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From the Boardroom: Making Purpose Research Relevant for Practice

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Abstract. This paper reflects on the burgeoning yet fragmented research on corporate purpose. Drawing on three actual situations I experienced, I point to three challenges of purpose research that require our scholarly attention to produce research relevant for practice: purpose justification, implementation, and evaluation.

Keywords: corporate purpose • theory • practice • strategy • governance

> The epistemological separation between the *author* of theories, the researcher, and the researched *subjects* of theories, the practitioners, leaves practical knowledge unexploited and creates and maintains a conformist and elitist view of management studies which further restrains the dialogue between academic authors and real-life actors.
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> Calori (2000, p. 1031)

Introduction

The past decade has seen a surge in the questioning of the roles of both the firm and its shareholders (Stout 2012, Klein et al. 2019, The Economist 2019). Scholars and practitioners alike contest the simple equivalence between a firm's interest and that of its shareholders as promoted by the shareholder value maximization (SVM) model (Friedman 1970, Business Roundtable 1997). Legally, a firm does not "belong to" its shareholders: shareholders own shares of a firm's capital, which entitles them to some control and claim rights but not all of them. Indeed, as a separate and independent incorporated entity, a firm keeps its own legal integrity and possesses its own purpose (Blair and Stout 1999, Henderson 2020, Deffains et al. 2021, Stoelhorst and Vishwanathan 2023). Recently, corporate purpose has attracted an influx of attention, especially with large businesses vowing publicly to become more purposeful (thereby responding to the demands of their stakeholders, not only those of their shareholders; Business Roundtable 2019, Serafeim and Gartenberg 2019, Samans and Nelson 2020), practitioner-oriented publications touting the merits of corporate purpose (Dhingra et al. 2021, Joly 2021), and forerunning academic articles paving the way for a reasoned inquiry about the influence of purpose on firm performance (Hollensbe et al. 2014, Henderson and Van den Steen 2015).

Corporate purpose introduces a component—purpose—into the classic shareholder primacy model that belongs to a distinct regime of action: it contains intentionality and, as such, is norm- and value-laden, not only shareholder value–maximizing. As such, corporate purpose appears to be a particular "set of beliefs about the meaning of a firm's work beyond quantitative measures of financial performance" (Gartenberg et al. 2019, p. 2). Hence, purpose research falls into the stakeholder models of the firm in which multiple parties cocreate economic value and for which governing rules different from those used in classic SVM models must be employed (Freeman 1984, Klein et al. 2019, Stoelhorst and Vishwanathan 2023). Therefore, (i) purpose infuses a firm's objectives with intrinsic values beyond SVM, that is, values that "reflect intrinsic worth and constitute noninstrumental reasons for justifying choices" (Donaldson 2021, p. 3), because it is intentional and serves as a reason for acting. (ii) When values are intrinsic, they generate categorization and decision-making difficulties for agents (Greene and Haidt 2002, Anteby and Anderson 2016, Arjaliès and Durand 2019). (iii) It follows that purpose generates new research questions: Is corporate purpose a valid construct, able to contribute to better explanations of firms' decisions? What variety of purposes exist and how does one relate them to distinct firm- or team-level outcomes? How do firms implement purpose statements throughout the organization and with what consequences?

Against this backdrop, this paper is a (self)reflective attempt to nurture academic research on corporate purpose from practical situations. As stressed in the opening quote, by isolating themselves from practice when most practitioners remain impervious to management research, academics often lack opportunities to develop theories relevant to practice (Calori 2000). As mentioned, purpose attracts attention from both academics and practitioners. Scholars, however, still question the internal validity of the concept of purpose with respect to existing notions (goals, corporate social responsibility, or sustainability), theories (institutional theory, stakeholder theory, agency theory, and the behavioral theory of the firm), and effectivity (e.g., Davis 2021, Bebchuk et al. 2023). Some practitioners embrace the hype rather than conceptual precision and have few scruples about filling old bottles (e.g., using labels, such as strategic mission or visionary leadership) with new purpose wine provided "it sells," ignoring the potentially negative consequences of promoting purpose at the individual level (generating false hopes, disappointment, and cynicism) and at the organizational level (enabling firms with poor reputations or behaviors to redeem themselves through purpose-washing). Therefore, two perils loom large for the future of corporate purpose: irrelevant research and improper practices. This paper aims to bridge the academic and practice spheres, reduce the effects of preconceived notions that each sphere holds against the other, and pave the way for further informed-by-practice inquiries (Calori 2000, Donaldson 2021). In service to these objectives, I draw on my experience as an academic with exposure to practice and boards.

