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The dual effect of purpose on teams

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with the support of Korn Ferry Institute, Minneapolis MN



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The Society & Organizations (S&O) Institute

The Society & Organizations Institute is an interdisciplinary institute at HEC Paris which unites over 60 professors and researchers. Its purpose is to reinvent business through promoting sustainability and unleashing human potential. The S&O Institute with its three centers: Purpose, Inclusive Economy and Climate & Earth, addresses the key challenges of the social and ecological transition, following the THINK, TEACH, ACT approach.

The Purpose Center and its Joly Family Chair in Purposeful Leadership

The objective of the Purpose Center is to contribute to reforming businesses to focus on their mission and the values of social and environmental sustainability, through responsible leadership hinged on a shared “raison d’être”. Its Joly Family Chair in Purposeful Leadership co-created in 2018 with Hubert Joly, former CEO of Best Buy, aims at placing purpose at the heart of leadership and focuses on the search of meaning for individuals.

Korn Ferry Institute, Minneapolis MN

The Korn Ferry Institute is the innovation and research center of the global organizational consulting firm Korn Ferry. The Korn Ferry Institute is focused on illuminating key trends and drivers of human and organizational performance. Korn Ferry Institute develops and infuses robust scientific research, cutting-edge intellectual property, and state-of-the-art analytics into Korn Ferry Solutions.

The dual effect of purpose on teams

Practitioners and scholars evoke and mobilize purpose constantly as a lever for firm performance. Larry Fink, the CEO of the asset management company Blackrock, asserted in a letter to fellow CEOs of the largest companies worldwide that “without a sense of purpose companies will ultimately lose the license to operate from key stakeholders”¹. There has been discussion about the strategic impact of purpose statements on firm-level and employee-level outcomes. Purpose orients top management’s decision-making and fosters employees’ motivation. To be effective, a purpose must be incarnated by leaders at the upper and lower echelons of the firm. However, how purpose-based leadership produces positive effects for team performance remains quite elusive. In this study, we investigate and precisely measure the channels through which purpose-based leadership improves (or not) team-level cooperation and innovativeness. In particular, we evidence that purpose-based leadership strengthens trust between team members and autonomy of individual members; both trust and autonomy independently help improve team cooperation and innovativeness but when combined yield an important trade-off for managers willing to instore a purpose-based management: when combined, autonomy improves innovativeness more than trust but not cooperation anymore. Therefore, depending on what managers want to reinforce in their teams, cooperation, or innovativeness, they should reinforce more trust or autonomy but not both dimensions at the same time.

Purpose and purpose-based leadership

In general, purpose is not an immediate but is a high-end, long-term objective that a firm aims to achieve. Providing managers and employees with a purpose inspires meaning, beyond more immediate goals or any concrete task. People perceive purpose as providing a meaning for their everyday actions because it answers the question of ‘why’ they are engaged in an activity. Thus, formulating a higher-order purpose for a firm offers employees a better alignment between their own and the firm’s purpose. In other words, embedding employees’ tasks in firm purpose serves to fulfil psychological need of meaningfulness and, hence, a purpose justifies the reason for accomplishing a given task. As such, even an apparently minor task becomes meaningful under such a light.

We define purpose “as a statement that expresses the reason for being of an organization and its maintenance in the long run. It may or may not be prosocial. Purpose may be stated by an organization’s members but need not coincide with organizational leadership practices per se.”² As such, the statement of purpose alone may not be a sufficient condition for a firm to outperform its rivals. Purpose, even when present, needs facilitators to

¹ BlackRock. 2018. A Fundamental Reshaping of Finance, Retrieved December 26, 2021 from <https://www.blackrock.com/us/individual/larry-fink-ceo-letter>.

² This definition is that of the S&O Institute, Purpose Center Research Group (2022)

produce effects³. Incarnation of purpose by the leaders of a firm at various levels of hierarchy is the way to materialize purpose into tangible outcomes for the firm. Purpose-based Leadership consists in practices and discourses that make members of a team relate their tasks to a firm's purpose. The embodiment and communication of a firm's purpose by a team leader makes an organization's purpose credible and legitimate.⁴

Prior research in psychology and management has suggested that providing people with meaningful work increases their job satisfaction and positively influences cooperation and innovativeness within teams. The fulfillment of the individual psychological need of purpose enables intra-team outcomes because when individuals consider their work as meaningful and their leadership as purpose-based, they feel motivated to work together and go extra mile to fulfill the needs of the organization. Thus, purpose-based leadership enhances intra-team cooperation and innovativeness.

