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Ranjay Gulati is the Paul R. Lawrence MBA Class of 1942 Professor of Business Administration and the former unit head of the Organizational Behavior Unit at Harvard Business School. He is an expert on leadership in turbulent times, and his latest book, *Deep Purpose: The Heart and Soul of High-Performance Companies* (Harper Collins, February 2022), shows how companies can embed purpose to deliver impressive performance benefits that reward customers, suppliers, employees, shareholders, and communities alike. In this conversation with Stanford adjunct lecturer Ravi Belani, Gulati discusses strategies for articulating a deep purpose and infusing it into company actions and culture.



## Transcript

(synth music) - Who you are, 00:00:03,803 defines how you build.. - Welcome YouTube and Stanford communities 00:00:11,350 to the Entrepreneurial Thought Leader Seminar at Stanford University.. I am Ravi Belani, the Managing Director of Alchemist, an accelerator for enterprise startups and a Lecturer in the Management Science and Engineering Department at Stanford.. Today, we are kicking off the spring quarter in the deep end, we're going deep.. And I don't mean just in terms of just deep entrepreneurship, but deep purpose.. And so there are a few people that we could think of that could be better than kicking off this spring quarter than Ranjay Gulati from Harvard Business School.. Ranjay Gulati is the Paul R.. Lawrence MBA class of 1942 Professor of Business Administration at Harvard Business School and the former Unit Head of the Organizational Behavior Unit at Harvard Business School.. He's an expert on leadership in turbulent times and has studied and written about the topic for the past 25 years.. His latest book, which was published in February is entitled "Deep Purpose: the Heart and Soul of High Performing Companies." And it shows how companies, or high performance companies, and it shows how companies can embed purpose much more deeply than they currently do..

And that is going to be the focus of our session today.. Now Ranjay himself graduated with Bachelor's Degrees in Computer Science and Economics, then went on to get a Master's in Management from MIT and then a PhD from Harvard.. Before he was a Professor at Harvard Business School, he was a Professor at Kellogg.. And he wasn't just a professor, he won the award for outstanding, for the Best Professor Award at Kellogg.. And Ranjay has also been ranked as one of the 10 most cited scholars in economics and business over a decade.. Because of the gravity of knowledge that Ranjay brings and the limited time that we have today, we're going to, before we jump into a fireside chat with Ranjay, we're gonna invite Ranjay just to share anything that he wants to our community and the extended YouTube communities and any takeaways from his book "Deep Purpose".. So everybody please welcome Ranjay.. - Thank you so much, Ravi, for that introduction.. 00:02:15,930 It's a pleasure to be here with all of you today, and I'm delighted to have a chance to talk to you all about my research.. And as you know, I will do a quick job in trying to summarize some of the key findings from this project..

And then I'm gonna turn it over to a conversation with Ravi and open it up to Q&A as well.. So this topic, if you told me five years ago, Ranjay, you're gonna write a book about purpose, I would've said you're crazy.. Purpose, mission statements, I mean, this is like businesses are here to survive and thrive.. And I was studying growth companies, I was studying fast growth companies, small and large.. So I had an interest, I had an ongoing project looking at rapidly scaling organizations, and I was

looking at how do they scale up in both good times and bad.. I looked in down markets, up markets, and the basic thesis was that business need to do two things right.. Figure out a good strategy, which markets are you gonna play in? Which is your value proposition? What's gonna be unique about you? How do you build moats around your strategy? And then you gotta get it done, get the job done.. Right? So much of my work was all around these two buckets, helping you find a good strategy and then helping you execute the strategy.. And I thought, that's it.. And then I discovered actually it came to me by looking at some fast growth startups, where founders would start lamenting the loss of something..

We've grown too big, we've lost that entrepreneurial kind of mindset.. There's something getting lost.. And in some cases the founders would leave and come right back.. You saw that with Steve Jobs coming back to Apple, you saw that actually, Howard Schultz is coming back for the third time to Starbucks, Phil Knight who founded Nike kept coming and going, coming and going.. You saw that Google.. So you start to see this kinda like, oh my God, my baby has lost something, this soul of a startup.. And so I really probed this issue, and I had seen it in my own family business.. My mother had started a business that went from zero to several thousand employees in a couple of years.. And she also talked to me, I was a teenager.. She was like, something is just not fun anymore..

It's just not the same feeling.. And so that was kind of the real, that was a fashion startup she had, so that's the image.. And then even at large scale, you saw that with companies like the Microsoft turnaround that Satya wrote about in his book.. He said, look, what we discovered was we had lost our purpose.. And so I started to hear the word purpose, intention, that somehow businesses must have a purpose and this purpose can be an animating force that energizes people in the organization.. So it's not just about having an idea.. It's not just saying an idea, I have a big idea, let me tell you the idea.. It's about, I have an ideal.. I wanna change the way things get done in my industry.. I wanna change this marketplace..

