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Shared understanding of business purpose as a structure of organizing work

Complexity and rapid changes demand redefinition and strengthening of organizational structures

The current business environment challenges traditional structures of organizations. Hierarchies, centralized control, formality, and bureaucracy do not work anymore as they offer too slow, stagnated, and predetermined ways to operate and manage a company in an environment that is highly complex and dynamic, and puts customers at the centre of operation. Although traditional structures may have their place and role partly and in some circumstances, often they slow organizations down or prevent them from grasping new opportunities and customer needs and experience. They might even imperceptibly paralyze organizations or contribute, for their part, to organizational decline (Heine and Rindfleisch 2013). Complexity and rapid changes require spontaneous reactions and shifts in decision-making and action but still in a way that serves the organization and keeps it on the track.

In the absence of the traditional structures, people are often left with a confusion that there is no structure at all guiding the direction of the firm or the organization. It seems that organizational members and their action might be random or savagely uncontrolled. However, contemporary organizations need structures too. In effect, the current business environment emphasizes the importance of them. Organizations need strong and powerful structures that keep the organizational members focused but still allow dynamism and flexibility. In other words, successful organizing in the present-day environment demands new kinds of structures that serve as the backbone of the organization and are malleable at the same time. This concerns both new ventures and established organizations.
In this chapter, we suggest that the customary organizational structures should be redefined and the new kinds of structures should be strengthened. The thought of understanding present-day structures takes us to collectiveness and interaction related to it. We believe that up-to-date and functioning structures of organizations are grounded in interactions among people and collective structures that emerge in them (Giddens 1984, 29; Morgeson and Hofmann 1999, 251). Thus, we put forward that the traditional structures based on hierarchies, bureaucracy, and formality could be complemented or in some cases even replaced by collective structures in-between organizational members.

While there are many kinds of collective structures in organizations, one of the most important is shared understanding of business purpose that guides attention and action of the organizational members. That is, successful organizing in contemporary organizations could be based on how well employees together understand the purpose of the business and the related values and business goals.

This chapter covers the concepts of collective structures and shared understanding of business purpose. It also deals with how shared understanding is and how it might be constructed. Based on a case study, we give an example of the importance and the role of shared understanding and how it might be built in an organization that has lost it in the course of its history. We go through facilitating actions and steps that can be used and elaborated on the conditions that encourage the construction of shared understanding and business success.

**Collective structures and shared understanding of business purpose**

Collective structure is a jointly produced behavior pattern in-between individuals’ minds, constructed in and affecting action (Giddens 1984, 25; Morgeson and Hofmann 1999, 253). The
structure reflects rules and resources (for example, interpretative schemes and norms) organized into the properties of social systems, and is created and used by people (Giddens 1984, 29). It has a dual nature, which refers to the notion above that it is produced in interactions but it also affects interactions (Giddens 1984, 25-28; Morgeson and Hofmann 1999, 253). In other words, while the structures emerge in interactions, they also provide a basis for and affect future interactions. In addition, all “new” interactions contribute to and shape the structure for their part.

Collective structure is a multidimensional concept, which indicates that there are many kinds of collective structures. Some structures are more based on knowledge and others more on feelings, for example. In an organizational setting, some of the major collective structures include collective understanding of business purpose, collective attitudes and motivations toward work, and collective feelings related to the work and the work community. We have chosen to focus on shared understanding of business purpose because it can be seen as one of the most essential structures of contemporary organizations as it provides fundamental direction for the organization and because we came to understand its importance along the case study that we will present below.

Shared understanding reflects a collective or a group-level mind that transcends the borders of individual cognition and affect (Gibson 2001, 123; Weick and Roberts 1993, 358-360). It is a mutually shared mental model that represents the comprehension of unfolding events, actions, and knowledge by a group of individuals together (Klimoski and Mohammed 1994, 406-407; Weick and Roberts 1993, 357, 364-366). It aligns individual ideas, thoughts, and feelings, and intrinsically guides people on how to act and react in situations. In other words, it keeps people on the same page or map when it comes to choosing a course of action. However, it is important
to note that collectiveness or shared understanding do not mean constant unanimity or groupthink (Janis 1982). On the contrary, they value dynamism, diversity, and active exchange of ideas that contribute to the subtle balance of individuals’ ideas.