How does it work? The two channels

The above discussion suggests that a purpose-based leadership benefits a firm by enhancing cooperation and innovativeness within teams. However, the channels through which purpose enhances them can be further clarified. Most of the existing studies point towards motivational reasons (personal alignment, self-esteem, satisfaction) but interactions with the other team members and the team leader matter as well. Our study, synthesized here, specifically identifies two essential channels that connect motivation arising from purpose-based work to cooperation and innovativeness: trust and autonomy. We expose each path leading Purpose-based leadership to better these team outcomes in a row.

Channel 1. Purpose-based leadership → Trust → Cooperation and innovativeness:

Purpose-based leadership as an antecedent of trust: Trust in teams depends on an organization's ability to create a setting within which individuals can explore shared interest, values, and goals. Along this line, purpose-based leadership contributes to trust building by facilitating a single, superordinate, and shared identity at the team and firm level. Leadership plays a role in providing (or not) meaning to work, a bedrock for a shared identity. Shared identity is defined as the "psychological linkage between the individual and the organization whereby the individual feels a deep, self-defining affective and cognitive bond with the organization as a social entity"⁵. Leaders' communication of purpose and display of behavior aligned with purpose helps team members to harmonize their individual

³ Gartenberg, C., Prat, A., & Serafeim, G. 2019, Corporate Purpose and Financial Performance. *Organization Science*, 30 (1), pp 1-18.

⁴ Durand R. and Huynh C-W (2021) Legitimacy Judgments and Prosociality: Organizational Purpose Explained. In G. George, M. R. Haas, H. Joshi, A. M. McGahan, & P. Tracey (Eds.), *Handbook on the Business of Sustainability: The Organization, Implementation, and Practice of Sustainable Growth*. Edward Elgar Publishing.

⁵ Edwards, M.R. & Peccei, R. 2007. Organizational Identification: Development and testing of a conceptually grounded measure, *European Journal of Work and Organizational Psychology*. 16 (1), p.30.

values with those of the team. This process increases the identity congruence among team members that is favorable to trust⁶. Making sense of team experiences—as facilitated by purpose-based leadership—amplifies the expression of value similarity and buttresses the feeling of psychological unity within the team that is at the root of more trusting relationships. Hence, purpose-based leadership increases trust within a team by facilitating value congruence and enabling a shared identity among team members.

Trust leads to intra-team cooperation and innovativeness: Trust enables individuals to openly share information and discuss ideas with others without the risk that coworkers might unduly exploit this information. Moreover, interpersonal trust enables the development of psychological safety for team members because they can share their failures without the risk of blame and their successes without the fear of envy. As a result, team members are more likely to trust each other and develop projects that unsettle the status quo and promote novelty.

Channel 2. Purpose-based leadership → Autonomy → Cooperation and innovativeness:

Purpose-based leadership as an antecedent of job autonomy: Purpose-based leadership embodies a firm's purpose as a superordinate goal and is premised on the notion that employees find ways to build their own work meaning and the capacity to orient their choices, i.e., to develop their autonomy. Autonomy is a characteristic of job design which refers to the latitude offered to employees regarding decisions in their work. Purpose-based leadership aims to facilitate the pursuit of self-determination, the self-direction of one's actions, and the discovery of the compatibility between one's own purpose and the purpose as embodied and communicated at the team level. This entails allowing individuals to act as autonomous agents. If individuals feel unable to influence the way to execute their work and find their tasks pointless, they give up their autonomous judgment and disengage. Therefore, purpose-based leadership gives autonomy to employees in order to facilitate their experience of meaningfulness.

However, still there are potential costs of granting autonomy because the provision of autonomy may lead the employees to follow their own interests that may diverge from the interests of the firm because of a conflict of goals. Purpose-based leadership helps to address this concern of a potential misalignment of interests by imbuing work with purpose which serves to justify and clarify the tasks assigned to employees. Team members' perception of their leader's incarnation of a purpose that is superior to individual interests, leads team members to use autonomy in a way favorable to the collective.

Autonomy enhances intra-team cooperation and innovativeness: Autonomy provides flexibility to employees, allows them discretion, and enhances job satisfaction which motivates team members to work together towards common goals. Further, autonomy enables individual team members to discover alignment of interests between their individual goals and the firm purpose. Such shared interests provide the motivation for

⁶ Pratt, M.G., and Ashforth, B.E. 2003. Fostering meaningfulness in working and in work, *Positive organizational scholarship: foundations of a new discipline*, pp. 309-327

team members to cooperate and innovate.

