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EMPOWERING CHANGEMAKERS FOR A BETTER SOCIETY

‘THE ANATOMY OF PURPOSE: UNANTICIPATED CONSEQUENCES OF PURPOSE SETTING IN BUSINESS FIRMS’ - With A. Schneider

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ABSTRACT

Managers and researchers increasingly regard pro-social purpose of business firms as a mean to compensate for the negative implications of a narrow pursuit of profit and as a way to harness firms’ contributions to solving grand societal challenges.

However, different approaches to pro-social purpose are each subject to specific trade-offs. While extant approaches explain such trade-offs as the result of a narrow conceptualization of the nature of the firm and often claim that a reformulation of the purpose of business can overcome trade-offs by reconciling economic and social demands, we argue that trade-offs are necessary consequences of purpose setting in organizations. We develop a theory that explains these consequences as an implication of transferring the concept of purpose from the level of individual action to the organizational level without considering the effects this transfer implies for stakeholders.

Our theory contributes to the debate on purpose by shedding light on the connection between organizational structures and processes, purpose, and positive and negative externalities; by explaining the cost of purpose setting in organizations; and by conceptualizing benefits and costs of purpose setting as foundational criteria for evaluating and developing corporate governance arrangements.