Business or corporate purpose, for its part, relates to the perception of why the organization exists in the first place (Abela 2001, 108; Springett 2005, 358). It is the overall idea why the company is or was born and is in operation. It relates to the markets and the customers, and the need for a service or product in a society or in the world. In other words, it answers the question of why the company “is in business in the first place” (Springett 2004, 300).

It is important to note that business purpose is often broader than maximizing profit for shareholders (Abela 2001, 111-112). Especially nowadays, business purpose relates and bases more and more on customer experience and sustainability. For instance, customers should be the starting point of organizational action and a value chain, rather than the product itself or the producer of it. In addition, the purpose might change along time and might need revision occasionally.

Business purpose bases on values and gives direction for the strategy of the organization (Ellsworth 2002, 4). To this end, it also defines goals that are more specific. That is, based on values, collective understanding of business purpose includes ideas on strategy and shared goals that guide actions and interactions within the organization.

In highly evolving and dynamic business environments, both management and employees together should move towards the same direction that combines profitability, job well-being, and meaning of work. The fundamental idea of shared understanding of business purpose is that every organizational member understands the reason for being and the big picture of the organization. They should share the value base and focus on action that takes the organization to
the right direction. Everyone should also understand their own role and responsibility in the
entity as well as everyone should understand how their work is connected to the work of others.
To this end, motivational aspects come to a great importance at the individual and group level.

Construction of shared understanding of business purpose

The notion of collective structures, such as shared understanding of business purpose, puts
actions and interactions entailed in them at the core of organizing. This reflects the idea of social
constructionism that phenomena are created and developed by human interactions that give
meaning to our world (Berger and Luckmann 1966). In fact, every collective phenomenon, such
as an organization, and all collective action base on individuals’ interactions, the setting for
which is created by interdependence, such as an organizational setting (Morgeson and Hofmann
1999, 252). Especially in the current world, it is a highly relevant idea that collectives, such as
organizations, are systems of interaction (Giddens 1984, 377).

It can be seen that the most fundamental component of a present-day organization is individuals’
(that is, organizational members’) interactions. The elementary unit of analysis is an individual
behavioral act limited by the specific context in question (Morgeson and Hofmann 1999, 251;
Parsons 1951, 66; Peters and O’Connor 1980, 391-393). Therefore, collective structures set the
individuals and their actions at the core of organizing. All actions contribute to the structure and
all actions are affected by it. This is also why collective structures cannot be managed through
control or other traditional practices. Rather, they embrace individual responsibility,
empowerment, motivation, and facilitative management. Management concerns a subtle balance
of interdependency and autonomy where joint goals and norms should direct action and the role
of organizational culture and trust is crucial.
As the structures base on interactions, they are highly dynamic and malleable. They evolve according to the actions and interactions taken. Thus, a collective structure is not a static state but a continuous process that is in constant motion and reflects flux of organizing. To illustrate, the collective structure is like a spider web woven by multiple spiders together at the same time and possible to be re-woven by them if broken. For example, it enables employees to re-organize their action if unexpected or additional information about an event occurs or a new business opportunity is discovered.

In the on-going interactions, points of consensus and agreement set the stage for future actions (Barker 1993, 411-412). Morgeson and Hofmann (1999, 252) talk about on-goings and critical events. Hence, while collective structures take form continuously, there are points in the interactions that define the structures more specifically and directive. This is also why construction of collective structures can and should be facilitated in organizations.

**The role and importance of constructing shared understanding of business purpose**

So why construct shared understanding of business purpose in organizations? Foremost, because collective structures guide action, they affect organizational performance and success. They might affect establishment of new ventures or survival of existing organizations. In addition, they may have an impact on discovery or creation and realization of new opportunities (Alvarez and Barney 2007). Collective structures help adapt or respond to the changing conditions of the environment and have an effect on it.

New organizations need direction and strategy that team members collectively understand in order to establish the business and develop it further. Without shared understanding, the organization might not emerge or it becomes unsuccessful in establishment or achieving its
goals. However, new organizations are in an advantageous position in a way that they may start paying attention to interactions and collective structures from the beginning. Thus, they often do not have the same burden of history that established organizations do.