This essay consists of six parts. The first part illustrates the existing challenges of defining corporate purpose. The second describes the legal and institutional French context in which the practical situations occurred, which are depicted in the third through fifth sections with each comprising an inference about relevant questions for corporate purpose research. Finally, the concluding part aims to strike a balance between rigor and relevance for research on corporate purpose.

Corporate Purpose: Relevance and Definitions

A century ago, practitioners and academics disputed the purpose of firms. In the aftermath of the 1929 economic crisis, the time was ripe for considering what firms were about and what functions shareholders, banks, and managers fulfilled (Barnard 1938, Selznick 1957). In the aftermath of WWII, a new global order reigned wherein consumption, economic growth, and firm power were wielded as weapons against communism. A reductionist model of firms and their connections with society and nature—the SVM model—emerged in the United States and globally diffused across territories along with their political emancipation (Djelic 2001, Robé 2020). After several decades of SVM model domination, which stifled questioning around corporate purpose, new crises (brought about by climate change, natural-resource exhaustion, and geopolitical tensions) have arisen, and firms have become the center of attention once again as the main organizations to extract natural resources, consume energy, emit pollutants—and bring wealth to some or many. Correspondingly, over the last decade, firms and their representatives have been questioned anew about their purpose from academics and practitioners alike.

To bring clarity to this conversation, Gartenberg (2022) duly separates the "purpose of the corporation" (i.e., the role of firms relative to other macrocollectives, e.g., the state, unions, as enacted by corporate law and regulations) from the "corporate purpose" that distinguishes corporations from markets and each corporation individually from its rivals. In this latter meaning, corporate purpose is a vehicle for coordinating different stakeholders' interests (Freeman 1984), an aggregating function that enables collective value creation over time (Blair and Stout 1999). For most scholars, corporate purpose contains an intentional component that glues together multiple actors involved in the collective production function. For some, purposefulness is not an objective attribute of a firm, but a subjective one granted by audiences onto a firm as a function of the issues they both face and a mutually congruent hierarchization of the solutions provided to tackle them (Durand and Gouvard 2022). Durand and Huynh (2022) also caution that solely proclaiming a purpose is not enough for a company to become purpose-oriented because the social value orientation of firm members interact with the goal- or duty-based nature of purpose (George et al. 2023). As such, corporate purpose as a statement that expresses a firm's reason for being and its maintenance in the long run may or may not be prosocial and need not coincide with organizational leadership practices per se and the motivation profile of employees.[1]

Some scholars estimate that corporate purpose cannot be truly separated from profit as it is about solving problems from which the society suffers without creating new problems for other parties, hence leading to a legitimate profit (Mayer 2021). For others, corporate purpose goes beyond financial performance and, as such, could be distinguished from economic profit (Henderson and Van den Steen 2015, Henderson 2020). George et al. (2023) try to reconcile the multiple definitions of purpose and enunciate six pillars for purpose: mission statements, vision, strategic intent, values, social service, and stewardship. They separate goal- from duty-based purposes, the former being instrumental, whereas the latter is underpinned by ethical positions. In an effort to connect corporate purpose to performance, Gulati (2022) describes the four benefits of purpose for a firm: directional, motivational, reputational, and relational. At present, few empirical investigation efforts—beyond anecdotal evidence from selected cases—establish that purpose-driven firms unconditionally enjoy superior performance (Gartenberg et al. 2019, Gartenberg and Yiu 2022).

Hence, at a time when we desperately need serious reflection about both the role of firms in society (the purpose of the corporation) and whether corporate purpose influences firm outcomes, purpose research encounters five obstacles: (i) the unfounded promises of *pro domo* studies about purpose benefits that consulting firms trumpet everywhere (which create suspicion and disappointment in stakeholders); (ii) the absence of a consensus on a definition of purpose (as illustrated in the prior paragraph); (iii) the unstable theoretical foundations of the notion at the intersections of institutional theory, stakeholder theory, agency theory, and the behavioral theory of the firm; (iv) the risk that scholars develop far-fetched conceptual nuances and theoretical elaboration with little intelligibility and actionability for practitioners; and (v) the dearth of serious empirical research. These obstacles risk thwarting two essential questions for academia in business schools and elsewhere: What legitimate theory of the firm can and do we collectively disseminate? What are the types of values and principles that we instill in the (economic) leaders we educate, and for which future of humankind are we preparing them?