I wanna change the way customers experience things.. And purpose is not just social stuff, it's not selling the Amazon forest only.. You look at Amazon's founding.. I wanna change the customer experience, period.. I wanna change the way they experience something.. So I discovered it wasn't just an idea, it was about having an ideal.. And so this thing called purpose was confusing because the way we teach it in management is saying, businesses need to have tactics.. The immediate one to two year, they need to have a strategy.. They need to have a vision and they need to have a mission and mission out there long term.. Who cares right now, I'm gonna survive, I wanna build a business..

And what I discovered was great organizations start to think about their purpose very, very early.. If you look at some amazingly successful companies in the last decade, if you look at Etsy, very purpose driven, you look at Warby Parker, very purpose driven.. You look at Gotham Green, which is an AgroTech company, purpose driven.. You look at Livongo that sold to Teladoc for \$18.5 billion two years ago, purpose driven.. So you start to see some of these startups, if you will, where founders start to talk about this notion of having a purpose.. Now there's a lot of cynicism about this purpose stuff too, because a lot of companies engage in what we call purpose washing, also called virtue signaling, also called virtue cloaking.. And if you look at, this is an article written a couple of years ago called "Sex, Lies, and Mission Statements." Look at that, in your neck of the woods, Theranos had a purpose, Enron had a purpose.. Facebook has a purpose.. Purdue Pharmaceuticals that led the Oxycontin explosion also had a purpose.. So there's a lot of kinda cynicism, especially in tech I think people say like, there's a lot of this smoke blowing my way, I don't buy this..

And that's why actually Ravi, to your earlier comment, I wanted call my book "Purpose," but I couldn't.. Because I saw a lot of superficial purpose, but I also saw some deep purpose.. And I wanna convince you, I hope in the next few minutes, that purpose is good for business.. First of all, I'll show you some data.. There was intriguing data showing a correlation between purpose and performance, right? And then there was, of course, you can go back to read the little prints and you'll see about how purpose is an energizing thing and it inspires people to do wonderful things.. But I wanna quickly explain to you three things.. What is purpose? Why does it matter? And how do you do it? So how about I try to explain my entire book to you in the next seven minutes? And I'll try and speak fast.. Let's start with what is purpose.. People think of purpose as very individual construct.. In fact, I would like to kinda talk about the best definition I found is by a psychologist in your university..

William Damon wrote an excellent book where he talked about, "purpose is a stabilized and generalized intention to accomplish something that is at the same time meaningful to the self and consequential to the world beyond the self." So we understand it at the individual level, we don't kind of get what does it mean at an organization level.. Is it social stuff? Is it economic stuff? What is it? And people think, is it a mission statement? I gotta write a mission statement now? And actually what purpose is, is not a purpose statement necessarily.. It's about an ideal.. Why do we want to exist as a business? And when you are forced to answer that question, it forces you to clarify your strategy, your vision for the future.. What are you aspiring to be? Why are you here? And I have now interviewed a large number of venture capitalists who now are talking about, this is a kind of filtering mechanism.. I want entrepreneurs to not just come with an idea.. I want them to say in an expansive way, how do we wanna make a difference in the world? And I said here, commercial, I don't say social.. I'm not saying save the Amazon Forest.. Now a purpose has an ambition in it.. We have goals, we are gonna do this..

It also a sense of duties.. Here's how we plan and to make a difference in our customers' lives.. Here's how we plan to make a difference in the community.. Here are the problems we wanna solve.. It encompasses a broad array of stakeholders.. If you're trying to build a business, who are stakeholders, by the way? everyone confuses stakeholders as environment.. The

planet is one stakeholder, yes.. Stakeholders are employees, stakeholders are customers.. Stakeholders are the communities in which you're gonna operate, and stakeholders are the planet.. So how are you imagining a business that is gonna have a positive impact on customers, employees, and the communities, and maybe the planet even? What are the problems you're trying to solve? And it envisions how are you trying to build a business in the long term..

So purpose is not some kind of a one liner statement only.. It's really about how you're imagining a business.. What is the reason for its existence? What if it ceases to exist? What would happen? And you might say, why does it matter? Ranjay, I am so busy.. We're trying to build a business here, sell high, raise money, build with burn rate, understanding what equity we're gonna give away.. How are we going to hire people? Why does it matter? Purpose actually serves four functions.. So I'm not gonna show you the empirical data to prove the point to you, 'cause the data itself is still being worked out.. But I think there are four real benefits.. First purpose is a compass.. It gives you directional clarity.. As you're trying to imagine what your strategy for growth is, it clarifies to you where you want to play and where you don't wanna be..

Once you've articulated a purpose for the business, it gives you structure and clarity about where you're gonna play.. It allows you to look expansively and narrowly at what you're trying to accomplish.. What's the space in which we are working and which problems do we wanna solve? It's motivational.. Livongo, that was based, that is based right out in the Bay Area, is built, we built an app for diabetics.. And the first idea was no tech engineer wants to go work for a healthcare company.. They wanna work in tech companies and we can't even pay competitive wages.. But they were building an app for diabetics, they didn't say diabetics, people with diabetes.. They didn't wanna identify a person by their disease.. Almost half the employees had some personal connection to diabetes in their families, either themselves or somebody else around them.. So having an ambition can be inspiring to people, especially if it connects to them in a very personal way..

