“The rulebook has been ripped up. In the chaos, leaders have an opportunity to rethink how they do business. For the smart ones, this will mean putting purpose and culture at the core. Kin&Co help you learn how.”

Alex Dimiaziani,
Former Global Marketing Director, Airbnb

“I know with all my being that investing in Purpose and Culture during times like these is critical. However, I haven’t yet seen such a clear link to business performance as Kin&Co’s research presents.”

Michael Cole-Fontayn, Chairman of Association for Financial Markets in Europe (AFME), Chairman of The Chartered Institute for Securities & Investment (CISI)

“The recession years were not easy. We had to make cuts and rethink how we operated, but one thing we never questioned was the importance of continuous investment in people and purpose. I honestly believe this is the reason that the company is still standing today.”

Sally Bailey, Former CEO of White Stuff
INTRODUCTION

We’re living through extraordinary times.

In the face of the COVID-19 pandemic, businesses are dealing with unprecedented change on a massive scale.

Uncertainty can be overwhelming and frightening. But it has an important role – it disrupts our usual patterns and shows what’s working, and what’s not, about the way we do things.

It could make us do things better.

The successful companies of the future will have resilient, adaptable workforces. People who can respond quickly, innovate and stay positive while dealing with complex, changing circumstances.

Today’s companies must quickly improve their resilience to even survive.

HOW?

Research shows that resilience is created by investing in two ‘intangible’ assets: purpose and culture.

A company’s purpose creates unity and motivation around a common, inspiring long-term direction, for all employees – from the factory floor to the boardroom.

A strong and clearly articulated culture, even in a remote setting, creates the right attitudes and behaviours to protect and grow the business.

If this doesn’t sound like your company right now, you have an opportunity on your hands - not just to protect your business now, but to catalyse long-term success.

Research analysing companies after the 2008 recession found those that prioritised people and culture not only survived, but outperformed their competitors threefold (MacLeod Report, 2009).

On the flipside, “underinvestment in people and culture” during the crisis was one of the top reasons for failure cited by leaders whose businesses collapsed (Kin&Co).

Good leaders mitigate risk. Great leaders see opportunity. Tackle this head on and you’ll not only survive this strange time, but outperform your competitors and acquire the skills to ride out any future periods of change.

THE RESEARCH

This research drew on the formative experiences of over 100 CEOs representing European organisations, alongside extensive analysis of existing research from the 2008 recession and other periods of uncertainty. It explores the relationship between purpose, culture and business performance during periods of radical uncertainty and change.

DEFINITIONS

Organisational purpose – An aspirational reason for being beyond profit which inspires and serves as a call to action for all employees and stakeholders.

Culture – The underlying beliefs, assumptions, values and ways of interacting that create collective attitudes and behaviours within an organisation.

Uncertainty – A business environment characterised by unpredictability, complexity and ambiguity.
VIEW FROM THE TOP: WHAT RADICAL UNCERTAINTY LOOKS LIKE TO A CEO

The success of modern-day CEOs will be largely based on their ability to navigate their organisations through a sea of radical uncertainty. Whilst radical uncertainty cuts across every tier and management level of an organisation, here’s how it manifests itself from a CEO’s perspective:

### HOW RADICAL UNCERTAINTY REVEALS ITSELF

#### STRATEGIC CHALLENGES
- Lower productivity, motivation and attendance
- Planning becomes more difficult
- Strategic choices are multiplied
- Decision-making becomes slower
- Identifying opportunities and risks is more challenging
- Forecasting is more complex

#### OPPORTUNITIES
- Agile and resilient employees perform better in the long-term
- New revenue and growth opportunities multiply considerably
- Competitors typically manage risk (limit potential losses) rather than embracing it
- Creates a moment to pivot/change the strategy
- Ability to focus on core capability only/shed non-core capability or assets
- Fewer competitors can react to market changes
- Bold moves are usually handsomely rewarded

#### EXTERNAL FORCES
- Consumer behaviour changes – typically spending reductions
- Investment reduces
- Borrowing is more costly (interest rates)
- Fiscal policy becomes unclear
- Regulatory policy lacks clarity

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Rosie Warin
CEO Kin&Co,
Management Today: 35 Women Under 35 2019

Even before COVID-19 I was being asked the same question by CEOs: How do I cope with all this change?

