

An Institutional Perspective on Corporate Purpose



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- Why do corporations exist?
- Purpose as emerging theme in the management/organization literature
 - Lively debate with leadership focus in practice-oriented journals
 - “Making Purpose Real” (Ignatius, 2022; in HBR)
 - “Unlock the Power of Purpose” (de Nalda et al., 2022; in MIT SMR)

- Why do corporations exist?
- Purpose as emerging theme in the management/organization literature
 - Focus on leadership in practice-oriented journals
 - Literature reviews in management journals
- “the definition and application of purpose in management research has been varied and frequently ambiguous” (George et al., 2021: 1; in JoM)

- Why do corporations exist?
- Purpose as emerging theme in the management/organization literature
 - Focus on leadership in practice-oriented journals
 - Literature reviews in management journals
 - Critical debate in management journals
- “Perhaps corporations are inherently corrupt or corrupting, with or without purpose. ... Put bluntly: Nearly every major societal pathology in the West today – certainly in the USA – is caused or exacerbated by profit-oriented corporations” (Davis, 2021: 904; in JMS)

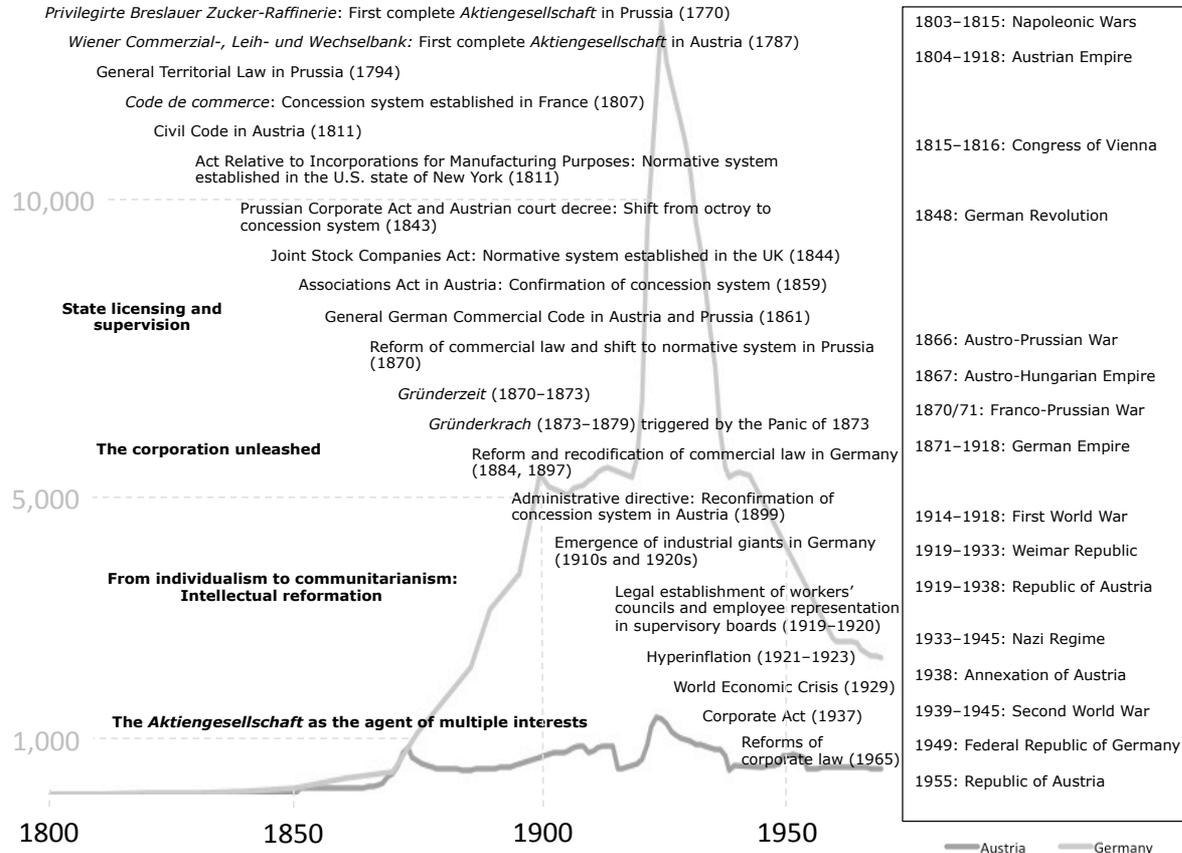
- Why do corporations exist?
- Purpose as emerging theme in the management/organization literature
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 - Literature reviews in management journals
 - Critical debate in management journals
 - ... conceptual perspective?
- Main issues (Clegg et al., 2021; in OT; Martela, 2022, Morrison & Mota, 2022; both in AMR)
 - Level of purpose: Purpose of *a* corporation vs. purpose of *the* corporation?
 - Nature of the corporation: Anthropomorphous being, ephemeral fiction, ...?

Institutional perspective on corporate purpose

- Idea of this presentation:
 - Taking the perspective of sociological institutionalism
 - Sketching a conceptual approach to corporate purpose

- Institutions are collective responses to collective concerns (Berger & Luckmann, 1967)
 - With their purpose being the link between concern and response
- The corporation established as a deeply institutionalized collective response ...
 - Organizational form with stable structural features
 - Legal personality, limited liability, entity shielding, transferable shares, delegated management under a board structure, ...
- ... but its purpose has been dynamic and contested over the years
 - Public interests
 - Shareholder interests
 - Employee interests
 - ... self-interests of the corporate persona

Example: Purpose drifts in the history of the *Aktiengesellschaft*



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- Article 70, Austrian Corporate Act
 - “The Executive Board has sole responsibility for managing the company for the welfare of the enterprise while taking into consideration the interests of shareholders, employees as well as the general public.”

Institutional perspective on corporate purpose

- Level of purpose: Purpose of the corporation as an institutionalized form
- Nature of the corporation: “Real” social actor
 - Corporation as social construct
 - But with specific form of actorhood, including purposefulness
 - Actorhood is agentic (Meyer & Jepperson, 2000, 2021)
 - Actors are (authorized) agents for various interests
 - Act on behalf of principals and principles, but also of the self

Institutional perspective on corporate purpose

- Corporate purpose:
- On behalf of which and whose interests does the corporation as an institutionalized form legitimately act?
 - Public, shareholder, employee interests, self-interests
 - ... future generations, the planet, sustainability?
- “Basically, we assume that a business firm is a political coalition and that the executive in the firm is a political broker. The composition of the firm is not given, it is negotiated. The goals of the firm are not given; they are bargained.” (March, 1962: 672)



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