FROM THE EDITORS

ORGANIZATIONS WITH PURPOSE

Editor’s note: This editorial is part of a series written by editors and co-authored with a senior executive, thought leader, or scholar from a different field to explore new content areas and grand challenges with the goal of expanding the scope, interestingness, and relevance of the work presented in the Academy of Management Journal. The principle is to use the editorial notes as “stage setters” to open up fresh new areas of inquiry for management research. GG

The deepest resources for the transformation of business, as for society as a whole, lie within the human heart. It is there we have to seek what it is we truly value and yearn for, and where we can harness the strongest motivation to change—ourselves, our organizations, and our world—for the better.

Cardinal Vincent Nichols

Trust in business is improving from its nadir in 2009, but still remains dishearteningly low. Recent surveys report that only one in five members of the general public trusts business leaders to correct issues, and only one in five trusts them to tell the truth and make ethical and moral decisions. The 2014 Edelman Trust Barometer, a 27-country survey with more than 33,000 respondents, finds that overall trust declined across countries and sectors, with CEOs ranking second lowest at 43% and government officials the lowest at 36% as credible spokespersons to win public trust (Edelman Berland, 2014). This public distrust is manifest, for example, in record fines imposed by the U.S. Department of Justice of $16 billion on Bank of America to settle allegations that it knowingly sold toxic mortgages to investors. Other services and product companies also face record fines for mis-selling products (such as payment protection insurance), or for using contaminated ingredients in products (such as melamine-adulterated milk powder or horse meat in beef burgers) to generate marginally higher economic returns. Such high-profile corporate misconduct has called into question the integrity of business and its leaders. The Occupy Movement against social and economic inequality provides an example of a mass protest, but there have been other more targeted campaigns directed toward such issues as food labeling, poor labor practices, the living wage, executive pay among several others. This breakdown in trust not only undermines enduring connections with employees, customers, suppliers, and society in general, it also impedes the ability of business to engage in the risk-taking needed to innovate and contribute to social and economic development.

Business is often seen as a consumer of trust rather than as a generator of trust. In contrast, the Edelman survey found that non-governmental organizations (NGOs) were the most trusted institutions, where the general public would act to preserve or enhance NGO activity (Edelman Berland, 2014). In addition, trust is a factor with high relevance for non-profit organizations in steering successful public campaigns. One example is the “ice bucket challenge” to help raise funds for research on a cure for ALS disease. Similar activities, whether pink ribbons for breast cancer or Poppy Appeals for the British Armed Forces, generate overwhelmingly positive responses from the public, and serve to remind us of the trust that these organizations hold with the general public and the social purpose that they fulfill. In contrast, the conduct of business is often perceived as consuming trust, the trust that has been embodied in brands that reflect reputations from past performance or the social desirability of products. Perhaps the obstacle to trust remains the orthodoxy around the role of business; not least, the view that the role of business and managers is to optimize the return to one stakeholder—namely, the shareholder. Yet discussions on capitalism revert to oft-repeated argu-

1 This editorial draws on an interview with Cardinal Nichols in July 2014 and builds on his 2012 address to the Blueprint for Better Business conference (September 18, 2012), an initiative started in London to explore how a rediscovery of corporate purpose and a focus on personal values might be brought together in the service of society.
ments on the role of corporations as economic agents, a discussion perpetuated by business schools and regulations prescribing corporate and managerial behavior. Though this orthodoxy is shifting with enlightened narratives of leaders who define the scope of business as “profitability with responsibility,” it remains limiting for businesses to become generators of trust. Waning trust in business presents important challenges for management research and practice. Scholars have questioned the future of capitalism and the role of trust in markets (e.g., Adler, 2014), and have even blamed bad management theories as perpetuating the cycle of inappropriate corporate behavior (e.g., Ghoshal, 2005). We refer below to many important studies into how business performance can be improved, not least by recognizing the role that human motivation and incentives play in shaping outcomes.

