

Organization Practice

Demonstrating corporate purpose in the time of the coronavirus

Companies will define what they do in the crucible of COVID-19 response—or be defined by it. Here's how to frame the challenge.

by Bill Schaninger, Bruce Simpson, Han Zhang, and Chris Zhu



What should a company's purpose be when the purpose of so many, right now, is survival?

For years, enlightened executives have sought the sweet spot between their responsibility to maximize profits on behalf of shareholders and their desire to find a purpose across environment, social, and governance (ESG) themes on behalf of a broad range of stakeholders, including customers, employees, and communities. Then COVID-19 came. As businesses large and small shut their doors, and millions retreat to enforced isolation, the magnitude of the coronavirus crisis confronts corporate leaders with the economic challenge of a lifetime. It also demands of them a moment of existential introspection: What defines their company's purpose—its core reason for being and its impact on the world?

In boardrooms real and virtual, frantic questions have the floor. How long will this last? How will we pay furloughed workers? What are our peers doing? What should we do first? Global corporations have never had as much power as they do right now to leverage their scale to benefit society in a time of global crisis. Executives have also never had a more intense spotlight trained on their behaviors and actions. In moments of crisis, the default expectation is that businesses will hunker down and focus on bottom-line fundamentals. Indeed, many CEOs feel constrained to making defensive moves to protect their businesses. But in this crisis, stakeholder needs are already so acute that the opportunity for businesses to make an indelible mark with human support, empathy, and purpose is greater than it has ever been.

Lessons from the past loom large. During what feels like a war, the words and images of wartime leaders echo in our consciousness as icons of resilience and human concern. In previous periods of economic shock, executives' actions, both good and bad, lodged in company histories and forged perceptions that have endured for years. Decisions made during this crisis will likewise shape a corporation's identity and tell a story that will leave traces long after COVID-19 has been quelled.

In this crisis, executives will choose either to stay on the sidelines or to engage and, if engaging, either to lead or to follow. Those who have carefully honed a sense of company purpose will find a foundation and set of values that can guide critical and decisive action. For others, this moment can represent the first steps toward defining their corporate purpose in a deliberate way. Is this the moment when purposeful companies demonstrate how to use profits for good or that shows how everything a company does can be for good?

As boardrooms become war rooms, a handful of principles can help guide executives in shaping a critical course of action and building a powerful sense of identity and purpose that will long outlast the immediate crisis.

Understand how acute your stakeholders' needs are now

Examine exactly what is at stake for your employees, communities, customers, partners, and owners. All will have urgent, rapidly evolving needs that you should fully understand and prioritize. Some of these needs will be new and require creative thinking. Listen carefully to stakeholders that are well placed to inform you. Among grocers, for example, the needs of employees, customers, and service to broader society often stand front and center. Nonetheless, stories of some grocers gouging prices have surfaced as the crisis has intensified. Others, such as Canadian grocer Loblaws, moved quickly, as physical-distancing measures spread, to open stores early for elderly shoppers while also increasing compensation for frontline workers and pledging to keep prices at prepandemic levels.

Prepare for tension, too, as trade-offs arise among stakeholder groups, each with their own important needs. For example, increasing the pay of frontline workers might raise the prospect of cutting back on supplier bills. For retailers and delivery services, shutting down warehouses temporarily to keep workers safe might mean customers have to wait longer for deliveries.

Collaborate closely with your ecosystem of suppliers and customers—they might identify strengths you didn't even know you had.

Bring your greatest strengths to bear

What strengths does your organization possess that you can apply to make the biggest difference for your stakeholders? A strong balance sheet might be the means to sustain workers through the crisis. A unique logistics network could be used to bring aid to people in need. A manufacturing facility could shift production to creating urgently needed medical supplies. Resist going it alone. Collaborate closely with your ecosystem of suppliers and customers—they might identify strengths you didn't even know you had.

Small businesses and large corporations alike are redeploying their capabilities to respond to this crisis: a wedding-dress boutique in New York responded to postponed orders by shifting to produce protective masks for healthcare workers, while French perfume makers have retooled to pump out hand sanitizer. Automobile and car-parts makers have turned to building ventilators. Past lessons can inform **creative thinking**: when rural Tanzania needed critical medical supplies in 2010, Coca-Cola used its extensive last-mile delivery system to reduce delivery times to five days, from 30. Stepping into the public sphere in the heat of a crisis can unleash unique synergies and creative solutions that will linger.