Already, critics are weighing in and justly so: (i) SVM inherently corrupts purpose (Davis 2021, Bebchuk et al. 2023).[2] (ii) Existing theory (e.g., institutional theory) explains the emergence of, rivalry between, and hybridization among institutional logics, purpose being nothing more than an instantiation of a hybridization of community and corporate logics; it is not an object worthy of our interest. (iii) Purpose is a fad and has no bearing in reality. (iv) Purpose communication is nothing more than another form of social- and green-washing. (v) Ignorant of its own foundations, the "purpose stream" is a new ideology about "hyper-management" fed at the neoliberal breast that endows the corporation with will and desire and leaders with superpowers with no social or democratic oversight (Bromley and Meyer 2021, Davis 2021).[3]

I postulate that, to face the daunting challenges of our times and respond to (some of) these legitimate criticisms, we should not keep academia and practice separate, and purpose as a concept deserves our effort to define, theorize about, and test our theories about it. On the former point, past efforts to associate academia with practice stressed the ensuing mutual benefits (Bartlett and Ghoshal 1993, Calori 2000, Donaldson 2021). It is not common that a concept seeks and finds its way in both spheres simultaneously. Much of the literature on purpose remains quite theoretical as it strives to delineate the conceptual contours of a firm's purpose. Organizational theory, strategy, and management have had a series of similar splitting-hair discussions in the past that were unrealistic and served neither academic progress nor practice. Keeping in mind this threatening rut (in order to avoid it), research on purpose and associated notions (purpose-led organizations, purposefulness, purpose-driven leadership) would benefit from conversing with decision makers who confront the unstable and equivocal everyday reality of practice.

General Context: French Pacte Law of 2019

The situations described in the three following sections belong within a national context, reflective of the global conversation around the purpose of the firm and corporate purpose (Gartenberg 2022) although quite advanced in terms of law and regulation. In France, immediately after President Macron's election (in 2017), a series of debates began among policy makers, lawyers, unions, academics, firms' top decision makers, and the Parliament. It led to the passing of the Pacte law, which added to the original article defining the purpose of the corporation (#1833 from the 1804 civil code) that a firm should be managed in its social interest, considering the social and environmental issues that its activities entail.[4] That is why we qualify this context as extreme relative to many other countries that await the passing of similar laws.

Without specifying too many details, the French Pacte law of 2019 redefines the two-century-old article by requiring the firm to be considerate of the implications of its activities on the broader society and the natural environment. Let alone re(de)fining the purpose of corporations, the Pacte law allows firms to re(de)fine their corporate purpose with three possibilities:

1. The one requiring the least commitment is for the board and the firm's representatives to articulate and state the corporate purpose (the firm's raison d'être). In general, the board announces it at a general assembly, and the top management team makes it known to the ensemble of the firm's stakeholders through appropriate communication channels (e.g., annual reports, audited external reports, public relations, social networks).

2. The second possibility consists of the general assembly voting to include the purpose in the firm's status. Many majority shareholders and boards are reluctant to have the purpose written into the corporate status because it could invite the risk of litigation. This arises mostly from minority shareholders (had the firm undertaken some strategies that these stockholders deem belonging not to the realm of the firm's purpose) or from nonshareholding stakeholders (had the firm voluntarily betrayed its purpose, thereby negatively affecting some stakeholders' interests).

3. The third possibility is for the general assembly to vote on a resolution to include purpose in the firm's status and transform its legal status to a "purpose-based

Table 1. Questioning Practical Situations to Nurture Relevant Research on Purpose

	Situation 1: Justification	Situation 2: Implementation	Situation 3: Evaluation
Triggering event	Book writing on corporate purpose at a time of hostile takeover	Remuneration committee's decision of top executives' compensation schemes related to purpose	Decision about impact measurement of a crucial dimension representing purpose achievement
Characteristics of ownership	Listed firm with fragmented ownership; financial markets dictate priorities	Listed firm with family shareholders handling majority votes	Partnership aligned with the company's status (purpose-based society) and purpose
Position of CEOs regarding the purpose of a corporation	CEO as actively engaged in Pacte law and promoter of an extended vision of business at both a macro (purpose of the corporation) and firm (corporate purpose) level	CEO participates in and moderates the workgroup working on purpose; no public expression on what a firm's social role is	CEO advocated for the change in the firm's legal status; he believes in firms as actors of positive change and, hence, a redefinition of the purpose of corporations
Practical question for academic research	What kind if intentionality preexists the stating and implementation of a corporate purpose?	How to research on firm purpose without knowing how tied top executives are to achieving purpose-based objectives?	What kind of governance and institutional controls do we need to assess purpose achievements (and not just statements)?
Specific questions for research	What are the antecedents of corporate purpose at the firm, shareholder, and TMT levels? On which underlying moral philosophy does corporate purpose rely?	How connected together are incentive structure and purpose's objectives? How legally specific should our models and hypotheses be (to maintain practical relevance and be influential)?	How to account for the purpose objective setting cost, purpose achievement disclosing bias, and purpose achievement data validity?
Opportunities for research relevance	Combining individuals' social value orientations and corporate purpose research Articulating ownership structure, incentive structures, and purpose implementation Controlling for selection and treatment biases in accessing firm-level data		