When it comes to the established organizations, along events during their history and changes in the environment, shared understanding of business purpose is often lost or it has never been revised properly. Shared understanding of business purpose can be lost due to multiple reasons. For example, management practices and changes in management personnel may have an impact on how the business purpose is maintained or revised in the organization. Activities might also rely too much on the past understanding and the collective interpretation made at the time that might inhibit the organization of moving forward and put it in a state of stagnation.

Missing or obscure understanding of business purpose might direct attention to issues that do not drive the organization forward. In the fast-changing business environment, both management and employees should have the same understanding of direction and operation of the organization. Especially in larger organizations, without the ability of leadership to guide collective interaction, shared understanding might become fragmented (Maitlis 2005, 32).

People interact and make sense of events in any case and always which is why it is important to construct business-related understanding together and in a systematic fashion. Organizational members and management should regularly check and see that the thoughts and actions of all of them are directed to the business purpose.

A look into supporting shared understanding of business purpose in an organization that was in danger of losing it
This paragraph describes an example of the construction of shared understanding of business purpose in an organization that had lost it due to its history related to management. We present a case study carried out in a store that is part of a Finnish network of consumer-owned co-operative stores. The case store had 12 employees and a store manager at the time (that is, the boss of the employees). The inductively emerged target of the study was to understand how the shared understanding of business purpose could be supported in the case organization that had lost it along the history of the organization.

The case organization was selected based on the co-operative network’s strive for improving the performance of the specific store and the core team. The regional management had paid attention to poor performance of the case store compared to the other 26 stores in the chain. The management makes yearly productivity surveys including all the 27 stores that are a part of the chain. The productivity of the stores is measured by, for example, customer satisfaction, employee well-being, and sales figures aiming at continuous improvement of performance. Based on the productivity measures, the case store had poor performance figures for years. Therefore, the regional management decided that, in order to improve the store performance, they needed outside researchers to find out what was hindering the organization to perform as expected.

It must be noted at this point that, because the case organization is part of a consumer-owned co-operative store chain, its business purpose is different from the investor-owned companies (Tuominen 2012; Jussila, Tuominen and Tuominen 2012, 195). The purpose of a co-operative is to provide services and products to the customers that are also owners of the co-operative. That is, its purpose is to produce value to its members putting the needs of and value to the customer and commitment to the organization at the very core of strategy and organizing. (Jussila, Goel
and Tuominen; Tuominen 2012.) It should also be noted that the stores have a centralized corporation but the regional co-operatives and the stores that are a part of it must define their own, local strategy in order to implement the wider co-operative corporation level strategy. Next, we will present the procedures and the steps that we went through in constructing understanding of the history and the present state of the case store and joint understanding of business purpose. The paragraphs illustrate what kinds of actions and steps could be gone through if shared understanding of business purpose is to be constructed in an organization. We will then summarize the process in an easily utilisable fashion.

**Understanding the history and the present state of the organization**

We began the study by listening actively to the organizational members in order to find out about their work and work community. Topics included the ways work is carried out, workplace and work community, challenges and successes related to work, work-related values, principles and ways of working, communication and interaction, collaboration with in- and out-groups, and the future of the store. We interviewed five employees and the acting store manager. We then analysed the interview material through systematic thematic analysis (Gioia, Corley and Hamilton 2013, 20-22). Our analysis suggested that joint understanding of business purpose was missing in the store due to an organizational trauma caused by poor management years ago and unguided interactions after that. It is critical to understand the organization’s history because it affects interactions and actions strongly in the present time and thus defines collective structures built in the organization currently. Using the case study as an example, the current state of the organization was affected by the past events and especially past management related negative experiences with far-reaching period and consequences.
In the case store, there was an organizational trauma that was caused by poor and destructive management seven years ago. At that time, a store manager in the organization applied questionable management practices. For example, the store manager treated employees unequally, used fear and punishment as management techniques, and criticized employees behind their backs. The management style affected the work community, the relationships of the employees, and work well-being negatively. The employees became fearful, suspicious, and tired.

When the co-operative network’s management replaced the previous boss by a new boss (that is, the store manager we interviewed), it was a relief for the employees and the work community. Yet, the role of store management was diminished and faded out due to the negative experiences related to the previous boss. The trauma was alive and well through overly emphasized equality and justice where the new boss and the employees did not see the role and importance of guiding leadership in constructing a new direction and ways of working for the store, and dealing with the trauma in order to move on, for example. The negative experiences of the past had taken over interactions and actions in the work community and understanding constructed around personal chemistry and other issues that were dominant and important in the past. That is, the work community had not been directed away from the past and the business purpose had lost to the strong impact of the history and person-related issues related to it.