I wanna be part of that.. Again, it can't be smoke and mirrors.. If it's one of those smoke and mirrors game, people are gonna see right through it, and they're gonna hold you accountable for it when you don't live up to your purpose.. You're gonna have whistleblowers, you're gonna have people complaining.. Look what's happened at Spotify, look what's happening at Disney, look what happened at Facebook.. So you're gonna understand that if you're dialing in to people wanting to come and work for you because they're inspired, I wanna just clarify to you the big HR story here.. For the longest time, companies were focused on creating satisfaction at work.. It then moved into creating engagement at work.. Now the holy grail is creating inspiration.. How do I get people to feel inspired by where they work here for? And how do we do that, how do we tap into that? And inspired workers are 2.2 times as productive as satisfied workers..

Then you get to the third piece, which is relational.. And relational is all about the ability to build relationships with other entities outside of yourself.. Now I don't need to preach to about the power of equal systems and platforms and engagement today.. Well, what I'm finding is there's emerging evidence that businesses that have a clearly articulated purpose orientation, not smoke and mirrors, real, deep purpose, are able to build more trusting connections with other partners than other companies, because purpose becomes kind of a marker for our beliefs and value systems.. This is who we are.. This is what we stand for.. This is what we believe in.. And it makes it easier to build that connection.. I am sure you know this, more than 50% of partnerships fail.. So here you are running around saying, I wanna build an ecosystem on a platform, more than half of them are gonna fail..

So how do you break through that? And the last one is reputational.. This is a huge body of work now on purpose branding, that customers trust companies that have a clearly articulated purpose.. There's all this work on purpose branding going on right now.. And so I would like to say to you that if you build a business with a purpose from the ground up, you're gonna have clarity like a compass.. And you're gonna have an operating system where employees are more motivated, partnerships are more real and trust based, and customers trust you more.. So purpose is valuable, is my experience.. Now comes the last part of the puzzle.. How do you do it? So what I've described to you is Chapter one and two in my book.. Now I get to last six chapters in two minutes.. This is what I found scary..

It's really easy to talk about purpose among a few senior leaders.. Maybe the founder gets their immediate team together and talks about it.. But as you, once you start growing, there's an exponential decay in purpose.. It's kinda like a few people kind of holding hands and singing kumbaya and doing an offside together.. But how do you bring it alive for the people in the organization? That is the story.. And the late James March, who was a Professor at Stanford in the Graduate School of Business and also the School of Education said, "leaders have to not just be plumbers, but they have to be poets." You see, plumbing stuff is easy.. Build the organization, get an org chart in place, get the financial model working, build a strategy, understand your customers and markets.. That's plumbing.. Poetry is about inspiring people.. How do I get people excited to be here? How do I get them really energized? So as you start to say, I want to build an organization that has a purpose, you have to start thinking of what your job as a leader is..

How are you going to elevate people? You can see all the kind of phenomenal startups that you see that have grown.. Majority of them, not all of them, but the majority of them that have somebody who plays the role of a poet, who really knows how to elevate people's thinking in that process.. So I wanna just in the interest of time, I want to just summarize my kinda big picture takeaway.. I think it's important to understand that purpose is not a purpose statement.. It's really an animating idea.. It's why we exist.. It has an ambition of goals.. It has a sense of duties.. It's long term, and it embraces the array of stakeholders to whom you wanna sell.. Why do we want to do that? It's motivational, it's directional, it's relational and it's

reputational..

But the hardest part is actually turning ideas into action.. And that's gonna be, that's where you're gonna have to go and read my book if you want to know more.. But I just wanna highlight to you the notion that I think when we are in startup mode, we kinda get lost in this notion that I just gotta build a business and survive.. It's never too early to articulate a purpose for your business.. It'll force you to think about the strategy for the business, it'll force you to craft what your vision for where this business is gonna go.. And it can become an anchor for the culture you're trying to create in the organization.. It becomes a mechanism to attract talent and attract capital.. What kind of capital do you want to attract to the business? And I think it's something that is an energizing force.. And in business today, I feel we have really ignored purpose because we became so cynical about it 'cause people just turned it into a smoke and mirrors exercise.. So my wish for all of you here is to think hard about this topic..

Think hard about, should I be thinking about purpose if I was to embark on, and if you're going to work for one, ask yourself this question.. Does this company have a purpose, and does the company purpose resonate with my personal purpose? Now you might say Ranjay, I'm too young to have a purpose.. And you're never too young to have a purpose.. If you have a purpose, it creates greater intentionality in your life.. You're much more proactive, you have a more deliberate sense of where you're going and why you're going there.. But looking for that personal resonance with purpose, and by the way, research and biology shows that people who have a purpose live longer, are healthier, don't get sick that often, are living much more healthier, productive lives.. So there you have it.. So find your purpose connected to the organization where you choose to work or the one you may wanna start.. And I think that would be the key to success.. Ravi, I wanna turn it back to you..

