reactions of the society at large were very difficult to deal with. We had some horrible instances such as staff being attacked, verbally and physically abused and so on. So the organization was in a bad place. We then made some changes in which I set a system reliant on three things: Our goal, our purpose, and our values. Accordingly, we created a balanced scorecard, which was designed to make all of those things explicit for people.

For the goal, we set the task of becoming the go-to bank. This was predicated on the fact that while nothing that banks do has any inherent value to the customer, what they empower and enable in peoples' lives are incredibly important. For instance, the process of getting a mortgage is pretty tedious but buying a house is really important. Saving money to send your child to university is really important but the process of taking money out of your current account and putting it into a savings account is pretty dull. So we recognized that we were in the business of helping people do things that were important to them. And if we wanted to do that, then we had to be better at it than everybody else. We should become the go-to bank. That was the goal.

If that's our goal, then what's our purpose? What do we exist to achieve? I was told that purpose should be something that was capable of existing for decades as opposed to a goal which might change at any point of time. So we identified our purpose as helping people to achieve their ambitions in the right way. And it was a recognition that we were in the ambitions business. Whether you're a small business that wanted to grow, a large multinational that wanted to buy a new company, an individual just starting out, maybe a student at university taking out a loan, somebody at the end of their career, ready to retire and needs to manage their money for future... We were in the ambitions business. We added 'in the right' way because we want to make sure that people achieve their ambitions in the right way. 'Right way' both from their own personal perspective and from our business perspective. So we set that as the purpose. We said: 'that's what we're in business to do".

And then we said, 'Well, how are we going to do that?' and accordingly created a set of values. None of this was done by hiring external PR. We did it all internally through a series of iterations at different levels of the organization. The values were respect, integrity, service, excellence and stewardship. Often times when you look at the values of a company, they talk about things like respect, integrity, service, and excellence. These are hard to argue with. But we added this fifth value –stewardship- which is in my view the most important of all the values. Again this is designed to speak on a very individual level about the responsibility of everyone to leave the organization in a stronger position when they left their job than when they started it. I believe that if everybody took decisions through the lens of stewardship, then we would make the right decisions most of the time. We should be thinking about 'How are my actions going to leave the organization fundamentally stronger?'

Having done all of that, we said ‘OK, that's good but what does it really mean and how do we measure it?’ And then we created a balanced scorecard. I was adamant that this scorecard should be published, that we should talk about it every year in our annual report, and report against the scorecard criteria because it was a way of holding the organization accountable for achieving the purpose. So we set out eight goals in four categories and these goals were designed to represent each of the stakeholder interests. For the shareholders, we said we want the return on capital, we want the cost of capital and we want the common equity tier ratio to be above 10.5 percent at the time. These were 2018 goals and they were designed to be a five year set of objectives that wouldn't change… not reset the goals every year because they proved to be a bit hard to achieve.

For employees, we wanted to have the highest level of engagement. All these metrics were defined, published in the annual report, and they were all audited. We also set a target of having women in 28 percent of our senior management positions by that point in time. We believed in the importance of diversity and having set the specific goal of gender diversity, we aimed to achieve other types of diversity. Then we said we want to have top tier net promoter scores for our customers against our peer group and also to have relationship depth metrics set for corporate banking and investment banking clients. In other words, we wanted to be top three for our top one thousand clients.

We then set two metrics around relations with wider society. One was around a reputational index that we commissioned from U-GOV and that we ran twice a year; the second was around the delivery goals of our citizenship platform. So that was our way of saying to the organization ‘Well I know that being a go-to-bank or helping people achieve their ambitions in a right way may seem a little high level but these are the things that we must achieve by 2018.’ And these things then drove through a hierarchy into business level goals, which ultimately drove into the personal objectives that people set. So everyone ought to be able to see how their own personal goals added up to what we were trying to achieve.

Implementation

Q: Your goals were very clear and you had metrics in place to assess improvements, but how did the implementation of these purposeful goals work? Can you talk a little bit about what happened then in practice within the organization?

Antony Jenkins: The implementation of it was done in a very rigorous way because we took a lot of time to set the balanced scorecard. We wanted to make sure that a) the goals, metrics and targets were the right ones and, b) that we could actually audit them in the same way that would audit your financials. The latter took quite a lot of time to set up. And to be direct, there was a bit of internal rumbling: ‘You are creating a hostage for fortune. What happens if we don't hit these goals?’ and so on. My view was: If we make an external commitment, we're more likely to hit it because people will see we've made that commitment. Whereas if you make vague statements, people won't pay any attention to it because they will be able to just vacillate.