Our analysis indicated that the organization was unguided and, in absence of facilitated creation of business-related understanding and common goals, the organizational members organized their work and collaboration based on informal and largely tacit objectives and understanding. In other words, unguided construction of collective structures caused that understandings formed largely around other than business related issues. Thus, understandings appeared to be
constructed historically and path-dependently and they seemed not always serve the organization’s wellbeing but rather fulfilled other needs and motivations.

It was surprising and eye opening to note that poor management seven years ago caused the trauma and the events and experiences related to it were present in the current time, actions and interactions. The employees referred to the events and experiences as if they had happened yesterday. That is, the trauma affected what kinds of realities and meanings were constructed in interactions among the employees seven years later. Hence, it should be acknowledged that strongly negative traumas stay alive in the organization for a long time if they are not actively and systematically disentangled, talked over, and dealt with, and if a new direction is not actively taken.

**Supporting shared understanding of business purpose through facilitating leadership and collaborative management research**

Due to the outcomes of the analysis, we decided to hold two all-day facilitated workshops to the whole work community, including the 12 employees, the store manager, and a regional manager of the co-operative network. Two researchers worked as facilitators. The workshops revolved around the present state and the business purpose including development targets and concrete means of achieving the targets.

Our overall aim was to go through our analysis of the history and the present state and support discussion of sensitive issues from the past. The aim was also that the organizational members would produce a new direction related to business purpose and that the acting store manager would get facilitating management tools. Without the opportunity to air the feelings openly together, the work community would not have been able to move forward in terms of better
business performance and well-being at the same time. As our role was to work as outside facilitators, it was easier to raise issues to the discussion and ask questions of the sensitive and traumatic experiences from the past.

The first step of the first workshop was to present the analysis outcomes under five themes: defective communication practices, overemphasized equality in the workplace, lack of teamwork, stagnation, modesty and uncertainty, and customer orientation. To do this in a sensitive manner, we applied storytelling, which means that we brought analysis outcomes up in the form of a story from a different context. We applied the storytelling method also because there was a danger that the outcomes of the interviews would have been taken personally and as a failure by the organizational members. We created a story where the organizational members as a work community take a trip to abroad and divided the roles for everyone in the story. The other facilitator worked as a trip leader. We divided the story into five distinct parts according to the themes mentioned above. Between each part, there was a point where the facilitator told about the results under one theme after another. Then, the work community discussed and created shared understanding under the theme.

In this kind of a working method, there is always a danger that someone does not accept the method and refuses to participate in playing the role in the story. In this case, the atmosphere was relaxed and all the participants reacted positively to the method used.

The second step in the first workshop was to build a shared understanding of the organizations’ current state related to business purpose. We divided the participants into smaller groups and asked them to identify the strengths and weaknesses of the current action and the changes in the operational environment. As a result, the participants constructed six themes under the strengths of current action. These included competence of the personnel, familiarity with the co-workers,
trust in the co-workers, the tidiness of the store, the accessibility of the store, and varied portfolio of products in the store. Under weaknesses, they also constructed six themes. These were communication, fear of change, unclarity of roles, lack of feedback, lack of job-rotation, and lack of evaluation at work. They saw that changes of the operational environment included success of competitors, decrease of customers, insecure future, and competition for market shares.

The third step was to facilitate participants thinking towards future actions. Again, we divided the participants into smaller groups and asked them to identify strengths and weaknesses relate to the future and future action. Quite soon, we noticed that identifying the future actions was a challenging task for the groups. The participants constructed only one theme under the strengths, which was one’s own role in increasing the sales. Under weaknesses, there were lack of feedback and the negative frustration about the fears that the results from this workshop would never be successfully taken into action in the work place.

Despite of the difficulties to construct future actions, we continued the workshop by facilitating the group to construct future development targets. At this time, we divided the participants into two groups. As a result, the participants found 22 different development targets overall. From these, the two groups chose 11 development targets that they saw to be the most important ones. After the above phase of facilitation, we moved the 11 development targets into a concrete time plan. The time plan included operational steps today, next week, next month, and next year. The participants themselves decided who would be responsible of which target and in which period. To make sure that the actions will be taken into action after the workshop, the employees decided to put the time plan on their coffee room wall so that they could follow the actions together through that. The main idea of this phase was to move participants thinking from the
traumatic past experiences towards concrete future actions that would support positive experiences related to development.