- Ranjay thank you.. 00:18:22,080 There is so much deep, obviously deep stuff here that I wanna unpack.. And I wanna make sure that some of these points aren't lost.. I wanna actually key off on just what you ended with, which was there's this connection between every individual, every student right now at Stanford, you're saying does have a purpose and needs to map that to an organization.. Is that first of all true? Do you believe that every individual has a purpose? - Every individual should have a purpose.. 00:18:49,030 I think many, most of us wait a long time.. It's kinda like a midlife thing you do.. One day, I'll wake up and think about purpose.. I think after COVID, there is a meaning revolution going on.. I think people expect much more from work..

One of the leaders I interviewed, he said to me, he said, think about the phrase, work-life balance.. He said, that's a very pernicious phrase that work life as if there's work, and then there's my life.. We spend most of our time at work.. So am I gonna hold my nose at work and then I go and live my life on Friday, Saturday, Sunday, or what am I doing here? How can I make work a meaningful part of my existence? But to understand that, I have to first interrogate myself and William Damon has this great book on asking yourself to say, think about your purpose.. And I think it's a powerful unlock.. In fact, if you still are not convinced, one of the organizations I studied was the Seattle Seahawks.. And I interviewed the coach, Pete Carroll, and the team psychologist as well, Michael Gervais.. And it's interesting, even in performance athletics, at the highest of levels, the unlock to getting people to perform is to really connect into their purpose.. Purpose elevates us.. It gets us to perform at levels that we would not think about..

So my wish for you is to think about your purpose and then try to connect it to wherever you're gonna work to make personal purpose connect to the company purpose.. - And I wanna make sure this point's not lost 00:20:22,640 because this is a conversation we do not have enough when it comes to entrepreneurship.. Because in your books and in your articles, you're not talking just about purpose, you're talking about deep purpose.. And even within the articles, you talk about the company's soul.. It's almost like you're talking about a spiritual dimension that we don't oftentimes discuss.. And even for the individual, it feels like it's more about their calling.. It's something deeper or more rooted.. I wonder if you can just expound upon this because I wanna make sure that the students get this.. You talk about how a company has a soul, just almost as individuals do.. And that this is not, deep purpose is not as simple as saying simply cultural norms to design to shape behavior, but these effects run deeper..

They spark a different, more intense kind of commitment and performance.. And what I love is when you say they shape the meaning of work, rendering work relational, instead of merely transactional.. I wanna make sure that the students understand this.. And so when you're talking about deep purpose, is it fair to say you're talking about understanding your individual calling and a company's soul? And if so, when do you know when you've actually, because I think many individuals have callings and they don't know what their calling is until later, when do you know that you've clicked into deep purpose? - So Ravi, that's a great question.. 00:21:44,410 There's a lot in that question.. So let me try to unpack it for you there.. Okay, that's a very fun question.. Let me start at the organization level.. And then I'll turn back to the individual.. Remember for us human beings, purpose is a layered construct..

There is my personal life purpose.. I want to do whatever, I wanna climb Mount Everest.. I want to do whatever I wanna do, I want to have a meaningful life in some other way.. Then there is my job purpose, what do I wanna get outta my job, and how does that connect into my life? Then there is career purpose.. I have a purpose in my career.. So these are layered ideas that we all should be thinking about.. And until for many years, we've always thought of work-life balance.. That there's my work, and then there's my life.. So purpose is in my life, work is just a job.. And economists and us organizational theorists, we've

played into this..

Our theory of organizations is firms are nexus of contracts.. And think of that imagery.. The idea is a business is basically a business with everyone has a contract with, and our contract is pay for performance, which I call the coin-operated monkey theory of management.. We're all monkeys.. You put a coin in us, we'll dance for you.. You put two coins, I'll dance twice for you.. You make the dance fun for me, I'll dance even more for you, but I'm a coin operated monkey.. Keep putting coins, I'll keep dancing.. And by the way, that model actually does work.. A lot of people are inspired and motivated by pay for performance..

How many coins are you gonna drop in the tiller and I'll dance for you? And it works, I'm not saying anything against that.. And some of us are inspired by that, that's wonderful.. But I think people, or most of us want something that, we want money, we want to get paid, but we also want to think about how my work is maybe having an impact in the world.. I'm creating something new, the opportunity to build, create, innovate, impact, that is also part of us.. We know this from decades of work on extrinsic and intrinsic motivation.. The question is, how do we connect that to where we choose to work? How do we make that part of what we do? If you look at the early days of many of these iconic companies in your area, I'll give you an example, another one is Cisco.. So I had a chance to interview some of the people who were there in the early days of Cisco.. And you see how they talk nostalgically about how they accomplished, they were here to change the world.. So you start to see how do I find my own coin and dial into the organization where I want to work so it resonates with me? And so work is no longer a job.. It's not a pay for performance only..

I wanna get paid, I'm not saying I don't want to get paid, but how do I get more than just money out of where I work? - Yes, yes.. 00:24:37,040 And I also wanna underscore this point that you say that we need to talk about purpose from day zero.. And I do think that even though we're having this conversation, the zeitgeist in Silicon Valley is that purpose, when we talk about purpose or these ideals, it's relegated as something that's really discretionary.. At the end of the day, people will listen, but they'll view it as motherhood and apple pie.. And they'll think that what they really need to focus on is product market fit.. That's really entrepreneurship.. Or as you say, in one of your articles, Marc Andreessen says everything that matters is product market fit.. And the venture capitalists are gonna measure me on growth rates and unit economic rates.. And when you're starting out, it's an existential threat.. Can you speak to that? So are you saying at day zero, when a company's very survival is at stake that a founder needs to prioritize their precious, limited time thinking about purpose..