society"—a *société à mission* in French. Some firms famously had this resolution vote—from MAIF, a mutual insurer, to Danone, a leading food company. Danone's general assembly adopted the resolution in June 2020 with 99% of the vote, making it the largest *société à mission* and the only one of the 100 largest French listed firms.[5] This new status imposes changes in the firm's governance: for instance, a purpose committee must be established. Independent from the board, this committee assesses whether the firm achieves its purpose objectives and writes an annual report about these achievements. A third party, an independent audit firm, attests to the legal conformity of the report and whether the firm can keep its special status as a purpose-driven society.

In the following sections, I share three recent experiences in which corporate purpose was at odds with strategic decisions: acquisition, compensation, and objective achievements. Each situation (of purpose justification, implementation, and evaluation) informs our debates around corporate purpose. Table 1 presents the main dimensions of the three situations.

Situation 1: Justification or the Purpose of Corporate Purpose

Driven by a desire for dialogue between academia and practice, I had the opportunity to write a book about both the purpose of corporations and corporate purpose with Antoine Frérot, CEO and chairman of Veolia, a worldwide leader in water and waste treatment (Frérot and Durand 2022). For years, Antoine Frérot was involved discussing these ideas in reflection circles, which comprised academics, businesspeople, and political leaders. In April 2019, before the Pacte law was enacted, Antoine Frérot presented to the general assembly of Veolia what stands as its purpose: "to contribute to human progress by firmly committing to the Sustainable Development Goals set by the UN to achieve a better and more sustainable future for all. It is with this aim in mind that Veolia sets itself the task of 'Resourcing the world' through its environmental services business."[6] Beyond this short statement, a longer list of commitments and organizing principles states coherent economic objectives with social and environmental imperatives. As a result, since then, Veolia has been promoting a "plural performance"—a list of 18 performance indicators articulated around a wheel representing the five most important stakeholders (in alphabetical order: buyers, employees, planet, shareholders, society).

As developed in our book, Frérot's position echoes the new stakeholder theory's tenets (McGahan 2021, Stoelhorst and Vishwanathan 2023). The purpose of the corporation is to enable collective action and solve concrete problems (e.g., for Veolia, provide drinkable water, treat hazardous waste) in a more efficient way than pure markets and state-based agencies. Firms earn their legitimacy and competitive power from the utility that they represent for their stakeholders. Increased effort, cospecialization of assets, and reciprocal support stem from each stakeholder's estimation of a firm's current and anticipated utility. This utility necessitates a verbalization: a transcription into words of what the firm is and does to provide service to its clients. Such a verbalization constitutes corporate purpose, the firm's reason for being as a viable organization in its market(s).

At the same time we were writing our book, Frérot launched the largest hostile takeover in 21st-century France on Veolia's 150-year-old nemesis, Suez. Media campaigns raged against the avant-garde CEO for espousing how purpose means good for society and, at the same time, pulling the old tricks of wild-west capitalism. During a full year of fighting, Frérot reiterated that the purpose of a company is characterized by its utility for its stakeholders, who see value in transacting with the company for the services it offers and mission it serves. Purpose is in no way an innocuous phrase full of good sentiments, and acquisitions are a means to remain competitive and contribute to the end, the achieving of a firm's purpose. Frérot also communicated at length that Veolia's acquisition plan respected the different stakeholders of both companies, including shareholders by increasing the value of their ownership, employees by offering the best human resources package of the two companies, and regulators by liberating assets to maintain adequate levels of competition in countries where both companies together had a dominant share of the market (notably, France, the third-party acquirer being a French equity fund, Meridiam, the largest purpose-based society in its sector).

