



The Directors College

Human Resources – Drivers of Organizational Purpose and Strategy

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Professional Interests



**Academic Module Lead, The Directors College and Associate Professor,
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David Kunsch received his PhD. from the Richard Ivey School of Business focused on corporate governance and deviance. His research centres upon risk attitudes and processes at the board level and what drives prudent board behaviour. Dr. Kunsch has ongoing studies and research in the areas of risk process compliance and the cognitive biases that interfere with appropriate risk responses among board members. Dr Kunsch conducts research into critical thinking and performance both at the individual and the team levels. Also, Dr. Kunsch is conducting research into risk attitudes, emotional intelligence and negotiating practices and effectiveness. Dr. Kunsch regularly lectures internationally on corporate governance, specifically in the areas of strategy, risk, board performance, structure and effectiveness.

Prior to his PhD., Dr. Kunsch received his Bachelor of Electrical Engineering from the General Motors Institute (now Kettering University), his LLB. from Osgoode Hall Law School and his Masters in Hazardous Waste Management from Wayne State University. He has been a litigation lawyer in private practice as well as senior counsel to a Dow 30 Canadian subsidiary and managed several of the company's businesses. Dr. Kunsch's experience is heavily concentrated in the legal, environmental and business risks of large multinational organizations. Dr. Kunsch is committed to understanding the treatment of risk by boards and their individual members and conducting research that will be of practical value to board members and the stakeholders they serve.



ISO 37000 – Corporate Governance 2021

- The governing body should ensure that the organization's reason for existence is clearly defined as an organizational purpose. This organizational purpose should define the organization's intentions towards the natural environment, society and the organization's stakeholders. The governing body should also ensure that an associated set of organizational values is clearly defined.

Human Resource Department - Purpose

- Mediator
- Organizer
- Process owner

Agenda

- Vision, Mission, Values
- Purpose
- The Strategic Process

Where Directors want to spend more time

Function	Increase Time Spent*	About the Same Time	Decrease Time Spent*
Strategy	52	34	13
Org. Health and Talent Mgmt.	52	39	6
Risk Mgmt.	45	44	9
Performance Mgmt.	40	43	16
Investments/M&A	38	48	11
Stakeholder Mgmt.	26	56	17
Core Governance and Compliance	27	53	20

* Includes significantly and slightly answers

McKinsey 2015 , n=1119

Vision, Mission, Values

- Vision:
 - What do we want to accomplish? A massively inspiring, overarching long term organizational goal.
- Mission:
 - How do we accomplish our goals? What is the purpose of the organization. Why do we exist?
- Values:
 - What commitments do we make?
 - What guardrails do we put in place?
 - How can we act legally and ethically in pursuit of the vision and mission?



Characteristics of a Vision

vi·sion

/ˈviːʒən/

noun

the ability to think about or plan the future with imagination or wisdom

- Captures an organization's aspiration
- Identifies what it ultimately wants to accomplish
- Motivates employees to aim for a target
- Leaves room for contributions
- The starting point for articulating organizational activities

Vision Pitfalls

- The walk does not match the talk
- Irrelevance
- Not the Holy Grail
- Too much focus leads to missed opportunities
- An ideal future irreconciled with the present

Characteristics of a Mission Statement

- Describe what an organization does
 - The products and services it provides
 - The markets in which it competes
 - Should involve all relevant stakeholders including middle managers, customers and shareholders

Vision vs. Mission

- Vision statements: what an organization wants to accomplish
 - WellPoint will redefine our industry.
- Mission statements: how the vision will be accomplished
 - The WellPoint companies provide health *security* by offering a choice of quality branded health and related financial services *designed* to meet the *changing* expectations of individuals, families, and their sponsors through a *lifelong* relationship.



Values

- Touchstones for employee understanding of organizational culture
- Helps employees navigate uncertainty and conflict
- Provides moral compass
- Ethical standards and norms to influence behavior
- To be effective needs commitment from top management

Purpose

pur·pose

/'pɜrpəs/

Noun

1. the reason for which something is done or created or for which something exists.