And then if so, we're in a school of engineering, everybody loves to measure things.. If the definition of purpose is this animated idea, you can measure unit economics, you can measure product market fit.. How do we measure deep purpose? - Both excellent questions.. 00:25:46,714 So, first of all, I think I have nothing against product market fit.. I think we need that.. We need to understand unit economics.. We need to understand the engine that is gonna build a business along us.. I think what happens is we start narrow very quickly.. And I think we then miss out on the opportunity to think expansively about our business.. What space are we in? What are the problems we want to solve? We get caught up in the product market fit..

And sometimes we abstract away adjacent problems we could be solving.. So we miss adjacencies in our markets.. We miss opportunities around in adjacent areas.. So I think purpose is a wonderful vehicle to also sharpen your product market fit in an expansive way.. I think it also is a wonderful way to talk about it.. Founder entrepreneurs selling all the time, selling their business to not only venture capital to raise money, but also to new employees, to everybody.. How do you talk the talk? Let tell you my product market fit, No, lemme tell you about my expansive notion of what my business is all about.. So even from a, it's building a narrative, it gets you to build a narrative.. You wanna call it a elevator pitch, whatever you wanna call it.. But now you come to the next part of it, Ravi, how do you measure yourself? How do I know, am I, how I'm measuring my purpose over here? How am I doing on that? Very hard question..

And I think this is where it gets subjective very fast.. I think the only way to start to imagine ask this question is to what degree am I living our purpose? How much do we reference and talk about our purpose when we think about our strategy and our product market fit? When we are hiring people and employees, and even thinking of promoting people, how often do we think about purpose orientation? When we onboard new people, do we talk about our purpose? Is it something that is just wallpaper or is it lived purpose, right? How clear are we about our purpose in our communication with our customers and our ecosystem partners? So I think it is subjective inherently.. I think it's also, it's never too early.. It gives you the, I mean, I told you at a very basic level, it gives you a narrative to talk about, but I think it is that makes it shallow purpose.. That's all you're doing.. I need a sales pitch.. Thank you, Ranjay.. I got it.. I got that two-liner you wanted me to.. All this is about elevator pitch..

That's all you wanna talk about.. Elevator pitch, yes, but what if you took the elevator pitch seriously? What if you tried to translate that into something bigger? You are unlocking huge possibility.. - Okay, terrific.. Thanks Ranjay.. 00:28:31,936 So Ranjay, we are seeing all these signs about how society is rewarding companies for being more transcendent outside of the traditional scope of what a business is.. And I do think that companies today are being compelled to take stances on social justice issues.. The most salient example of that today is the Russian-Ukraine crisis and how corporates are self-sanctioning beyond what legally is required and they're expected to, and society's holding them accountable if they're not.. I wondered if you could comment about that trend, because I think there's also more controversial social justice issues, where corporates are pressured to take stances and face risks where they'll marginalize some individuals in the companies where their

individual sense of purpose suddenly now doesn't overlap with the company's.. And many would argue that historically, company leaders should have been apolitical because you wanna encourage a diversity of employee thought and stakeholder thought and not take sides.. So can you address whether or not leaders and corporates should take stances on issues of social justice, and how do they navigate that? - So without even offering my own opinion on that, 00:29:38,284 I will tell you, we're in a new world here..

And Ukraine, the tragedy in Ukraine and what's happening now with Russia, I think has been a game changer in that suddenly now, businesses are being forced to take geopolitical stances.. Not just kinda local domestic politics, this is geopolitical, we are choosing sides.. Now in some level, this one is a black and whiteish as you said Ravi.. The answer of what is right and wrong was pretty clear and you gotta commend businesses for being ahead of governments.. They moved fast, and the ones who didn't move fast were penalized quickly and moved quickly after that.. So you had Zara saying, we're outta Russia.. We're shutting down right now, and Uniqlo saying, well, clothing is a human right, and maybe we wanna hang around and we wanna sell clothes to Russians, come on.. And five days later, they're gone too.. Right? So, but these were easy ones.. The harder ones are gonna be where now businesses have to choose between domestic political issues, and you can see where the answers are not so clear..

And I think it's not governments.. I thought it was gonna be governments who are gonna pressure us businesses to suddenly say, listen, stop being divisive, I run a business, I don't get involved.. That's not, sidelines is not acceptable anymore.. But you see now, employees and customers becoming much more vocal, and pressuring companies to say, you gotta take a position.. Disney's a great example of that.. What happened recently.. Spotify, employee rebellion.. Spotify was trying to fudge it and say, no, Joe Rogan, it's okay.. He's so popular, and we spent so much money on him.. And they're like, no, not acceptable..

