

12 *Shifting Paradigms in Business Competition*

Is Nestle Corporation operating and developing for a clear purpose? Nestle has been facing perhaps the biggest challenges in the company's 150-year history lately, despite the fact that in 2015 it achieved a gross turnover of \$90 billion in 189 countries (www.nestle.com). In the USA alone, the company lost over 3% of the market in a relatively short period of time, which is worrying for this type of industry. Why? More and more consumers are avoiding packaged "unhealthy" foods, foods that contain sugar, salt and preservatives. Paradoxically, in addition to main competitors, Kraft and Heinz (one company since 2015), the biggest competitors of this giant are small companies that offer healthier food and are "closer" to the consumer – companies with a clear business vision and purpose, and greater responsibility towards society. Nestle had a massive programme of selling baby food to third world countries, which turned out to be unhealthy, and that it causes health problems and death. The company reacted only after 10 years: After an intensive boycott of the market and negative publicity (Ivypanda, 2021). Global markets also reacted.

The purpose in itself seems like a simple concept. In a broader sense, the purpose defines the role of an individual or company in society, and with the complexity of interpersonal relationships it helps to harness the energy and creativity of employees for the growth and development of the company. Drucker believes that experts cannot be controlled, but motivated, because for them, the purposefulness of business is more important than profit. If the whole game is turned in the direction of money, disparities and improper distribution are inevitable (Harvard Business Review, 2009). In an extensive analysis of the EY Beacon Institute from 2016, five ways were identified which explain how a clearly defined purpose significantly affects the success of the company (Table 1.1).

Measuring business success

When we talk about measuring the success of a company, it is important to distinguish the set goals from their realisation. In many cases, that is, companies, there is a big gap between the belief that purpose needs to be built into the company and the ability to make it happen, ideal in relation to the actual purpose, as shown in Table 1.2. In a large number of sectors (industries), the largest gap was recorded in leadership, development and training of human resources, performance and reward measurement matrix, and talent and knowledge management.

Outcomes of purpose-oriented strategy, decisions and action plans can be measured in a conventional way using variables such as revenue growth, market participation, customer loyalty and satisfaction, brand reputation, etc. However, there are a large number of researchers and practitioners, and other experts who believe that non-financial aspects (variables) should be included in the metrics of measurement in order to answer the following question: How do company actually create value?

Table 1.2 Purpose as a generator of success and defining an action plan

1 Purpose as the basis of strategic clarity	<ul style="list-style-type: none"> • Purpose serves as a guide for short-term and long-term decision-making, especially in times of transformation and growing expectations; • Application of purpose as a guide for doing business, what should/should not be done; • The purpose serves as a magnifying glass to see the overall picture of the company as a system.
2 Purpose channels innovation	<ul style="list-style-type: none"> • Purpose provides a framework that helps the company understand the bigger picture in terms of product and service improvement; • Purpose helps employees see themselves in the role of problem solving and value creation; • Purpose prevents short-termness and broadens horizons for employees.
3 Purpose as a force for transformation and response to challenges	<ul style="list-style-type: none"> • Motivation by purpose not by fear in challenging times; • Purpose as a driver of change, help in understanding the long-term context of short-term changes; • Purpose as a force to help the company resist external pressures and create value in a different way.
4 Purpose and understanding of universal needs	<ul style="list-style-type: none"> • Purpose helps us to understand better people's "hidden" needs and contributes to defining broader goals; a strong driver of behaviour; • The purpose helps to bring together global differences – teams, in an innovative way.
5 Purpose helps business connection	<ul style="list-style-type: none"> • Using the purpose as a guide and strength for better business cooperation; • Using the purpose for finding a common ground for questions about why and how business cooperation works; • Using the purpose within the company to help individuals understand in each part of the company the common goal and act in that direction.

Source: EY Beacon Institute (2017).

When we talk about the very purpose of the company, we cannot help but emphasise the contribution of Peter Drucker, one of the leading, if not the main founders of modern management. In his long career as a consultant, writer and advisor, Drucker has made significant contribution to addressing pragmatic solutions in local communities around the world; he regained confidence in companies (and businesses) shortly before the major corporate and accounting scandals and the global financial crisis; he motivated talents who do not expect an unrealistic monetary reward; he addressed the problems that today's society is facing, including climate change, health care, education, etc. (Harvard Business Review, 2009).