

October 2006, Creating Competitive Advantage Through Moral Purpose

It is widely accepted that the performance of a company's CEO and senior management team has a decisive influence on long-term profitability. But, what exactly is it that great leadership teams do? How do they create sustained competitive advantage in a firm?

In his forthcoming book, "The Realist's Guide to Moral Purpose," Nikos Mourkogiannis, a partner in Panthea Ltd., a consulting firm based in London and formerly a senior executive with the Monitor Group and General Dynamics, suggests that there are four ideals of leadership that appeal to our deepest instincts and can inspire a company to long-term success.

The most successful organizations, over time, are those in which people act consistently and decisively, innovating and building high-quality relationships. The task of leadership is to stimulate these kinds of actions, reliably and continually. These executives have learned how to deploy a conceptual tool that allows them to inspire and lead. That conceptual tool is called moral purpose. A moral purpose is a value that, when articulated, appeals to the innate sense held by individuals of what is right and what is worthwhile. Behind every successful company one can find leaders with a well-formed moral purpose. A well-chosen moral purpose, one that resonates with the sensibility of customers, employees, and constituents, serves a number of functions. It contributes to morale by establishing a sense of community and common meaning, grounded in mutual respect: Employees know that they have more than their paychecks in common. It fosters innovation by making people aware of market conditions and opportunities. In providing a degree of emotional certainty, a well-grounded moral purpose also counters the natural risk aversion of a large company, which might otherwise hold back innovation. It inspires people to search out solutions to problems, to not give up, to keep on trying. An organization's moral purpose provides a unifying theme that allows its people to understand and facilitate the complex fit among its actions, assets, and strategic position.

Mourkogiannis lists four sets of ideals, each with its own philosophical roots and he cites examples of why each is most relevant to competitive business today.

- **Discovery**

This type of moral purpose is rooted in the philosophical idea that life is a kind of adventure. Intel's CEO Andy Grove said "Only the paranoid survive," not because he feared the world, but because he knew he could never rest. IBM and Sony are other examples of companies that were able to seek out the new or innovate in a useful way. The most successful Internet companies - Google and Yahoo - have both been capable of discovery.

- **Excellence**

This type of moral purpose is rooted in the philosophical idea that the supreme good is excellent performance of one's role in life, both as an individual and as a community member. Companies like Apple and BMW are not concerned about cost leadership because they are not selling commodities. Their profits and performance are based on people's notion that they are paying for a different standard of product.

- **Altruism**

This type of moral purpose is rooted in the philosophical idea that the ultimate justification for any action is to increase happiness. It does not mean debasing oneself in the service of others, but rather it means adopting an ethic of service as a path to happiness for all including oneself. Disney's ultimate mission is to make people happy while Wal-Mart gives customers a good deal by offering low and affordable prices. Nordstrom and Marriott are other examples of successful companies that take personal service beyond formal obligation.

- **Heroism**

This type of moral purpose is rooted in the philosophical idea that it is not the specific goals that inspire people, but the ambition, daring or will to win that drives them to achieve. Bill Gates's vision of putting the Microsoft operating system into every PC represented just such a will to win. Jack Welch's mandate for GE businesses to be one or two in their market was a call for managers to seek and take control.

Throughout history, Mourkogiannis notes that at any given moment the company whose moral purpose best fits the prevailing environment has usually been a winner. Leaders must develop a competitive strategy around their companies' strengths, but they must also create the inspiration that turns it into successful action. Moral purpose is that driver. It is central to the type of business leadership that is hard to imitate and thus provides the foundation for long term competitive advantage.