Corporate purpose comprises intentionality and ascribes a firm with a will or mind (Bromley and Meyer 2021, Morrison and Mota 2023). Formulation of purpose expresses values for good (e.g., to serve better, to protect, to respect). A paradox emerged at the intersection of the two activities: a hostile takeover and simultaneously writing a book promoting an extended vision of business that redefined the purpose of corporations and promoted corporate purpose as the glue enabling alignment of multiple stakeholders.[7] We wrote,

> We must insist on this point given the amount of confusion this event [the takeover] has caused in the media and elsewhere. Contrary to what many wrongly believe, the extended vision of business is neither naïve nor a pipe dream. If it aims to maximize the utility of the business for everyone, then maximizing utility will not come at the expense of weakening the business. A business must remain strong in a world of growing competition. Nothing can justify passing up a merger when it is genuinely useful to all stakeholders. In that sense, it is even an obligation. The support the business lends to all stakeholders benefiting from the merger, all of them allies in its development, its innovativeness and its future success, will render the business more robust in both the short and long terms.
>
> Frérot and Durand (2022, p. 193)

This quote gives one possible answer—among many—to the question of why stakeholders maintain their investments in and commitments to a purpose-driven firm aggressively acquiring a rival. The sum of the economic and noneconomic values shared by the pool of actors involved in a firm's transactions must remain superior to what it was before the focal firm operated the strategic move (here, an acquisition).

What north star drives top decision makers who are at the helm of firms (George and Clayton 2022)? Under SVM, there is no doubt. With the advent of corporate purpose, the question of their personal and the firm-as-an-entity's intentionality arises. Hence, next to the crucial identified distinction of purpose of the corporation and corporate purpose (Gartenberg 2022) lies a third question, ignored so far: for decision makers, what is the purpose of corporate purpose? What is the intentionality behind stating and instantiating a firm's intentionality? At its limit, this questioning reverts to a moralization of market functioning. Whereas economics has been portraying itself as a natural science, anchoring its paradigm in physics and biology, the announced ending of the SVM hegemony institutes a rapprochement of mainstream economics to moral sciences. In this light, a confrontation of moralities arises and becomes visible. Distancing itself from SVM as the yardstick for efficiency (and, hence, the "right" choice), purpose ingrains intrinsic values (such as honesty, integrity, fairness, and sustainability) into economic and managerial choices. With this perspective in mind, purpose marks a new separating line between good and evil in the market economy.

Situation 1 triggers further questions concerning our inquiries about corporate purpose and its relevance for the practice of these inquiries. First, the study of why firms state their purpose and have it voted on in general assembly is required; hence, research on the antecedents of purpose is in order. Second, depending on the intentionality running beneath corporate purpose's formulation and communication, how does purpose content vary? On which underlying moral philosophy does purpose rely: deontological, consequentialist, or other (Jones et al. 2018, Durand and Huynh 2022) and with what effects? What kind of intentionality does corporate purpose reveal in speech and in actions (Morrison and Mota 2023)? The Veolia case evokes competitiveness: when a firm's strategic decision increases the utility of most stakeholders, it reinforces the firm and its reason for being, and so it is even a (moral) imperative to implement the strategic decision (see the quote from our book cited earlier). Other types of intentionality may prevail in other firms or circumstances: for instance, do not harm society or any other party (Mayer 2021). Therefore, it is likely that—and worth exploring how—different strategic decisions unfold depending on the kind of intentionality that supports corporate purpose.

Situation 2: Implementation or Connecting Purpose with Governance

Undoubtedly, intentionality behind purpose usage covaries with governance characteristics. Situation 2 reflects the challenges that boards of directors face when (i) defining and formulating a corporate purpose and (ii) aligning top management team (TMT) incentives' schemes with firm purpose. As an independent board member at a listed French firm, I participate in workgroups and on board committees. One workgroup collected stakeholders' perceptions of the firm and formulated several versions of its purpose. An iterative process of elimination and addition of terms and nuances led to the stabilization of the final corporate purpose, which has yet to be shared during a general assembly as per the Pacte law. In this firm, differing from situation 1, neither the CEO nor any of the top executives ever engages in CEO activism or publicly expresses their opinion about what roles firms (should) accomplish in society.

As members of the remuneration committee, several directors deliberated about the compensation packages of the company's key executives. Typical indicators include financial targets. However, a question of importance for practitioners and scholars alike is to know and determine whether and how top executives are bound to reach specific objectives directly associated with the firm's purpose. Without including too many details, the discussion around the purpose formulation led the remuneration committee to debate about the content (which targets in relation to purely financial and/or extrafinancial objectives derived from corporate purpose) and level (percentage and breakdown) of the TMT's variable remuneration.