Motivational as it gives agency to your employees and stakeholders



- *“Purpose provides a coherent, integrated framework for people to understand the important what’s, how’s, and why’s of the organization.”*



Purpose

- What is your impact on stakeholders?
 - Customers
 - Suppliers
 - Employees
 - Environment
 - Community
 - Etc.
- Can be retrospective or prospective origin



Vision, Mission, Purpose

- Vision is *what* is to be accomplished,
- Mission is *how* it is to be accomplished
- Purpose is *why* it is to be accomplished



Purpose Examples

- *"Help the world run better and improve people's lives"* SAP
- *"To inspire and develop the builders of tomorrow"* Lego
- *"to create a better everyday life for the many people"* IKEA
- *"To make better food for more people"* Chobani
- *"To empower every person and organization on this planet to achieve more"* Microsoft
- *"We help people to belong anywhere"* AirBNB

Levels of Purpose

- Personnel
- Organizational – at work
- Task – in work



Organizational – At Work

- Corporate purpose
- Company culture
- Employee experience





Task – In Work

- Granular aspects of work tasks
- Motivation
- Enjoyment
- Challenge
- Energy

Personnel

- Family
- Hobbies and interests
- Activities

Can you live your purpose at work?

Executives

- Strongly agree/Agree = 85%
- Neutral = 13%
- Strongly Disagree/Disagree = 2%

Front line supervisors and employees

- Strongly agree/Agree = 15%
- Neutral = 36%
- Strongly Disagree/Disagree = 49%

The Agency Problem

- Employees are agents of the organization
- Agents are effort adverse and so need compensation to overcome this aversion

Transforming Culture

- “For business leaders:
 - Be intentional about developing your organization's purpose and embed it in the culture.
 - Develop a way to understand what creates meaning for your employees (e.g. survey, focus groups, etc.) so that those attributes can be incorporated into your culture.
- For employees:
 - Learn how to identify the characteristics of a purpose-driven organization especially those that demonstrate attributes that are most important to you.
 - Be active in transforming and sustaining your organization’s culture.”

The Power of Purpose: How Organizations are Making Work More Meaningful, A. Alexander, 2016



Transparency

- “For business leaders:
 - Communicate your purpose clearly and specifically (not just under the corporate social responsibility banner).
 - Empower your people with meaningfulness so they will be more emotionally attached and become brand ambassadors.
- For employees:
 - When you work for a company that is purpose-driven and provides meaning, share it!
 - Encourage your leadership to make your organization’s purpose known internally and externally.”

The Power of Purpose: How Organizations are Making Work More Meaningful, A. Alexander, 2016





Work Matters

- “For business leaders:
 - Work hard to create jobs that are meaningful for individuals and communicate that meaning in the job description.
 - Be clear about seeking out those individuals who want meaningful jobs—people who love the company’s mission and people who genuinely want to create value and make an impact.
- For employees:
 - Understand what gives you meaning at work and ask for it from your employer.
 - Ask yourself if you are an “embedded individual”—are you completely engaged, and do you love your company AND your job?”



Strategy Definition

- **Strategy:** a set of goal-directed actions a firm takes to gain and sustain superior performance relative to competitors
- To achieve superior performance, companies compete for resources:
 - New ventures: for financial and human capital
 - Existing companies: for profitable growth
 - Charities: for donations
 - Universities: for the best students and professors
 - Sports teams: championships
 - Celebrities: media attention
 - Political Parties: power

Three General Types of Strategy

- Intended strategy
 - The outcome of a rational and structured top-down strategic plan
 - Existing companies: for profitable growth
- Emergent strategy
 - Any unplanned strategic initiative
 - Bubbles up from the bottom of the organization
 - Can influence and shape a firm's overall strategy
- Realized strategy
 - Combination of intended and emergent strategy



Basic Strategic Process

- **Analysis**
 - Diagnosis of the competitive challenge and understand the environment (external and internal) – WHERE ARE WE?
- **Formulation**
 - Guiding policy (strategic plan) to address the competitive challenge – what strategies will we use to accomplish our mission – WHERE ARE WE GOING?
- **Implementation**
 - A set of coherent actions to implement the firm's guiding policy (strategic plan) – HOW ARE WE GOING TO GET THERE?

Implementation Failures

- The wrong strategy was selected to achieve the organizational objectives
- The wrong organizational design was used to implement the strategy
- Ineptness or negligence on the part of the management and/or operative employee
- Lack of motivation
- Lack of communication within the organization



Key Performance Indicators

- Key Performance Indicators (KPIs)
 - Sensitivity – how sensitive to actual performance
 - Precision – measure error and potential manipulation
 - Auditability – can we audit it
 - Objective – versus subjective
 - Communication – how is it communicated – graphs, commentary
 - Focus – what does it measure in the processes and results of the organization?
 - Cost – how much does it cost to get the data?

Measure What Matters



1. Perverse incentives: Disclosure of executive compensation
2. Performance to the Metrics – Compensation
3. What about the people?

Balanced Scorecard



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