Test your decisions against your purpose

At a time of great uncertainty, “gut check” your decisions against your values as a leader and as

an organization. Do your choices align with your identity? Everything you do now will be analyzed after the dust settles. Will your actions and identity be seen as consistent?

Communicate not only your decisions but also the rationale for them—and the trade-offs you considered—clearly. Can you explain decisions to skeptics? Will what you decided be a source of pride? In the financial-services industry, many bank executives report credit loss as their most acute concern, followed by liquidity and funding. But banks also have a long-standing social commitment to support households and businesses with credit. Banks that pull funds away during a crisis will be defining themselves for future interactions in the communities where they operate.

Finally, if you have embraced initiatives in ESG areas, don't borrow from one to support another—don't risk appearing to “rob Peter to pay Paul.” The temptation may be to scale back environmental programs to support acute social needs better in this crisis. But beware of seeming to abandon deeply held stakeholder causes; supporters will have long memories.

Involve your employees in the solution

Any crisis provides an opportunity to build a common sense of purpose with your employees, who will be looking for leadership and ways to engage themselves. It can also deliver the benefit

of bringing a new generation of leaders to the fore. It may be tempting to withdraw into small, tight decision-making task forces to make key decisions as quickly as possible. But purposeful leaders will want to share execution plans broadly with staff to solicit input and engage them on the challenges the organization faces—including the difficult trade-offs to be made.

Many employees and their families are suffering from isolation and loss of income, leaving them thinking about what is truly important. Crisis leaders' actions now can foster collective unity and a sense of belonging. When those decisions derive from the principles and purpose that an organization stands for it will make it easier to convey confidence in positive outcomes, even when decisions are painful ones.

There is also a benefit in drawing employees together to tackle problems in new ways. For example, forming cross-cutting teams to address problems can break the mold of years of siloed thinking. As Hurricane Katrina took its toll on the United States in 2005, Walmart stepped up to support disaster relief and asked some employees to deliver supplies in hard-to-reach areas. At the same time, the company guaranteed that all employees in disaster locations would keep their jobs at other locations during and after the disaster. When Hurricane Harvey landed in Houston in 2017, Texas Mutual Insurance took immediate steps to ensure the safety of its employees by shutting down its offices and providing supplies and company cars to affected staff. The company also supported its larger community, providing \$10 million in grants to help policyholders rebuild.

Lead from the front

Leading in a crisis is never easy, but hard times leave the most indelible imprints on a company's identity.

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Credibility is a both essential and fragile element of effective leadership. In a recent McKinsey survey of US workers, 82 percent of the more than 1,000 respondents affirmed the importance of corporate purpose, but only 42 percent reported that their company's stated purpose had much effect. This is a cautionary tale about the generic nature of most companies' statements on identity but also the identification of an opportunity to surprise and sway skeptical stakeholders. Authentic actions will demonstrate to employees a company's genuine commitment to social purpose.

Communicate early and frequently, even with incomplete information. Remember that, right now, suffering stakeholders seek empathy but are also looking to leaders to face facts bluntly, without sugarcoating them. Stay nimble as situations change, which they certainly will. Adapt to changing conditions and new information rather than returning to a static playbook. Offer perspectives on today's crisis details, with a microscopic perspective to reassure stakeholders of competence. However, also take a telescopic view of what recovery may look like in the future. At some point, the COVID-19 crisis will pass. Households and companies alike will take stock of their losses and begin to rebuild. Acting in concert with the tenets of your organization's purpose will help balance these perspectives and demonstrate confidence in your company's ability to deliver a good outcome.

Executives are uniquely poised at this pivotal time to bring corporate power, guided by social purpose, to the aid of millions of dislodged and vulnerable lives. Done well, their actions in this crisis can bridge, in unprecedented ways, the divide between shareholders and stakeholders in the communities they serve—and leave a lasting, positive legacy on their corporate identity.