Formulating a corporate purpose compels directors to envision different business positionings for a firm, distinctly including some business lines and strategic moves within the realm of the corporate purpose and just as distinctly excluding others. These inclusion or exclusion decisions mechanically impact the financial prospects of the firm, which induces interdependencies and trade-offs for fixing a fair TMT remuneration and incentive package.

When taken seriously as the justification for a firm's existence and a compass for its development, a purpose strategically commits the firm, making it unwilling to seize every profitable opportunity and forcing it to reorganize its product portfolio based on noneconomic indicators: those that corporate purpose made explicit. These constraints impact top executives' decisions and abilities to reach the firm's announced financial objectives (e.g., quarterly earnings and annual targets) on which the board agrees and market analysts scrutinize, consistent with the theorization of the decision-making implications of setting multiple organizational objectives (Ethiraj and Levinthal 2009). In addition, the TMT's direct and indirect compensation schemes depend on a firm's financial returns. Therefore, promoting a purpose raises fundamental implementation questions at the intersection of governance theory and practice.

For scholars working on corporate purpose, it appears unrealistic to reason ceteris paribus (i.e., all else being equal) all including governance characteristics and, notably, remuneration schemes. Concretely, absent clear information on the targets that constitute executives' compensation schemes, what can we deduce from the observable effects of purpose on a firm's decisions and ensuing financial and extrafinancial performance? We may unduly attribute to purpose some favorable effects that, in fact, are mediated by governance specifics or accept public declarations as actual practices, and fact-checking may then be a source of major disappointment (e.g., Bebchuk et al. 2023). Echoing the old debate between strategy and structure (which leads the other?), governance and purpose are intertwined and must be clarified in our theoretical elaboration and empirical investigation (Aguilera 2023). Hence, not only should governance characteristics (TMT fixed and variable objectives and remuneration conditions) be specified and controlled for, but there also should be an explicit chain of causes and effects that connect those to purpose content, implementation, and incarnation. Absent these conditions, our reflections and models appear impractical or not relevant enough to impinge on reality.

Theoretically, I can see the intellectual merit of reflecting on governance forms that could include multiple stakeholders differently (e.g., lead role and shared governance as in Bridoux and Stoelhorst 2022) and explain joint value creation, let alone the allocation of residual and fixed control rights (information, advisory, and approval rights) as in Stoelhorst and Vishwanathan (2023). However, pragmatically, there could be a risk that we—scholars interested in purpose and, more broadly, stakeholder research—lose track of what legally and practically exists. We do not want our research to have no bearing on reality at times of urgency. Actually, in many countries, shareholders as stakeholders possess specific rights (e.g., voting, appointment, revocation) that separate them from other stakeholders, internal or external. Most shareholders refuse to discuss their residual claim rights and are disinclined to relinquish their fixed control rights and share governance influence as our theoretical models expect. If the only path to obtain change comes down to imposing regulations onto firms to fix their purpose, do we not collectively risk vacating the very concept of corporate purpose and negating some fundamental rights, such as freedom of association and rights attached to property (such as voting, appointment, or transfer of ownership)? The cord connecting ideals and reality is tight and must be traversed together as a group in which scholars hold hands with business, law, and governance professionals.

Situation 3: Evaluation or Measuring Purpose Outcomes

The third situation concerns one of these forerunner firms, KEA & Partners, a consulting company that changed its status to become a purpose-based society (see Section 2 for a definition). The partner team asked me—a former member of the board—to join the new purpose committee, which the Pacte law required them to constitute. According to the law, any purpose-led company sets a purpose committee that defines the criteria to evaluate whether the company's actions operate in accordance with its stated purpose. Purpose committee members conduct their investigations and analyses independently of the other companies' decision bodies. They produce a yearly report detailing the purpose, the corresponding objectives and indicators, and an assessment of attainment and progress. Drawing on this report, an external accredited auditing body assesses whether the objectives are met and, therefore, allows the firm to maintain its purpose-based status.