I always said the same; invest in people, invest in purpose. I know many leaders whose companies haven’t just survived but become stronger during times of uncertainty - because they’ve known this golden rule. They knew it in their gut. Now, we have the empirical evidence.
LEARNING FROM PREVIOUS PERIODS OF RADICAL UNCERTAINTY

Historical periods of uncertainty are plenty - the most recent is COVID-19 but beyond this there is Brexit, the 2008 recession, and many others. By understanding extreme periods of uncertainty organisations can apply these learnings and be more resilient and successful now, and in the future.

2008 RECESSION

With the majority of CEOs adopting a survival mindset and ceasing investment in people and culture employees became drastically disengaged. We discovered that the number of disengaged employees effectively doubled, from 10% in 2007 to 20% in 2008. This left the UK in ninth place for employee engagement levels in the twelve largest economies (Kenexa 2009).

Companies experienced an increase in employee stress and both mental and physical illness cases increased dramatically. Between 2007 and 2008 (UK), an estimated 13.5 million work days were lost to work-related stress, and 442,000 workers believed they were experiencing enough stress to make them physically ill, indicating that employees were not equipped with the right mindsets to overcome change; their sense of purpose and resilience was incredibly low.

Whilst most leaders adopted a survival mindset, others viewed the recession as an opportunity to reassert their purpose and invest in their most valuable asset: their people.

“Now is a time to invest, truly and authentically, in our people, in our corporate responsibility and in our communities. The argument – and opportunity – for companies to do this has never been more compelling”. Howard Shultz, CEO of Starbucks, 2008.

Our desk research shows that there is a strong business case for investing in purpose and culture at any time, but the effect is amplified during times of uncertainty:

- In a report released by the government one year after the recession, evidence showed that organisations with highly engaged employees were able to achieve 43% more revenue, 12% better customer advocacy, 18% higher productivity and 4x times greater financial performance (MacLeod Report, 2009).

Another report by Deloitte conducted in 2005, 2008, and 2011 (before, during, and after the last recession), showed each year that companies that “overinvest” in L&D (spending per employee) rated highest in employee retention, innovation, and customer service, and outperformed their peers threefold (3x) in long-term profitability (‘Becoming irresistible: A new model for employee engagement’, 2015)

COVID-19

- Self isolation
- Large-scale quarantines
- Travel restrictions
- Sharp fall in consumer and business spending
- Consumers stay home, businesses lose revenue
- Unemployment levels rise sharply
- Business investment contracts

It is difficult to estimate with any accuracy how significant or enduring COVID-19 will be, however we believe there is an opportunity for companies to mitigate risk and endure this period of uncertainty by focusing on their purpose and culture.
Our experience transforming many of the world’s largest and most successful organisations demonstrates that there are common predictors of long-term success.

These predictors of success manifest themselves as five organisational characteristics. Organisations that have these characteristics will be the most resilient during uncertainty; they’ll dominate their industries, attract the best talent from competitors, and have thriving, innovative and happy employees.

So what do these best-performing companies of 2020+ look like? What role do purpose and culture play in winning organisations?

**KNOWING WHEN TO INVEST IN PURPOSE & CULTURE**

Our research indicates that a strong purpose and culture results in superlative resilience during radical uncertainty, but understanding when to invest can be a challenge.

When asked the reason for their businesses’ survival during the 2008 recession, our respondents cited their ‘focus on people and culture’ as the most common reason for enduring.

Given that purpose and culture support all of the characteristics essential to winning performance, it’s important to understand how poor purpose and negative cultures show up in organisations more broadly. Recognising the effect this has on businesses and the negative outcomes it leads to is key to determining the right approach.

**CHARACTERISTICS OF THE BEST-PERFORMING COMPANIES 2020+**

Based on our research and experience there are five fundamental characteristics that’ll elevate performance to a higher level:

1. Strategic unity
2. A culture of adaptability and resilience
3. Empowered employees and leadership
4. Customer-centricity at the core
5. Embrace new technologies

**PURPOSE & CULTURE**

**SIGNS THAT CEO’S SHOULD INVEST**

- Lack of strategic alignment in leaders and functions
- Lack of cross-functional alignment, incoherent planning and long-term clarity
- Weak collaboration and poor employee cohesion
- High turnover, lack of team spirit, poor motivation, poor internal communications.
- Quality of customer experience reduced/ productivity lags
- Poor employee motivation, energy and inspiration leads to suboptimal customer experience (employees lack connection to a larger societal impact/ CSR)
- Slow to react to the customers and the marketplace
- Innovation stifles, collaboration limited, ideation and creativity impaired across R&D
- Ability to transform impaired
- Resistance to change high, slow to adopt new ways of working and new systems; digital transformation happens slowly.