So the whole thing was designed as an integrated system… with tight linkages. And by the time we got into 2014 it was all embedded and set and ready to go. So we started work on this in the fall of 2012. We had the goal, purpose, and values done by early 2013. By the end of 2013 we had the scorecard set up for 2014 all the way to 2018. The first reporting year was 2015. If you look in the 2015 annual report, you can see the update on it.

The whole point about this is that ‘purpose’ doesn't make any difference unless it changes the way that people operate or the way the people do business. And I really think the notion of purpose did cause people to think about how they take action. We were one of the first banks to stop using sales incentives in the branch network because we didn't think it was consistent with our purpose. We visited one of the investment banking teams in Europe and they were saying to me, you know we made this big mistake with a client that we were trying to figure out whether or not we should tell them. And then we thought about the values, and we thought about integrity, and we say we must tell them. Now you could argue why that was even a question in the first place but at least it made people think.

And it also led to the creation of something we called the Social Innovation Fund, which was basically the sum of money that we set aside to support commercial initiatives that were valuable in terms of delivering our goal and purpose, but which wouldn't have passed the normal economic hurdles. Within the Social Innovation Fund, the most significant was the women in leadership index, which we launched in the United States. It involved an index for companies with high proportions of women in leadership positions. Because it was an index, it could be tracked and measured. This index was very successful for shining light on how diversity drives commercial performance but, of course, it was also great for our brand. All of these things - an organizational focus on purpose, values, culture, and leadership - drive commercial performance.

Internal Challenges

Q: What do you think are the challenges, following on your point about the misrecognition of worthiness and performance? What are the challenges from the C-suite point of view going through this of change program and implementation?

Antony Jenkins: Well, we live in a world of incredible volatility and uncertainty where everything is unpredictable. So if you were sitting in a big oil company two years ago, and you were looking at the oil price of 130, and you thought 'well if it goes to 60, will be fine.' Well it goes to 30, what do you do about that? Or you think about the rise of new terrorist groups in the Middle East. Nobody had heard of these three years ago because they didn't exist. So this level of volatility and uncertainty creates a behavior in individuals. So tempting to say it creates a behavior in organization. I think we have to get away from this notion of organizations. We have to think about organizations as a collection of individuals. Of course, the organizational construct and culture will inform the interaction of people but we tend to forget about the individual. So for most individuals there is, at its heart a huge amount of fear in the system which leads to very conservative behavior. So why should I embrace this notion of purpose and values when my business is falling apart? Why don't we just focus on cost cutting so we can wrap this quarter's earnings and forget about everything else?

This is exactly the time you need to focus on these things because it's a time when you have to be more competitive. Your organization has to be more flexible in order to respond to this very dynamic environment. So focusing on a very linear, two-dimensional understanding of performance is the worst thing to do. Having said that, it's a natural reaction of boards and senior executives when they're under intense pressure. The banking industry is a classic example of this behavior. So bank stocks since the middle of last year are down anywhere between 30 and 50 percent. In my view because the market has finally figured out that the model of banking is broken. That the cost of equity will be above the return on equity for the longest time. That the global economy is not going to bail the banks out. Rising interest rates are not going to happen soon enough to help the banks. What is the industry response? Banks have to fundamentally rebuild themselves to deal with a much newer, more volatile world.

And what do they do in practice? A bit of cost cutting here, you know, lay a few thousand people off there. Because there's no center of gravity in the organization that says, 'If our goal is really to help people achieve their ambitions in the right way, how can we do that in a way that delivers a superior return for shareholders and what are the bold actions that we must take.' So I'm actually convinced now that our organizational structures in large companies are totally unfit for the world that we live in today. If you look at where all the really interesting work is going on, it is in startups and private companies because they can be much more fluid and dynamic. And they usually have some overarching purpose, which is not only financial.

You will probably have seen in the press this discussion going on in the U.S. between some big financial management groups about what the right sort of principles are and how do you deal with short termism, quarterly earnings and so on. That's an entirely futile debate that's never going to get anywhere. Because in my view, the whole quarterly earnings focus allows business leaders an excuse for not doing what needs to happen. And it's not for fund managers to cut business a break. It's for business to demonstrate why running your business in a right way, building capability into the organization, building performance into the organization delivers superior financial returns. And what I worry about is in order to prove that out, you need a long time period to do it, and mostly people don't get that long time period.

