Purpose

Purposeful Business the Agile Way

by Darrell Rigby, Sarah Elk, and Steve Berez
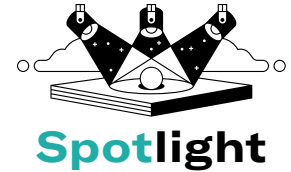
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Spotlight

Purposeful Business the Agile Way Turn squishy debates into concrete action.

HUMANS ARE BUILT FOR purposeful-ness. Ancient philosophers postulated, and modern scientists have proved, that people striving for meaningful lives are mentally healthier, more resilient, and more motivated. They are also physically stronger and live longer. They contribute more to their families, friends, and society at large.

Businesses can make purposeful living easier or harder. For decades managers trusted influential economists who promised that if businesses maximized profits, an invisible hand would generate greater benefits for all society. That isn't happening the way they said it would. An excessive focus on creating value for shareholders is robbing other stakeholders of value. One recent manifestation: Record numbers of people are quitting their jobs, and others are hitting picket lines to demonstrate a growing conviction that life is too short to waste on demoralizing work. Concern about social inequities and environmental damage is escalating. The system is out of balance, and the situation is getting worse.

Executives see these problems. Only 7% of *Fortune* 500 CEOs agreed that their companies should "mainly focus on making profits and not be distracted by social goals," according to a 2019 survey conducted by *Fortune*. The challenge is that few executives know how to transform a profit-maximizing system into a purpose-driven system without jeopardizing the future of their businesses and their own careers.

Agile ways of working can be of help by turning squishy debates about corporate purpose into real actions and results. Here we offer four recommendations.

1 Create a Microcosm of the World You Want

Rather than passively hoping that your company will become more purposeful, you can use agile's do-it-yourself ethos to turn your own work group into the kind of organization you aspire to. Just follow the same approach you'd use to create any other innovation:

• Assemble a multidisciplinary team, including experts outside your silo.

• Develop deep empathy for users, exploring their goals and frustrations.

• Examine the current system to identify the causes of those frustrations.

• Envision a more purposeful system.

• Describe changes that might improve the system.

• Prioritize and sequence them.

• Test potential improvements.

• Adapt to unexpected effects and side effects.

• Scale up solutions that enrich the lives of stakeholders affordably.

The three of us have analyzed scores of organizations. No matter how troubled a corporate culture might be, we always find pockets of the organization that are fully engaged, highly productive, and truly fulfilled. They frequently employ agile methods and are operating with a higher sense of purpose, mutual respect, empathy, autonomy, and a passion for learning and growth.

2 Build a "How Could We Test That?" Culture

A purposeful business system isn't comparable to a mechanical watch. If it were, managers could analyze the components to determine how each

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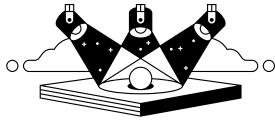
piece affects all the others and pinpoint the malfunctioning ones, replace them with the best practices of successful companies, and—presto!—produce a purposeful new business.

But a purposeful business is more like a complex biological ecosystem that is unpredictable because so many variables are unknown, and those variables behave differently in various combinations and conditions. Good intentions can have unintended consequences—a major reason agile practitioners insist on testing things in their own environments with their own experiments.

The key to success in a complex system is continual innovation that keeps the ecosystem in balance even as environmental conditions change. One smart approach is to intentionally allocate resources—people, time, technology, and money—to purposeful causes designed to create long-term benefits for multiple stakeholders through cascading effects that are hard to quantify up front. You can select those causes using five criteria.

Strategic significance. Does this initiative support your strategic objectives? Does it create important benefits for the stakeholders who have the most impact on the success of your business?

Stakeholder support. Will your key stakeholders—especially employees and customers—actively support this initiative?

Value beyond the money. Will every dollar you invest in this initiative create greater value for targeted stakeholders than would simply writing a check to a more economical innovator?

Testable hypotheses. Can the investment be staged to test specific

hypotheses and mitigate adverse side effects before scaling up the project?

Cost of delay. Would delaying the project's launch by a year significantly decrease its value or increase its cost?

3 | Do the Right Things for the Right Stakeholders

Profit-maximizing managers set aggressive financial targets, develop plans to hit them, and then calculate ways to get employees and customers to conform to them. Agile helps flip that approach, focusing first on creating value for stakeholders and then on earning adequate profits in the process. Instead of asking, How can we improve profitability without damaging customer and employee satisfaction? they ask, How can we enrich the lives of customers and employees?

4 | Prioritize Collaboration over Competition

Humans are extremely social animals, and supportive relationships are essential to leading purposeful lives at home and at work. People who have strong working relationships have more pride in their organizations, a stronger customer focus, more-innovative ideas, greater motivation to work hard, and greater determination to stay in their jobs. Yet for more than 100 years management has focused on increasing profits by improving the performance of individual employees rather than on strengthening teams and systems.

A central reason for the success of agile ways of working is that they prioritize teamwork over individual

performance. Research by the Standish Group, which has studied the success of IT projects since 1994, shows that agile teams improve software innovation by more than 60%, on average, and by 100% when the innovation is large and complex. Two-thirds of agile teams across a wide range of business functions report better cross-functional alignment, and 60% register higher team morale, according to the *State of Agile Report* by Digital.ai, a company focused on digital transformations.

Communities of agile teams capitalize on diversity to combine people whose differences may be annoying and divisive into teams with greater strengths and fewer flaws than those in siloed organizations. Collaborating with unconventional partners such as financial experts, lawyers, sustainability advocates, and others with worldviews that challenge yours can dramatically improve both innovation and morale.

The faster businesses embrace a purposeful approach, begin creating greater value for society, and change the ways they work, the better. Agile can help. ⊜

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