**OUTCOMES**

- Higher operational costs
- Missed market opportunities
- Inefficiency and poor energy
- Negative mindsets
PURPOSE AND CULTURE AS STRATEGIC INVESTMENTS

If CEOs recognise negative attributes or outcomes in the organisations they lead they need to consider investing in purpose and culture.

Organisations with highly engaged employees reported four times higher financial performance during the 2008 recession.

As intangible assets that are difficult to quantify and measure it can be challenging to determine the appropriate level of investment in these areas. Determining an ‘appropriate’ purpose or figuring out ‘how much’ cultural change is needed to achieve the best level of resilience, are important questions to ask. There is no one-size-fits-all solution.

CEOs have a range of investment options when it comes to improving resilience or navigating uncertainty. Despite this, our respondents and desk research indicate that when investment in purpose and culture is made during uncertainty the effect is exaggerated. When the return on investment of an investable asset increases it makes that asset very attractive to a CEO. Uncertainty has this effect on purpose and culture.

OUTCOMES OF INVESTING IN PURPOSE AND CULTURE

• Greater adaptability and resilience
• Greater strategic focus/clarity
• Minimises perception of uncertainty
• Reduced transformation speeds
• Optimal operational efficiency
• Positive mindsets

EXAMPLES

By investing in its company culture, Expedia Inc. lowered its cost-per-hire by 50% below the national average.

The Center for American Progress estimates that replacing a single employee costs approximately 20% of that employee’s salary.

Organisations with low employee engagement scores experience 18% lower productivity, 16% lower profitability, 37% lower job growth, and 65% lower share price over time (Gallup, 2019).

Richard Branson
Founder, Virgin Group

Purpose is not an add-on, it’s not an initiative. It is a culture change and it never finishes.
Evidence overwhelmingly supports the case that purpose and culture are able to unlock resilience and adaptability in organisations. Our research reveals that in the minds of CEOs, investing in purpose and culture correlates positively with confidence in business success.

Seven in ten (69%) of UK workers say their company’s positive impact on society has an influence on whether they’ll stay with them through tough times (Kin&Co).

According to Glassdoor’s president Christian Sutherland-Wong, HubSpot was voted as the Best Place to Work 2020 in the site’s annual list for “providing work driven by impact and purpose.”

Employee pride and loyalty naturally leads to better business performance and financial security. KPMG’s 2019 CEO Outlook Report attributed efficiency and new market creation to a purpose-led, sustainable approach. A survey by Development Dimensions International of 1,500 global C-Suite Executives found companies that act with a sense of purpose outperformed the financial markets by 42%. In 2018, Nike revised its purpose to: ‘Purpose Moves Us - Our purpose is to unite the world through sport to create a healthy planet, active communities and an equal playing field for all’. Nike has subsequently experienced a 33% share price increase.

Investing, or positively changing, the culture of an organisation creates an opportunity to weave resilience and adaptability into its fabric – characteristics that are crucial to success during uncertainty.

The notion of purpose is becoming more commonplace following the success of leaders like Polman and Fink, the US Roundtable, the Financial Conduct Authority’s commitment to purpose, and even The Financial Times who are calling for a new kind of capitalism. The external markers and our own research lead us to conclude with confidence that companies who do not invest in purpose or culture during uncertainty are missing a huge opportunity.

A clear, authentic, well-defined purpose that has an objective beyond profit generates pride and loyalty during uncertain periods.

HEWLETT PACKARD ENTERPRISES

“Being a purpose-driven organization starts from the inside...our business progressions has been built on the foundation of meeting our commitments and offering higher-value, higher-margin solutions to the market. However it is people who truly make the difference. We have made culture a business priority and invested significantly in people. Our teams believe in our core purpose and we have defined values that motivate and energize. The result is an 18 percent increase in our employee engagement score over two years, which absolutely shows up in our business results.

Marc Waters, Managing Director UK, Ireland, Middle East & Africa.
WHAT TO DO NOW

The link between investment in purpose, culture, and business performance during times of uncertainty is clear. The question is – what are you going to about it?

There are two approaches to consider here.

1. QUICK WINS
   The quick wins and short-term actions to take during COVID-19 (weeks 1-3)

2. STRATEGIC PLANNING
   How to use this opportunity to catalyse long-term, strategic outcomes (weeks 3-6)

QUICK WINS

With millions of employees self-isolating, suffering increased anxiety and taking time off for illness, businesses right now are experiencing serious drops in attendance, productivity and motivation – with significant financial consequences.