As part of its task, the purpose committee had to determine which part of the firm's sales involved missions with contributive (social and environmental) impact. For each of its missions and contracts, this firm's directors complete a form that details how much progress they had helped their clients make toward positive social and environmental impact. In liaison with the delegated senior partners of the firm, the purpose committee had to arbitrate between two views. On one hand, should we count as impactful any contract operated with firms whose own impact was considered positive? Said differently, Danone being a purpose-based society, was any consulting contract with Danone (and any other purpose-based firms) considered an impactful contract as per the consulting company's purpose definition? On the other hand, should impact be measured at the contract level rather than at the client level? As such, a consulting project with a "brown" firm that pushes it toward a carbon-emission reduction is counted as impactful. To cut the story short, we opted for the latter, which dramatically reduced the publicly announced percentage of the firm's impactful turnover. The purpose committee insisted on applying the purpose metrics at the right level of analysis—the contract—and stressed that the progression of this percentage mattered more than its absolute level for the firm to achieve its purpose.

Situation 3 exemplifies evaluation issues that surface when studying corporate purpose. The French case is unique in the sense that the French law clearly stipulates roles and rules. For instance, shareholders vote on changing the firm status to purpose-based and so delegate to the board and representative bodies the responsibility to govern the firm according to its purpose and also profitably. The Pacte law sets strict rules: the establishment of an independent purpose committee, the presence of an external auditor to guarantee the quality of the purpose committee's work, and the firm's attainment of its objectives related to its purpose. Despite these stipulated roles and rules, evaluating whether an organization walks the talk and achieves what its purpose commits it to is fraught with difficulties. For researchers willing to measure purpose achievement and not just purpose declaration, situation 3 illustrates at least three layers of difficulties, which, if present in the context of stringent French legislation, can only be more dire in other national contexts in which the regulation is less rigorous:

Level 1: Setting corporate purpose objectives. A first degree of difficulty in purpose evaluation consists of determining who fixes the corporate purpose objectives. The intricacies reside in managing the conflict of interest of setting objectives fit to maximize their benefits (symbolic or material) to the detriment of either (or both) what shareholders may wish or what stakeholders legitimately expect from the stated corporate purpose. These intricacies are a new form of agency cost that we could label "purpose objective setting cost."

Level 2: Reporting achievements (related to corporate purpose objectives). As in other literatures (e.g., research on corporate social responsibility), management voluntarily discloses outcomes and achievements. A severe risk exists that management's biases distort purpose-related achievements as managers rearrange the hierarchy of multiple objectives to maintain a self-perception of positive performance (Audia and Brion 2007). Whereas this risk is lower in the French case per the legal constraints, it still exists because purpose committee members depend on management for access data, and auditors examine the purpose committee's report and the firm's declared practices and processes but not the actual outcome or practices and processes leading to what has been declared. This issue represents what we could call a "purpose achievement disclosing bias."

Level 3: Attesting achievements. I rate situation 3's managers as exemplary in the way they allowed the purpose committee to work and influence indicators to the benefit of the firm's purpose, albeit at a cost to the firm's image in the short term. However, despite the strict rules in the French case, other firms press purpose committee members to adjust their reports differently. To illustrate, if our purpose committee was dilettante or complicit, we could have accepted the definition and measurement of impact to be counted at the client level to please the management and partners. Furthermore, beyond the independence of purpose committees, even in the French case, the independence of external and accredited auditors could be questioned. Said plainly, are the assessing bodies independent of owners and/or executives? Consequently, are audited purpose achievements valid information to measure and evaluate corporate purpose?

Overall, situation 3 flags a cautionary note on cross-national comparisons as (legal) roles and rules differ about setting, disclosing, and attesting to corporate purpose's achievement of objectives (Aguilera 2023). At a deeper empirical level, if we cannot take purpose indicators at face value, what other sources of data should we employ to measure and evaluate corporate purpose? What kind of work can we produce as academics if indicators' validity is frail and comparability is a daunting task?

Conclusion

This paper aims to nurture the dialogue between research and practice around corporate purpose drawing on three situations in which I experienced tensions about the justification, implementation, and evaluation of corporate purpose. This final section sums up key takeaways from each situation and expands them to existing research streams. Beforehand, I acknowledge each situation's peculiarities and, hence, limitations for further generalization and the idiosyncrasies of the French context, used here as an extreme case (marked by the passing of the Pacte law in 2019) and simply a prompt for reflection.