Right? And so you're seeing much more, or Delta Airlines with voting rights.. Now, here is the dilemma I think for businesses, is you can either be reacting to pressure and say, okay, when the pressure is too much, we gotta do something.. So then you are entirely reactive.. What I discovered was organizations that have a clearly articulated purpose, have an easier time navigating through this complexity.. Saying, that's not what we do.. So Etsy for instance, is a company I looked at.. And at Etsy they've made, they have their economic goals, they want to build a thriving marketplace, but they have three social goals they also outlined, and they're measuring themselves on them, by the way.. Three are diversity, equity, inclusion, sustainability, and enabling our sellers economic impact, improving that.. That's it, we don't do any four issue, five issues.. And that's it, so any other issues come our way, sorry, not our thing..

We got three.. We measure them, we do this.. We go deep in these three.. We're not doing four or five, six issues, so we're not involved.. So how by articulating a purpose, it also gives you a little bit of buffering from what is now going to be a barrage of expectations on you on walking this multi-stakeholder, moral economic decision making, political decision making that is gonna come our way.. - All right.. Terrific, thank you.. 00:32:46,270 I'm gonna go into Q&A in a bit, but I'm gonna ask one final question, which is, I think all the students at Stanford right now are likely many of them know what their purposes are, many of them don't even know what their majors should be.. And so, I think there's this question of, if suddenly we're gonna bring to light that everybody should start thinking about purposes, I'm wondering for those individuals that don't know what their purpose is, or don't know what their calling is, any advice that you can give.. And actually I'd ask actually to begin with, Ranjay, can you share personally for yourself, do you have a purpose for yourself individually, and when did you know your deep purpose and when did that happen in life, and how did that occur? - So, Ravi again, another really great question..

00:33:35,650 So first of all, purpose is an evolving constant.. Right? It's not like I had it nailed down when I was 18 and I'll pull it out right now and show you it's still the same.. Not at all.. Right.. My purpose has evolved over time.. And there were moments in my life when it was really primarily about just having a career.. I wanted to be an academic and I wanted to hopefully get a job in a decent place where I felt I could teach really smart students.. Right? I think so purpose is something, but you have to start asking yourself that question.. What energizes me? What excites me? When do I feel fulfilled? What really makes me feel good about myself? When do I show up at my best self? What if I was to ask myself if I cease to exist, what would be the one thing I want to be remembered by? And actually, I'll just share with you one.. One of my good friends is the CEO of Panera..

And he had a real tragedy in his life.. His daughter, when she was 13 years old, found out, her name was Aisha Chaudhary, and she found out that she was gonna die.. The parents found out and they decided to tell her, and she had like three, four years left to live.. Now, imagine if you're 13 years old and you know that you're not gonna go to college.. You're gonna be dead, high school is it.. And her story actually was made into a Bollywood movie called "The Sky is Pink" on Netflix, can be watched with subtitles if you want.. And how she then uses that time to say, I am confronting my mortality.. And so maybe I need to ask myself, why am I here? She did a couple of TED Talks, she wrote a book and her ruminations of a young kid confronting such a tragic moment is so inspiring.. Now I don't don't wish that on any of them, but same happened to Steve Jobs by the way.. His kind of amazing speech to your commencement part of it was him confronting his own mortality..

Now I think why should we wait 'til we have to confront our mortality to interrogate ourselves these questions? But I think we can learn a lot from them.. So look up Aisha Chaudhary and see what she has to say.. She's got a couple of TED Talks out there, and the movie, and you see that, I think it's never too early to ask ourselves this question.. Why am I here? What if I

cease to exist? What do I want to leave as my lasting legacy? How do I think I can make a meaningful con, I put up the definition here by William Damon again, "is a generalized, stable and general attention to accomplish something that at the same time, meaningful to me and consequential to the world beyond me." What gives me meaning, and how do I want to make a contribution to the world around me? I think those are fair questions to be asked.. And those things with, for my purpose today is, my purpose is to educate leaders who make a positive difference in the world.. That's what I see my purpose as.. I feel that if I can accomplish that, that is how I can make a difference in the world.. It's meaningful to me, and I believe it's my limited way to have some consequential impact on the world beyond me.. - Okay.. Thank you..

00:36:54,624 Thank you, Ranjay.. We're gonna go to the student questions.. Again, I'm gonna go based on meritocratic order.. So if you upvoted once, I'll try to put more attention on.. There's a desire to talk more about purpose and social purposes versus market purposes.. So the question is I'd like to hear more about how much of purpose is bound by social purposes versus market purposes? Do you wanna react to that? Yep.. - That's an excellent question.. 00:37:22,297 And I'm so glad you asked that question.. I, myself got very confused because the word purpose has been hijacked.. It's been hijacked by both extremes on the one side of people say, purpose of business is shareholder value, leave them alone to focus on making money..

All this other stuff is a distraction and attacks on business, that's the government's job, our regulator's job.. Business's job is to focus on shareholders.. The other extreme has come along and said purpose is anything but shareholder value.. Shareholder value is bad.. It's about doing good things for society, anything but profit.. And then what happens is, so people start to do this purpose thing as a side hobby, it's the little tax on business.. It's a CSR ESG, get it out of there, call it a foundation, whatever you wanna do, I'll give you a day, a month to go and do some volunteer work, whatever, whatever.. And then it's a feel-good exercise.. Actually, purpose is about both.. It gets to the very core of your business..