This is really an important topic because large corporations are built around the late 19th century, early 20th century model. However, the mid-21st century world is going to be a very, very different world. Not only is there going to be increased volatility and uncertainty but also technology is going to change the nature of work and what can be achieved.

And again as I say, a lot of the most interesting work around this is going on in much smaller, nimble organizations, and the big organizations are paralyzed. You see this in the pharma industry, you see it in the financial services now with the rise of financial technology, so-called fin tech. Look at the automotive industry - the move to electric and driverless cars has been being driven by companies like Tesla not like General Motors or Ford.

Reflections on research

Q: What is a research question that academics can help answer that would contribute to purpose and purposeful organizations?

Antony Jenkins: There is one thing that is starting to really preoccupy my own thinking around this that ties in with culture and leadership. We haven't really touched on culture and leadership but in my view it is impossible to underestimate the key role of leadership in organizations. Likewise with culture. Culture is the transmission mechanism that then allows or creates organizational performance. All organizations have some model of performance, culture, and leadership, whether you like it or not. And those things can either be effective or not. But I always believe that if you manage them you are likely to get more effective outcomes.

And therefore it should be very high on the list of people in the C-suite, on the board, as to how to create more effective leadership or powerful cultures, in order for us to deliver organizational performance. I think those linkages are not at all well understood.

From a research perspective, it would be very interesting to explore the difference between the organization and the individual. And as far as I can see there's a lot of macro analysis around these topics and far less work on the individual level. There's some, but there's almost no work that connects everything together in an integrated 'theory of everything'.

I'm very interested in the work that's going on in psychology around the nervous system. These are areas that can explain how systems work – something that is not the least understood by myself or a vast majority of others. This is separate to the emotional intelligence work which has been around for 20 years. I think something much more profound is going on here than emotional intelligence. It is the notion of how different parts of the brain react to stimuli. As I understand it, our primitive brain is programmed to protect us from threat. And it's very effective at doing that. So it's primitive, it's designed to protect you from the tiger running across the savannah. The rest of your system has a much more thoughtful, kind of planful type of way of operating. I'm sure this is a gross oversimplification.

If you think about it today, we live in a world of constant threat. So how does that affect individuals in large corporations? The one thing that I think separates the people who are interested in this from people who are not is that they are relatively unintimidated by the environment in which they operate. And I think they have higher tolerance and better ability to manage the primitive parts of their brain than others.

People hide behind the shareholder value argument out of a sense of fear. Because if all else fails, I can fire a few thousand people and cut costs. I can control those variables. Once I move into the land of purpose, it all feels weird and scary, and then I've got all these exogenous factors that I have to deal with. So from a research point of view, I think, beginning to explore on two levels - one: how the individual in the senior management ranks reacts to these external challanges; and two: how does the organization react? Finally, how do they all interact?

References

Cheng, B., Ioannou, I., & Serafeim, G. (2014). Corporate social responsibility and access to finance. *Strategic Management Journal*, *35*(1), 1-23.

Eccles, R. G., Serafeim, G., & Krzus, M. P. (2011). Market interest in nonfinancial information. *Journal of Applied Corporate Finance*, *23*(4), 113-127.

El Ghoul, S., Guedhami, O., Kwok, C. C., & Mishra, D. R. (2011). Does corporate social responsibility affect the cost of capital?. *Journal of Banking & Finance*, *35*(9), 2388-2406.

Goss, A., & Roberts, G. S. (2011). The impact of corporate social responsibility on the cost of bank loans. *Journal of Banking & Finance*, *35*(7), 1794-1810.

Hoffman, A. J. (2001). *From heresy to dogma: An institutional history of corporate environmentalism*. Stanford University Press.

Ioannou, I., & Serafeim, G. (2015). The impact of corporate social responsibility on investment recommendations: Analysts' perceptions and shifting institutional logics. *Strategic Management Journal*, *36*(7), 1053-1081.

McGahan, A. M. (2014). Opening governance: Theme for the 75th annual meeting of the Academy of Management.

Washburn, M., & Bromiley, P. (2014). Managers and analysts: An examination of mutual influence. *Academy of Management Journal*, *57*(3), 849-868.