

How an inside-out approach to corporate purpose boosts business performance

A framework to increase engagement and internal cohesion, creating win-wins for stakeholders that drive business results.



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By [John Almandoz](#)

Are our institutions cracking under pressure? Considering the threats we face — including

war, climate change and rising inequality — our states and corporations seem unprepared for the level of collaboration and goodwill needed today. Even the family and the community seem to be crumbling as institutions, lacking the moral glue to hold our divided societies together.

Preparing for an IESE Business School conference on the legacy of our former dean, [Juan Antonio Perez Lopez](#), I came across early writings of his in which he anticipated this broken state of affairs unless an adequate “control mechanism” were to be found — one that maximized human flourishing alongside business prosperity. He recognized that, more than self-interested material desires or legal requirements, people were motivated by transcendent needs that could only be satisfied by contributing to the welfare of others.

The trend we have seen of companies measuring their performance using [environmental, social and governance \(ESG\) criteria](#) is in line with this vision, even if there is disagreement over aspects of these priorities. It underpins the movement toward “[corporate purpose](#),” which gained momentum following the 2008 global financial crisis. And though lately we have seen some companies backing off their prior public commitments to ESG goals, I still believe uniting around purpose is the best hope we have to mend our broken world.

The inside-out approach is a powerful driver of passion and energy

Broadly speaking, corporate purpose can be understood through two perspectives: an outside-in approach, which emphasizes responding to external societal and systemic challenges; and an inside-out approach, which focuses on how a company’s internal values and member motivations shape its daily operations to serve customers.

The outside-in approach positions corporate purpose as a tool to help address important global challenges, such as climate change and social justice. But this approach can become coercive and thus politically charged. Since systemic challenges involve government policy, private and political interests come into play, raising the [potential for disagreement](#) both within and outside the organization. A lesson from the recent backlash against ESG and [DEI \(diversity, equity and inclusion\)](#) is that when the societal stakes for different purposes are high, it is important not to run too far ahead of the electorate and to engage instead in transparent deliberation with slower moving dissenters.

The inside-out approach views purpose as a powerful driver of passion and energy, aligning

employees' personal values with the organization's overarching goals and the service it provides to its customers. A key advantage of the inside-out approach is its ability to foster unity, both within the organization and with external stakeholders, as it is freely chosen by all and is less likely to spark disagreement. That unity and inspiration should, in turn, bring greater engagement and productivity.

While an inside-out purpose for corporations has many advantages in driving engagement and internal cohesion, it is not easy to draw all motivational strength from it in an organization that also expects business results. To be sustainable, purpose not only needs to be thoughtfully internalized but it also needs to be implemented effectively.

Here's how, using a framework co-developed with Carlos Rey of the Universitat Internacional de Catalunya (UIC) in Barcelona:

- **Define.** Defining a purpose is the intellectual foundation. It involves identifying a clear and compelling reason for the organization's existence that resonates with its stakeholders. Purpose must answer fundamental questions: Why do we exist? How do we contribute to our customers or to the world?
- **Internalize.** Purpose must be embedded deeply within the organization's culture, values and identity. This step connects purpose to the emotions and motivations of employees, creating a shared sense of meaning and belonging.
- **Act.** Purpose must be translated into tangible actions, informing the organization's [processes, decisions and operations](#).

In short, implementing purpose is a dynamic interaction of the head, heart and hands to create win-wins for multiple stakeholders, including any shareholders. In this way, companies can still be financially successful without making [profit maximization for shareholders](#) their sole defining objective.

Purpose in action: how ISS enables better work and life experiences

Let's consider an actual example. [ISS is a facility support services company](#). It defines its purpose as "connecting people and places to make the world work better." By framing its purpose as an enabler of better work and life experiences for people, ISS ensures it is both inspiring and strategically aligned with its business objectives. This serves as a guiding principle for decision-making. This is the head part of purpose.

ISS also engages the heart by fostering an emotional connection to the purpose. For example, through its Thank You Way initiative, managers and clients send tokens of gratitude to employees. This fosters a culture of appreciation, recognition and community.

ISS also trains employees to view their roles as opportunities to create positive experiences for clients and end users. This helps ensure that the purpose is reflected in every task, from cleaning offices to managing facilities. By making purpose actionable (hands), ISS demonstrates the purpose isn't just an abstract ideal but a practical guide for daily work.

This model encapsulates Perez Lopez's vision of employee motivation, leadership and organizations — a strategy to build trust, to bring out the best in employees as people, and to address the real needs of customers and society.

For Perez Lopez, the definition of good leadership is developing people, one by one, and uniting them in their daily operations around a transcendent purpose, which includes but goes beyond attaining business results. It also involves building people up and being service-oriented. This kind of leadership is transformative, lending meaning and uniting the organization better than the neoclassical economic alternative, which has shown its failings and contributed to the world we find ourselves in today.

As business leaders in a complicated world, we should seek to reconnect people around a greater purpose. And even when we fall short of our purpose, we will still be better off for having tried. I see business schools like IESE playing an important role by insisting on models of leadership, strategy and corporate governance that aspire to a higher purpose for a world in need of transformation.

MORE INFO: "[Inside-out and outside-in perspectives on corporate purpose](#)" by John Almandoz. *Strategy Science* (2023).

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Another [version of this article was also published in Forbes](#). Read more insights from IESE Business School's global experts at [Forbes](#).

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Professor of Managing People in Organizations at IESE Business School and holder of the [Juan Antonio Perez Lopez Chair](#), named after IESE's late former dean, whose forward thinking on transcendent purpose as a motivating force for business is even more relevant today.

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