What's the economic engine you're trying to build? And how is that economic engine gonna have a commercial and social impact? And I think that's where we have to take it.. How does what we do make a difference in the world? - And Ranjay, 00:38:39,870 what if, but if you're trying to thread the needle between both, there is that danger of becoming motherhood and apple pie, becoming all those mission statements that you've put up before that appease everything, but ultimately mean nothing.. How do you make sure that you're actually just not doing that and you're just drinking your own Kool-Aid, saying that I have deep purpose, but really you don't have deep purpose? - Thanks for calling that out.. 00:39:00,410 I dug myself into a hole here, so let try to dig myself out of it actually, 'cause actually Ravi is right.. There's another little wrinkle in this.. People started to say, oh so Ranjay, you're saying purpose is win, win, right? Win, win meaning when you can do both social and commercial at the same time, right? Is that magical thread the needle where you've got both happening.. I'm lending money in micro finance to poor people in Bangladesh at 20% because the banks charge, money lenders charge them 100%.. So 20% is more than what they could get in the city, but they don't go to the city.. So I'm bringing money to them at 20% and I'm making money and I'm doing a good thing.. Win-win..

Most of life is not win-win, it's really hard to get to win-win.. So you end up, imagine a two by two of market impact and social impact, right, to use your language.. And you say, well, I have some things that are purely social, I have some things that are purely market, and I have a few things that are accomplishing both.. Do I only do both? And I think that's not true.. There are some things that are purely market and don't have a social impact.. Some things that are purely social that don't have a market impact.. How do I manage that portfolio of activities? So you have to take a portfolio view of that and say, not everything is gonna be win-win.. But I have to ask myself, what is the end aggregation, how are we gonna make a difference? Right.. So at one level you might say a company like an Etsy is commerce, making commerce human.. It's helping sellers of craft sell to buyers so they create livelihoods and jobs..

And so maybe there's a social element there, but ultimately they're a marketplace also.. So how do we unpack and think about what is social, what is commercial and how do I blend the two together? I think it's a very important question and not an easy answer because you have to justify the portfolio.. And if you have a legacy business, like look at British Petroleum, they want to get out of oil and gas.. They want to be Beyond Petroleum, BP, but it's not gonna happen overnight, so you have to find a transitional journey.. Or you're Pepsi, trying to go beyond selling junk food and cola.. You can't do it overnight, so how are you gonna get there? So how do you balance that portfolio is the part that I think is not so easy.. I call it working on the razor's edge.. - Yep.. 00:41:19,920 Okay.. Thank you, Ranjay..

The next question that has most upvotes is, if you found a time machine, went back, and had a few minutes to chat with your 20-something year old self, what would you tell him? - That's a great question.. My God, you guys are smart.. 00:41:36,090 Oh, okay.. Now and asking me zingers, these are tough questions.. I think, I honestly had never thought about my purpose.. I was so fixated on narrow career success and I hadn't allowed myself the space to even imagine that I had the possibility to impact something beyond myself.. I think it was, I don't know if it was a bit narcissistic, but it was a little self fixation and I hadn't, and what you discover, by the way, if you haven't read some research on the psychology of happiness, what makes us happy? So that's an interesting body of work.. There's a lot of work by Martin Seligman at Penn and others, and it's interesting what they find.. The first thing is if you look at activities and attitudes, activities come in two flavors, what are you passionate about, and how do you want to make a contribution to something beyond yourself? Those are the two unlocks for happiness on activities.. I didn't know what I was passionate about nor did I ever think about how I can make a contribution to anybody except myself..



Then it came to attitudes.. The two unlocks for attitudes are interesting.. The first one is gratitude.. Turns out gratitude makes a huge difference to unlocking happiness.. And the second one is compassion, which leads to non-judgment and engagement.. I can tell you if I was to tell myself those four things, I think I would've been a much happier younger person, but we are in the mode of striving and we think we're happy, kinda like jumping around and having a good time.. I think we don't even know what it means to be happy.. - I agree.. Thank you, Ranjay.. 00:43:34,053 That's fantastic..

You're already having deep impact as well as deep purpose today.. I'm gonna move to the next questions.. There's a bunch and I know we're not gonna get through everything.. This next question is at what level should an organization's purpose be defined and articulated, i.e.. how detailed slash specific versus broad slash general should it be? And if there's guidance, especially for startups, when we have young companies that are just starting, I think that might also be helpful.. - So it's another really excellent question.. 00:44:05,020 And there's actually a Wharton professor who studies narrative of companies.. And he points out a paradox.. His name is Drew Carton, C A R T O N, if you wanna look it up.. And Drew says that these statements have an inherent paradox, the more general and abstract they are, the harder it is for people below to relate to them..