Perhaps the answer lies more fundamentally in redefining organizations as purposeful, with purpose defining the remit and scope of business activity. An intentional and broadened focus on purpose—the reason for which business is created or exists, its meaning and direction—can help address these challenges. In this editorial, we call for greater attention to the (re)discovery of purpose. We identify themes that link purpose to larger values that promote the well-being of society and individuals within and outside of business. Although management scholars have produced related thematic research, we believe that purpose can provide an overarching framework, as well as open new possibilities for inquiry that examine the role of business in society. Our goal is to embolden academics and executives alike to explore how organizations with purpose can positively transform society. This is founded on the premise that business is a part of society and not apart from society, and, therefore, acceptable standards of behavior are drawn from society and practiced in business, rather than having opposing standards within each sphere.

**A FOCUS ON PURPOSE**

A focus on purpose goes beyond asking questions about whether a business is operating profitably or whether an action is legal—it engages a soul-searching focus on questions at a core level, such as: What is a business’s sense of purpose (shared identity and goals)? How and why did a particular business begin (imprinting effects of founding philosophies)? Who founded the enterprise and what did they want to achieve (entrepreneurial values, mission, and vision)? How does a sense of purpose relate to all the stakeholders in the organization and to the context in which it operates (stewardship and governance)? How does a business understand itself relative to society, and what is it doing to create a shared sense of purpose (institutional norms and logics)? Though scholars have begun to address questions on founding principles (see Fauchart & Gruber, 2011), much more can be done here. Although these questions are framed as boundary conditions (how and what), they combine to ask why a society provides the license and freedoms for a business to operate, and what conditions are necessary for those freedoms to continue.

Although adding shareholder value might be seen as part of the purpose of most businesses, shareholder value might be better positioned as a legitimate expectation of one segment of society; purpose from a broader society perspective would also include broader goals such as “making a difference,” or “improving lives,” or “reducing harm.” Whereas wealth, reward, and ambition remain part of human desire for social advancement, caring, and sharing can also provide deep fulfillment at the level of the human person, the collective of which represents the organization and society as a whole. While occasionally in conflict, these dual motivations—creating shareholder wealth and caring for others—are not ultimately at odds in a business focused on purpose drawn from the values of society. However, the implicit assumptions about what drives managerial and organizational behavior are worth revisiting—perhaps a focus on purpose requires scholars to reframe theories of trust, motivation, and leadership, and to broaden the meaning of self-interest and individual attainment. For example, researchers might integrate identity and purpose more fully as bases for trust, broaden motivation theories to include care and concern for others as foundational to explaining behavior, and give greater attention to how leadership helps better the broader society (e.g., Rousseau, Sitkin, Burt, & Camerer, 1998; Rynes, Bartune, Dutton, & Margolis, 2012).

A focus on purpose acknowledges the interdependence of business and society—one cannot flourish without the other. It engages exploration of how corporate purpose and the values that drive it might best be brought together in the service of society. Further, it assumes that business success
can be intertwined with the success of the society in a way that allows business to thrive. Businesses that are purpose driven with strong supporting core values, and that are willing to be held accountable, can help create a society in which their customers and stakeholders would wish to live. In addition, the purpose of a business needs to be specific enough to enable its leaders to act deliberately over time not only to minimize harm, but also to enhance the broader well-being of the lives they touch. There is significant potential for scholars to explore ways in which businesses can be purpose-driven and engage purpose to meet societal needs. We discuss how purpose might be linked to broader values, and outline areas that warrant consideration by researchers and practitioners in integrating purpose in management.

**PURPOSE AND THE COMMON GOOD**

A trust deficit reflects a fractured relationship between people and business—a business that succeeds in a society that fails becomes self-defeating. In many cases, businesses pursue profits and deploy some residual benefits in service of society, as examples of corporate philanthropy illustrate. However, by coupling purpose directly with societal success, profits would derive from delivering products and services in a model that intrinsically benefits society. Focusing on purpose sets the challenge for all businesses in terms of promoting the common good (e.g., Daly & Cobb, 1994), or genuinely aiming to provide products and services that benefit society. The pursuit of the common good demands paying attention to the least in society—if individuals will systematically not benefit or can never benefit from a business action, then the common good is being failed. Clearly, every decision of every business cannot benefit all; the issue is more the extent to which businesses think of possible impact (positive and negative) on those least able to have a voice and act in the context of those realities.

