

Sensemaking and Purpose Drive Innovation and Transformation

Kevin Fee (Agile Innovating)

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For startups and entrepreneur-led businesses, purpose is an outcome of an iterative sensemaking process. Sensemaking is the underappreciated strategic activity of making sense of what is going on in your marketplace, and identifying where the potential for change will benefit your business. Purpose then targets what you intend to do, and why.

Along with being the outcome of the external sensemaking process, purpose is also the reference point for the organization as it makes sense of how it is developing innovative solutions to cause a desired change. Knowing your purpose means you have a specific answer to the questions, “Why are we doing this?” and “What are we trying to accomplish?”

Answering these questions can have a distinctly positive impact on your organization. Purpose provides clarity, eliminates ambiguity, and can be a powerful driver of innovation and change. But purpose can be misconstrued because it can be developed in two different contexts.

The first context is aspirational. Achieving strategic alignment is important for organizing a business, creating a culture, and building teamwork. Strategic statements often identify “who we want to be, what we want to become, and how we should behave.” Purpose in this context is a “TO BE” aspiration

The second context focuses organizational attention on action. Purpose is more specific. It leads to decisions about “what we are going to do, how we are going to do it, and why.” Purpose in this context is a “TO DO” action statement.

Both of these contexts are relevant and important to business success. A “TO DO” type purpose causes action, sets direction, and determines the rate of change. A “TO BE” type purpose helps the organization evaluate if they are effectively executing

their strategy. But the “TO DO” type may be more impactful as it drives innovation and change rather than seeking to confirm that change has occurred.

The Impact of ‘TO DO’ Type Purpose

I formulated eight differentiated answers to the question, “Why are we doing this?” Each answer is a statement of a “TO DO” type purpose.

1. We have a specific **vision** for a better future business and customer situation.
2. We have a specific, time sensitive, **mission**.
3. We are involved in a **crisis** that may harm the business.
4. We have identified a **threat** to current sales.
5. We have recognized an **opportunity** for future profits.
6. We have identified a **problem worth solving**.
7. We have a **new solution idea or technology** that is better than the current solution.
8. We have **under-leveraged strengths** that we can use to improve business performance.

As I learned about sensemaking and purpose, I also wanted to develop some insight into its use and power. I studied the public information available for some of the most successful businesses of the last 50 years and looked for evidence of sensemaking and which of the eight answers they chose to answer the question, “why are we doing this?” Here is what I found.

Microsoft in the 1990s

Microsoft was built on a **vision (reason #1)**: “A computer on a desk in every home.” It was one software company out of many who were suppliers of software for the IBM PC and compatible computers. Then in 1995, Bill Gates wrote a sensemaking memo, “The Internet Tidal Wave.” This memo ultimately changed the



strategic direction of Microsoft, causing it to expand its offerings into computer networking and the internet. Bill Gates' sensemaking caused him to realize that Microsoft, at that time, was heading towards a **crisis (reason #3)** that needed to be addressed.

Intel in the 1970s

In 1975, Gordon Moore restated an observation that has become known as Moore's Law: "The number of transistors on a microchip doubles every two years whereas the cost is halved." Gordon Moore made sense of the technology dynamics that would drive the microchip business with the law the bears his name.

Moore's Law became the basis of a **crisis (reason #3)** that led to the founding of Intel. This crisis drove R&D projects whose purpose was to prevent Intel from being left behind by competitors who may be able to develop or introduce new products more quickly.

The obsolescence of a microchip design every two years also created a **threat (reason #4)**: "We must replace our existing microchip product architecture and manufacturing platform every two years to maintain product and market leadership."

Fujifilm and Kodak in the 1990s

Fujifilm and Kodak were worldwide competitors in the photographic film business who recognized a common **threat (reason #4)**: "Digital photography was likely to replace film photography."

Fujifilm made sense of the threat by looking for **opportunities (reason #5)** where digital photography would continue to be viable. They reinvented their business based upon digital photography for business applications.