Findings

Appendix A summarizes our methodology. In brief, we tested the expected relationships on 377,060 individual responses and 7,839 observations aggregated at the team-level belonging to 1,503 organizations. We used several methods to attest the presence and significance of the association between variables (as exposed in Appendix A, table 2). Our findings show similar patterns of results independently of whether we test the associations at the individual or team levels, and across the different sampling specifications. We report here the results aggregated at the team-level using one-year lagged explanatory variables.

Figure 1: Channel 1 alone



Figure 2: Channel 2 alone

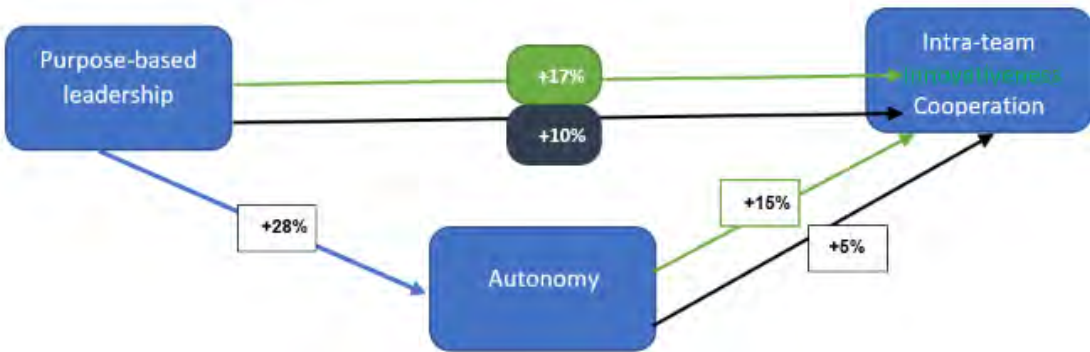


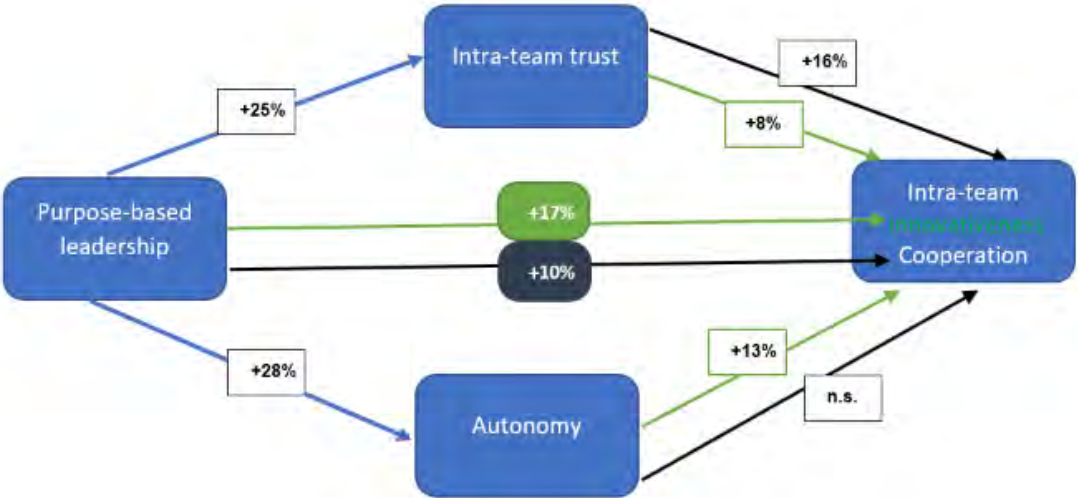
Figure 1 and 2 present results of separate analyses for trust and autonomy, respectively. Figure 1 shows that purpose-based leadership increases intra-team cooperation by 10 % and innovativeness by 17%. Simultaneously, purpose-based leadership is associated with a 25 % increase in trust which, in turn, positively enhances intra-team cooperation by 17 % and innovativeness by 13%. When calculating how much of the +10% of cooperation due to

purpose-based leadership passes through the first channel (trust), analysis tests showed that it is 45 %. Hence, about half of the beneficial effect of purpose-based leadership on cooperation is explained by the increase in trust within a team. The same calculation shows that about 19% of the +17% increase in innovativeness is due to an increase in intra-team trust.

Similarly, in Figure 2, we see that purpose-based leadership enhances team autonomy by 28 % which leads to an increase in intra-team cooperation of 7% and in innovativeness of 15%. Analyses shows that channel 2 represents 14% of the +10% gain in cooperation and 25% of the +17% gain in innovativeness due to purpose-based leadership. Roughly stated, autonomy as a conduit to better cooperation is three time less effective on improving cooperation than trust is but is almost twice effective at improving innovativeness.