The common good assumes that we not only have individual goals, but that we also participate in joint or common projects. When people come together to pursue a shared goal, they create common goods—such as a friendship, a family, or a business. Businesses contribute to building this wider common good through their products and services, the jobs they create, and the economic and social surplus they provide. However, they can undermine it if they ignore values and engage in strategies that exploit people. Rather than using stakeholders and society as a mere means to business success, the common good aims to promote the good of society as a whole. Delivering value by serving society to support business purpose can, in turn, inspire innovation and energy directed toward achieving that purpose alongside a financial return. Further, society and communities of people determine the license and freedoms of business to operate and grow. These determinations will be broader if business actively aims to reduce harm and produce goods that are truly good and services that truly serve. A focus on the common good raises management research questions related to how value might best be delivered to serve society. For example, how can businesses stay true to purpose over time and serve a wider common good? How can having a clear purpose that includes the common good be incorporated into business practices? And, more fundamentally, how is value determined and measured (beyond financial outcomes) and over what time scale?

**PURPOSE, PEOPLE, AND RELATIONSHIPS**

Businesses not only produce goods and services, they produce people. Employees are affected by their work environments and the business culture that forms them. Organizations are learning environments where good behaviors can be practiced and character formed. Therefore, the way in which business leaders describe the purpose of the business, and the commitment and the dedication they inspire in their people, can have a great effect on the wider sense that those people have of their responsibility for one another and to the wider community. We discuss six values that could potentially help organizations achieve purpose: (1) dignity, (2) solidarity, (3) plurality, (4) subsidiarity, (5) reciprocity, and (6) sustainability. If purpose is to be a defining characteristic, then it is important that people are true to purpose. That requires the appropriate behaviors and practices in effect building the character of the individual, the organization, and society.

**Dignity—Viewing Each Person as a Someone, Not a Something**

Leaders of the “human relations” movement recognized the potential for viewing people not merely as useful instruments but as part of a social system (Mayo, 1933). Eighty years later, scholars
and practitioners still wrestle with the challenge of integrating the “whole” person at work. Recently, researchers have started to focus on the unhealthy and unfortunately prevalent picture of overworked and undervalued employees who lead a “divided life,” leaving their values and ideals at home when they go to work (Ramarajan & Reid, 2013). However, if employees’ values are left at the doorway of their professional life, then the enterprise loses—and so does society. Said differently, each person deserves human dignity as a who, not a what, as a someone, not a something, yet much of the language of business subtly objectifies people generally as “human capital” or “human resources.” It follows that employers have a responsibility to be responsive, to treat people with respect and dignity, and to promote their fulfillment. Respecting the whole person includes thinking of people in all their various roles in relation to the business: as employees, customers, suppliers, investors, and citizens. Demonstrating respect means setting a purpose and seeking outcomes that enable people to reach their full potential. It means contributing fully to building relationships within the workplace and beyond that can ultimately engender trust between people and between business and society.

As compelling examples of research along these lines, studies on compassion in leadership (Rynes et al., 2012), transformational leadership (Bono & Judge, 2003), and leading with meaning (Grant, 2012) have contributed to a dialogue among management scholars about valuing individuals and treating them with dignity. Yet, bringing human dignity front and center as part of purpose, or a business’s reason for being, prompts additional questions for exploration. What can businesses do to create a purpose that helps employees reach their potential? How can organizations ensure people bring their whole selves to work? How can businesses address a mismatch between the care shown to employees and to other stakeholders, such as suppliers, in a way that supports their purpose?

Solidarity—Recognizing That Other People Matter

Recognizing that other people matter is part of solidarity, and can be summed up in a simple phrase: “We are all in this together.” It means being in touch with the needs of communities, and, particularly, by looking for ways to help the underprivileged. Further, it involves being honest and fair with customers and suppliers and openly sharing information to enable them to make better informed choices. The market is not a value-free zone, and business can have a powerful impact in promoting and seeding stronger solidarity among people, or in undermining it. All human exchanges have a moral quality to them in that they can be respectful, or not, of the value of the other person. The attributes of a fair market—free competition, plain dealing, honesty and openness on terms of trade, refusal to abuse a dominant position or asymmetry of knowledge to gain unfair advantage—all demand moral qualities of market participants. These are not normally adhered to, but simply assumed.