Leaders must act now to mitigate risks and create value. We’re currently working with our clients on four key ways to do this:

1. BEHAVIOURAL PSYCHOLOGY-LED COMMUNICATIONS THAT HIT THE MARK
   For example, many personality types will crave moments for genuine two-way dialogue like Q&As and all-hands sessions during times like these, even if you know you won’t have all the answers (that, in itself, sends a powerful message).

2. MITIGATING THE MENTAL HEALTH IMPACTS BEFORE IT’S TOO LATE
   Run basic mental health awareness training with all employees in the next 2 weeks before habits are formed. Working with leading mental health experts including Geoff McDonald and Harriet Waley-Cohen, Kin&Co has developed a tailored interactive 1 hour session around mental health called ‘Mental wellbeing - how to stay sane during isolation’.

3. DRIVING REMOTE CULTURE FROM THE BOTTOM UP
   Within many organisations in crisis decision-making is being made at the top, meaning people feel even less in control of their own destiny. Establish a virtual culture champions network of a cross-section of employees, to instigate and share best practice around remote working etiquette, tech and tools and wellbeing giving people a defined role and purpose.

4. USE PURPOSE TO MOTIVATE TEAMS
   Many organisations are offering support to the vulnerable or pivot their services to support the nation, but aren’t making the most of that for employee engagement and motivation. Involve employees in coming up with ideas, or exercises around setting their own personal purpose for the next 12 weeks.

NAVIGATING THE COVID RESPONSE - QUICK 6 WEEK GUIDE

| Week 1 | Chaos | Initial adjustment period  
|        |       | Immediate decisions made |
| Week 2 | Settling | Basics in place i.e. quick wins 1 & 2 |
| Week 3 | Settling | Basics in place i.e. quick wins 3 & 4 |
| Week 4 | Opportunity spotting | Diagnostic internal context and market review |
| Week 5 | Strategic planning | Use insights to plan strategic opportunities (see below) |
| Week 6 | Adjusting to the new normal | Kick-off strategic opportunities  
|        |       | Review and adjust basics |
STRATEGIC PLANNING

Good leaders mitigate risk. Great leaders see the opportunity.

You can use this opportunity of change and uncertainty as a catalyst to turn your organisation into a future-fit one. Purpose driven, innovative, adaptable, empowered and resilient. In ‘normal’ times, changing a culture is slow, but do it now and you can hit a fast-forward button and come out stronger than before COVID-19 hit.

But won’t people just think ‘I don’t have time for this’? The evidence says no. In times of change, people need to see the light at the end of the tunnel, to work on something big picture, long-term and inspiring.

Ben Chambers, Head of Business School and Talent, People and Culture, Grant Thornton: “Understanding our purpose is more important than ever in the current climate. Our SLT has continued with this work for that reason and because our people have found the opportunity to discuss what makes them proud to work at Grant Thornton a motivating experience.”

WHAT TO DO NOW CONT.

ASSESS

Review your purpose and your culture. Is it still relevant in the current COVID-19 context? Do people know what it means in the new context? Is it best practice? Have you got the hard evidence, quant or qual, to prove that? If not, a quick diagnostic is needed to give you an accurate picture.

YES

Our purpose and culture are still relevant

NO

Our purpose and culture need to change or be updated or we don’t have one at all

EMBED - CULTURE

Are you actively trying to find new ways to demonstrate it given the changing context? Are you seeing leadership role modelling? Are you hearing of decisions being made in new ways from the basement to the boardroom? If not you need a plan to ensure it is.

EMBED - STRUCTURE

What are the changes to your business model, operations, products and supply chain that are going to drive your purpose and culture and ensure that your employees see hard proof of change? What difficult decisions need to be made? How are you tracking or measuring these?

UPDATE

Work with colleagues across the organisation to update your values, behaviours and the meaning behind your purpose in light of the new context. Then use that to motivate and align people around this new chapter.

CREATE

Use this opportunity to unite, engage and motivate your people behind a common identity - what you stand for and how you behave. Develop through a collaborative process with your employees building pride, motivation and ownership when it’s needed most.

We’re running free 1 hour surgeries for CEOs, Senior Execs and HR/People Leaders who would like some support in mitigating risks and maximising long-term opportunities at this time. Contact info@kinandco.com to find out more.
Kin&Co is a multi-award winning next generation management consultancy, specialising in purpose, culture change, and employee engagement. With offices in London and Toronto, Kin&Co is transforming the business community so that leaders and organisations are led by purpose and have resilient, adaptable cultures.

Find out more about Kin&Co at www.kinandco.com