The more specific they are, then you have another problem as well.. So I think what we need is you need the general statement, but you also need to be able to translate it into a set of concrete principles and actions people should consider.. So having a general statement along with some translation of it.. Now, having said that, so that's one thing, have a general statement, but make sure it translates to people who understand it.. Having said that, I looked at one company, Gotham Green, if you haven't seen Gotham Green, they're in San Francisco also.. They're using urban rooftops for hydroponic farming.. And if you go to Whole Foods and buy salad or herbs, you're gonna find Gotham Green over there.. In New York, they're on the rooftop of Whole Foods.. And very successful, has raised several rounds of venture funding, great guy.. They are, I think, very purpose driven, but they don't have a purpose statement..

So I asked the founder, Viraj Puri like, come on, I'm studying purpose, you need to have a narrative.. He said, we don't need one.. We know what it is.. We know what it is.. We have a set of core beliefs we believe in.. Okay, I'll write it down one day, but right now, we're fine.. Maybe when we get bigger, we need it.. So I think it's having clarity, and I think he's gonna need it as he's gone across geographies, they were kinda East Coast-based in the three or four cities there, now they're all over the country.. They're gonna need to have some way to communicate and articulate what they mean.. But I think to your point, I think it has to be a general enough aspiration, has to have goals and duties, but you have to then translate it into something more concrete..

Otherwise it is just a bunch of words.. - And so just to clarify, the Gotham Green example, 00:46:07,460 you think is an example of what not to do, or do you think that that's okay? - I think, 00:46:10,045 I was saying as an example of where you might not even need a purpose statement.. - Well, I think that's the norm frankly, Ranjay, 00:46:16,060 I think most startups are gonna say, I don't need to spend time to articulate something right now, we all know it.. I don't need to do this.. I need to get fundraising and sales done.. - I would tell you, you need it.. 00:46:28,600 I would say that, how are you gonna tell your story? What's your elevator pitch? Your elevator pitch is part and parcel of your purpose.. So if you are busy finessing your elevator pitch, guess what you're doing, without even realizing it, you're really forcing yourself to think about what's my purpose? Now you can say my elevator pitch is about a product and not about some larger thing.. And I would say, make your pitch more expansive.. - Okay, terrific..

00:46:53,690 I'm gonna move forward with some other questions.. This question's asking, how should social justice activism play into the purpose mission statement of a company? - Look, I don't want to have 00:47:06,050 a generalizable principle on that.. I think it's really a function of what the founders and the founding team believe.. They have to believe it.. Thing about purpose is has to be lived.. Now you're asking my personal opinion today.. I think we are at a crossroad as a society.. People are even asking is capitalism worth it.. Just think about it.. People are questioning whether we want to be in a capitalist system..

They haven't questioned democratic systems yet, but even that's under suspect right now, do we know how to vote? So when you have democracy under siege, you have capitalism under siege, there are larger and people are putting it right at the doorstep of business, and saying, what are you doing about it? And there are several issues, what are you doing about social justice? And diversity, equity and inclusion? What are you doing about ESG, the planet? How are you addressing these larger problems that we believe you have a part in causing? So, and I think it can be also a talent magnet.. We are, as you all know better than me, it's really hard to find good talent right now.. And I think people want to work in places where they feed an affinity, and you wanna attract the right kind of people.. So how do you get people who have, there was a French sociologist in the early 1900s named Emile Durkheim.. Durkheim talked about moral communities.. He said people who are bound together by a shared belief, not in religion, moral belief, it brought them together.. And ideas, ideals bring people together in a way that simply, hey, nexus of contracts, what do you want? How much they pay for performance, pay for performance, pay for performance.. You need that too, by the way.. I'm not poo-pooing that, but you can't only rely on just that.. - Let me, thank you..

00:49:01,000 I'm gonna, we have one minute left.. I'm gonna try to put this one other question 'cause I think it dovetails what you just said.. It's a bit of a long question, but let me read it.. As leaders, we sometimes find people who have great



technical capabilities and would make excellent members of the team.. However, the company's purpose does not entirely resonate with them.. Do you think it is wise to get them on board and help them better understand our company's purpose, or is it better to find somebody else who entirely resonates with the purpose? - I hate to dodge what a great question that is.. 00:49:32,720 So look, what I have come to realize is many companies today are trying to actually help employees activate their purpose.. Not everybody has a purpose.. So Microsoft had an online program to get all their employees go through a course to think about their personal purpose.. So you may encounter somebody who's never thought about it..

And you may believe that if I help them think about their own purpose, they could maybe become more receptive to our purpose.. So that's one possibility.. But if you find complete lack of resonance, you need to then decide how deep purpose you are.. Because if you are deep purpose, you're gonna be looking for people who either are resonant with your purpose or have the potential to become that way.. Not everybody will start, this is not a cult where you say filtering mechanism, are you in, or are you out? But if there is no chance, they're gonna be misfits.. Then you're doing yourself and them a favor in that regard.. And I think that's something a very good question to think about, how serious are you about this in terms of the high talent, raw talent.. That's where, and I think purpose is lived when you're making tradeoffs.. So I will learn the larger point I wanna make to you is, you can't say purpose is win-win.. Purpose is lived when you are making hard choices, we are going to do this, even if it is not economically positive to us, but because it lines up with who we are..

(synth music)..