Kodak made sense of the threat by believing they had a **problem to solve (reason #6)**: "How do we keep our current customer base that buys film photography products?" Kodak eventually went out of business because they couldn't solve this problem and maintain the film photography platform.

Facebook in the Early 2000s

Mark Zuckerberg, along with four other students from Harvard, couldn't make sense of the fact that Harvard used paper-based student directories to help students make connections. They recognized a **problem worth solving (reason #6)**: "Paper-based student directories

were ineffective".

After they solved this "student directory problem," they realized they had a bigger **opportunity (reason #5)**: "They could grow their student directory solution into a social networking site to more easily connect people anywhere." Zuckerberg realized that connecting students, and then people in general, through an internet application made sense.

Amazon in the 1990s

Jeff Bezos realized that the infant e-commerce industry made sense as a substitute for brick and mortar shopping for many people. He anticipated a new business **opportunity (reason #5)**: "Making it easier, faster, and cheaper to buy things through e-commerce." He chose book selling as his preferred market entry point, with the **vision (reason #1)** of "Worlds largest bookstore".

Google in the 1990s

Larry Page and Sergei Brin struggled with information search productivity while working on a research project as PhD students at Stanford. Their information search process didn't make sense to them. They developed a **new solution idea and technology (reason #7)**: "A better search engine algorithm".

Page and Brin then realized that their solution would make sense to anybody with urgent information needs. They founded and built Google based upon the **vision (reason #1)**: "Information at your fingertips for everyone."

Apple in the 1990s

Steve Jobs, in his second go-around as CEO of Apple, realized that how people utilized the wide range of electronic devices that were then available didn't make sense. He identified a **problem worth solving (reason #6)**: "Electronic devices and platforms provide a poor customer experience because they lack ease of use, mobility, and connectivity".

He paired this user insight with a **mission (reason #2)**: "We will 'delight customers' by supplying them with products that provide the best user experience on a regular and recurring timeline."

Lessons for Entrepreneurs

What do these examples teach us about the power of Sensemaking and Purpose to drive innovation and

cause change?

I realized five conclusions from my study.

Sensemaking and Purpose are a powerful driver of innovation, change, and business growth. The purpose that drove innovation and growth of each of the businesses I investigated was targeted (“TO DO”), not aspirational (“TO BE”).

Getting your purpose right matters. Fujifilms and Kodak had the same core business, competed in the same markets, and recognized the same threat that digital photography represented. Fujifilms made sense of the threat and defined a new purpose that led them into new markets. Kodak made sense of the threat in a different way, maintained its existing purpose, and failed. Apple, under Steve Jobs in the 1990s, couldn't make sense of the customer experience with existing electronic devices. He defined a new purpose that has made, and continues to make, Apple an innovation leader. All of the companies, except Kodak, in this analysis grew from start-ups to become dominant players in their markets within a generation because they made sense of the dynamics of their marketplace and got their purpose right.

Consider the "why" and "how." In every case, each company had a primary reason for action that identified “What we are going to do,” and a secondary reason that identified “How we are going to do it.” The combination of primary and secondary reasons defined their purpose and clearly answered the question, “Why are we doing this?”

No companies shared the same primary and secondary reasons defining their purpose. Each company's purpose was unique to its own business situation and the sensemaking they did.

All eight differentiated answers for “Why are we doing this?” were utilized. No one answer is more important or has a priority over any other. The key success factor was aligning the business situation with marketplace sensemaking and identifying an action-oriented purpose.

Conclusion

Sensemaking leading to a “TO DO” type purpose is a skill that the founders of some of the world's most successful companies seem to have utilized better than

most business leaders. Because sensemaking and developing a “TO DO” type purpose is a leadership skill, it can be learned through education and practice. If you want more innovation, faster, strive to develop better sensemaking and purpose clarification skills.