We hold the second workshop in the case store where the main goal was to make the employees to participate to the strategy work of the store and to enhance an outward looking focus. Our role as facilitators was to support the store manager to develop his facilitating skills. The workshop started with the store manager’s introduction to the new participatory strategy process: why it has been created, why it is important, why they need continuous development, the co-operatives’ main business goals and the salary bonuses related to achieving the goals.

After the introduction, we divided the employees to work in pairs. The first exercise was to think what motivates me as an employee in that particular store and what are the things that I want to develop in my work, in my competence, or in the workplace. After the pairs had documented each other’s answers, they presented their main results including the arguments of their choices. The next step was to go back to the time plan, which was done in the previous workshop, and add the development ideas to the plan. Then, the participants defined a development goal for the next three months (quarter) and decided how to measure development at the end of the quarter. The employees were promised salary bonuses if the goal was achieved.

In sum, the whole development process with the case company took two years, from the interviews to the last discussions with the store manager and the regional management. Between these two facilitated workshops, we did observation in the store and continuously followed-up and supported the store manager to use the facilitative methods in his work. Two months after the first workshop we went back to the store and positive results had already began to develop: positive customer feedback had increased, the work community had started to hold meetings, and they had put into practice the development targets they chose in the first workshop. However, in
the work community, there were still some doubts whether the actions would generate positive productivity results in the end. Yet, four months after we hold the first workshop, the store manager confirmed that in addition to the positive customer feedback, the sales figures had started to grow and continued the positive development of the store.

**Lessons to be learned**

Figure 10.1 summarizes the key steps and dimensions that can be used to build shared understanding of business purpose and improvement of business performance through it.

[INSERT FIGURE 10.1 HERE]

Figure 10.1. Facilitated construction of shared understanding of business purpose

First, the history of the organization should be understood. This can be done by listening to the accounts or stories that dominate the work community, observing the management style of the organization, paying attention to the financial situation of the company, and to the changes of the business environment.

Second, through facilitating leadership and collaborative management research, a shared understanding of the present state should be built and brought to the attention of the organizational members. This can be done through listening to the management and personnel of the organization, organizing group discussion sessions, and creating a trustful context for bringing up difficult issues or experiences. The history and possible issues or traumas related to it should be dealt with actively together. Individual and group discussions can be hold, and the analysis of them dealt with together in a workshop.
Continuing with the facilitation, shared understanding of business purpose should be constructed through answering the questions of why the company is in business in the first place, what the values on which the business is based are, and what the strategy and business goals are, and how they can be pursued and achieved. The purpose should be expressed as clearly and simply as possible: Be specific enough in order to provide direction for the organization. A workshop can be organized in order to do this together. In the workshop, organizational members answer questions related to business and strategy and achieves a joint agreement on them. This can be done first by focusing on current action and seeing what it tells about the business and if it fits the purpose. It is important to build joint understanding of points of development. It includes identifying the strengths and weaknesses of current action, and the changes in the environment and the opportunities and threats related to it (Grant 2005).

The above phase is continued by pointing up concrete means and solutions today, next week, next month, and next year in order to pursue the business purpose and achieve goals. A time plan can be used as a help. The faster changes can be implemented concretely the more likely the change will be successful. This is why something concrete should be done right on the same day. Yet, the process takes time and patience, and demands commitment and efforts of every organizational member.

Finally, it is important to follow-up, give feedback, and revise action if necessary. Constructing shared understanding of business purpose is actually about continuous flux of organizing. Sharpening the business purpose is often necessary if business goals are not achieved for one reason or another. In addition, business purpose should be kept in minds of the organizational members continuously. It should be brought back in the minds of the organizational members in an on-going manner. Achieving goals and successes should be brought concrete and visualized
through, for example, documenting them. This can be done using photographs or positive
customer feedbacks, providing visible feedback, and/or celebrating together. There should be
clear measures of when the organization has succeeded. Briefly, collective structures should be
constructed together, actively, continuously, systematically, and concretely.

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