Situation 1 is a call for investigating why firms elicit their purpose and what rationales and intentionality the concrete, in-practice usage of corporate purpose reveals. Hence, beyond research on purpose statements (e.g., McGahan 2021), a foray into when and why firms and firm representatives justify strategic choices is in order. In other words, what practical inference architecture (Donaldson 2021) does purpose reveal and imply? As such, our current conception of purpose requires a deeper conceptual imbrication with individual motivation theories (Bridoux et al. 2011, Bridoux and Stoelhorst 2014). Because purpose carries intentionality, intrinsic values, and morality, it generates identifiable tensions and tradeoffs in firms and teams. Therefore, we must theorize and test how decision makers and employees in general face and handle these new pressures. Agents' social values and motives must play a role (Durand and Huynh 2022). Purpose research is, therefore, an opportunity to renew our agenda by revisiting the microfoundations of strategic decision making (Felin et al. 2015, Bridoux et al. 2017) in a context of conflicting legacies about what is the morally and Pareto optimal objective: profit and purpose.

Situation 2 emphasizes the importance of knowing how much corporate purpose meshes with shareholders', corporate representatives', and executives' own objectives and incentives. Purpose implementation is a next frontier for research, and ownership structure highly matters as to what kind of purpose a firm adopts and what kind of governance instruments it establishes. Floating, family-controlled, or limited partnership ownerships organize the firm for different purpose-related implementations and objectives. Hence, in order to contrast and compare purpose across firms, purpose research needs to account for the endogeneity that ownership structure involves.

Situation 3 refers to the governing bodies and structures that monitor, evaluate, and guarantee that corporate behavior abides by what corporate purpose stands for. As a result, the legal and regulatory aspects of firms' conduct, their obligations as representatives and trustees, and the executory power of law regarding these issues should be seriously considered. Across countries, the stringency of the obligations to fix purpose objectives, disclose results, and audit achievements differ (Aguilera 2023). Even within the same country, conditions of independence among owners, executives, and purpose evaluation bodies vary greatly. Therefore, in our analyses, not only may we introduce selection biases by looking only at firms with available information on their purpose's objectives and achievements but also treatment biases by assuming all firms submit to the same constraints. Further, we cannot be satisfied by counting on fixed effects, whether firm or country, to capture the fundamental implications of the heterogeneity of markets' institutional superstructures that "induce or force management to internalize the welfare of stakeholders" (Tirole 2001, p. 4).

Corporate purpose research combines our hopes for a better future, our ideal types of better corporate governance, and the crude reality of business practice. Hence, for scholars and practitioners alike, the crux of the purpose management problem lies at the intersection of human psychosocial motivation, economic-based incentives, and actors' (shareholders, directors, executives, employees) legal duties. Hence, studying corporate purpose not only questions the purpose of the corporation in society, but also forces us to dig deeper to bring to light the underlying moral assumptions that underpin our theories of the firm, its behavior, and potentially the whole strategy field. In this endeavor, authors and subjects of theories (Calori 2000) need to inspire and learn from each other.

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Endnotes

[1] This is the definition we use in the research group of the Purpose Center at the S&O Institute–HEC Paris. See Durand and Huynh (2022) as well. See Bridoux et al. (2011, 2017) for the role of social motivation profiles of firms on collective value creation and capability development.

[2] In his incisive essay, Davis (2021, p. 907) writes, "Purpose cannot solve the problem of shareholder primacy because shareholder capitalism is inherently corrupting of purpose." Bebchuk et al. (2023) signal the innocuity of "enlightened shareholder value" maximization: "We conclude that, at best, replacing SV with ESV would create neither value nor harm. However, to the extent that ESV would give the false impression that corporate leaders can be relied on to protect stakeholders, the switch from SV to ESV would be detrimental for stakeholders and could impede or delay reforms that could truly protect them."

[3] Bromley and Meyer (2021, p. 13) conclude their pamphlet as follows: "Hyper-management may encourage risky expressions of grandiose leadership, seen from critical points of view as expressions of elite power. Thus, hyper-management is unstable, easily criticized as elitist or violating formal authority."

[4] In French, "*la société est gérée dans son intérêt social, en prenant en considération les enjeux sociaux et environnementaux de son activité*" (article #1833). Article #1835 opens the possibility to incorporate purpose in the firm's status: "*Les statuts peuvent préciser une raison d'être constituée des principes dont la société se dote et pour le respect desquels elle entend affecter des moyens dans la réalisation de son activité.*"

[5] In several aspects, a purpose-based society is analogous to a public benefit corporation.

[6] See https://www.veolia.com/sites/g/files/dvc4206/files/document/2019/04/Finance_Veolia_RaisonD-Etre_ENG.pdf.

[7] As a manifestation of this paradox, the publication of the book was delayed by six months.

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