Figure 3 represents results of the joint analysis of trust and autonomy. Results are interesting because they show that the effect of trust on intra-team cooperation is positive and significant while the effect of autonomy on intra-team cooperation is not significant anymore in the presence of trust. Thus, trust still mediates the relationship between purpose-based leadership and intra-team cooperation by almost 50 % whereas the mediation through the channel of autonomy becomes insignificant. Furthermore, the effects of trust and autonomy on innovativeness are not altered, with autonomy remaining almost twice more effective at increasing innovativeness, both factors accounting for 33% of the increase in innovativeness due to Purpose-based leadership.

Figure 3



Implications of the study

In this study, we are able to empirically separate the direct effect and indirect effect, via trust and autonomy, that purposeful leadership has on intra-team cooperation and innovativeness.

On average, purpose-based leadership enhances cooperation by 10%. Between 40 and 45% of this effect is due to an increase in trust within team members that purpose-based leadership facilitates. Purpose-based leadership also enhances individual autonomy and represents alone 14% of the effect of purpose-based leadership on cooperation.

On average, purpose-based leadership enhances innovativeness by 17%. About 19% of this effect is due to an increase in trust within team members that purpose-based leadership facilitates. Purpose-based leadership also enhances individual autonomy and represents alone 25% of the effect of purpose-based leadership on innovativeness.

Noticeably, when both channels operate together, autonomy effect is stifled and no longer significant on cooperation while it remains significant and superior to that of trust on innovativeness.

This makes apparent a challenge for managers: they cannot benefit from the two effects jointly and must prioritize which effect they want to improve on:

Providing autonomy to employees does not contribute additional benefits in presence of trust when cooperation improvement is the target. However, it benefits twice more innovativeness than trust.

Generally, both trust and autonomy are considered desirable conditions for enhancing cooperation and innovativeness, but our study qualifies this result by posing that instead of a 'and' it is more likely than managers face a 'or' condition when willing to improve the two together within teams.

Appendix A

Sample and variables: We construct our sample from a confidential dataset from Korn Ferry Institute. We use two surveys- Inventory of leadership styles (ILS) and Organization Climate Survey (OCS). Table 1 describes the variables of the study and table 2 presents our empirical strategies used to reduce the typical biases associated with the use of surveys.

Table 1: Variables

Variables	Survey items
Variable to be explained	
Intra-team cooperation	<p>(1) People in the team are willing to make sacrifices to get the job done.</p> <p>(2) People in the team will usually go out of their way to make the team successful.</p> <p>(3) People in the team will gladly take on other people's responsibilities in an emergency.</p> <p>(4) People in the team are always willing to provide help in getting the work done.</p>
Innovativeness	<p>(1) People in the team are allowed to experiment with original ideas and try out new things. (2) It is easy for people in the team to have new and original ideas considered.</p> <p>(3) New ideas from people in the team are strongly encouraged.</p> <p>(4) Good ideas from people in the team are always accepted.</p>
Explanatory variables	
Purpose-based leadership	<p>(1) My leader communicates a compelling vision or direction for our organization.</p> <p>(2) My leader often discusses how the direction and vision will benefit members of the team.</p> <p>(3) My leader asks for input from the team on whether the organization's direction is engaging to us.</p> <p>(4) My leader takes time to explain the reasons for decisions in terms of the best interests of the organization and the team.</p>
Trust	<p>(1) People in the team trust each other.</p> <p>(2) People in the team almost always speak well of it.</p> <p>(3) There is a lot of personal loyalty to the team.</p>

Autonomy	<p>(1) People in the team are encouraged to do their jobs the way they see fit.</p> <p>(2) People in the team can exercise a lot of discretion in how they do their jobs.</p> <p>(3) People in the team rarely have to check with the leader before taking action.</p>
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Table 2: Empirical approach and strategies to reduce common method variance

Empirical strategy	Description of sample
Full sample	This approach used all the responses of individual respondents for whom the values of variables used were available (N= 377,060).
Split-sample approach	We split each one team in half. Randomly, one half of each team provides responses for the explanatory variables and the other half for cooperation (averaged measure). This method reduces the same source response bias because responses are collected from different respondents. (N= 207,904)
Lagged independent variables	In this sample, we aggregate measures at the team level and lag explanatory variables by one time-period (N= 7839). We also use three time-period approach in which purpose-based leadership is observed at $t-2$, the channels at $t-1$, and cooperation at time t .



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