Solidarity involves judging business actions as good, or not, in the context of the values, expectations, and needs of those with whom we seek to build relationships. This stands in contrast to operating in a self-interested, self-determined way that does not weigh sufficiently the impact of a business’s actions. Opportunities to serve the broadest community reflect solidarity in action—by including the underserved, the underprivileged, and the disenfranchised. In this way, purpose can help bring people together, through providing new job opportunities, creating innovative goods and services, and serving new markets (e.g., George, McGahan, & Prabhu, 2012). Building recognition that other people matter into the fundamental purpose for business suggests new questions for research. How can businesses seek and provide access to opportunities to serve others? What are signs that a business has within its capabilities a purpose to serve others and lives it, and what factors influence its success in doing so?

Plurality—Valuing Diversity and Building Bridges

Much has been written about diversity and the importance of building bridges across diverse cultures. As one example, Joshi and Roh (2009) analyze how context can set constraints and opportunities that affect the success of work team diversity on performance. Including plurality as a way to accomplish purpose would help ensure a context that minimizes constraints and creates opportunities for diversity. It would also ensure that diversity efforts in organizations do not occur in isolated silos, but are accepted as the way business is done. Increasing plurality to serve a broader purpose requires that leaders and managers be clear about
who they are and what they stand for while being open to enrichment from others, valuing diversity of thinking and cultures. Plurality favors curiosity and inclusion over suspicion and the exclusion of those who think and act differently; it helps maintain consistency of purpose and values while encouraging responsiveness to people, markets, innovation, and growth. In a rapidly globalizing world, plurality provides a common currency for businesses to create a spirit of fraternity through clear, purpose-driven values that respect cultural differences, for which they are known to stand. The idea of embedding plurality in purpose is that we share a common humanity, and people are kept at the heart of the business enterprise. Purpose-driven values of plurality emphasize relationships among people rather than transactions. Emphasizing plurality based on purpose raises additional questions. For example, in practice, how do businesses operating across cultural differences seek to embody shared values? How do cultural differences affect the value placed on the individual and the importance of relationships within businesses? What factors engender lasting and trusted relationships over time within businesses, consonant with purpose? How do businesses combine the value of consistency of experience globally to the highest standard with respect for local practices, capabilities, insights, and traditions?

Subsidiarity—Exercising Freedom with Responsibility

Exercising freedom with responsibility relies on “subsidiarity,” which, in this context, means promoting accountability at all levels by proper delegation of decision making—based on the ability to make the “right” decision rather than simply on hierarchy. Subsidiarity nurtures individuals and employees at all organizational levels who are able to contribute to decisions by speaking up and being heard (e.g., Burris, Detert, & Romney, 2013). Rather than creating dependency through reserving decisions for higher levels in the hierarchy, embedding subsidiarity in purpose would give employees the autonomy and support, when necessary, to make decisions that are purpose driven. As a result, employees would have a voice in their work, thus likely fostering innovation, creativity, and a sense of shared responsibility. Having a clear purpose that is understood and acted on across the company would give individuals access to the company permission to say, “No, that’s not what we do,” when confronted with a situation that deviates from purpose.

Subsidiarity requires an alignment of values across all levels of the organization, practices that are true to purpose, and giving voice to individuals. Person–organization value congruence studies have shown us that transformational leadership relies on followers perceiving consistency between their own and the organization’s values (e.g., Hoffman, Bynum, Piccolo, & Sutton, 2011). Also, giving people the opportunity to have a voice is a well-known tenet of justice theory. However, embedding subsidiarity into purpose would help normalize it in businesses, ensuring that people at all levels had the knowledge and voice to make the right decisions. Questions that arise from this theme include How does shared decision making based on purpose affect business outcomes? How do businesses create the alignment in purpose-driven values needed to give employees a voice in their work? What accountability measures can organizations use to ensure that freedom in decision making can be exercised with responsibility?

Reciprocity—Building Trust and Trusted Relationships

Reciprocity is the basis for trust and trusted relationships. The values of reciprocity underlie the expectation that the conduct of business provides mutual benefit. The premise for reciprocity is honesty and integrity, such that individuals receive what they are entitled to or can reasonably expect from organizations. Further extensions of reciprocity would suggest that organizations leverage knowledge, resources, and capabilities to provide benefits that individuals and society desire and value, but cannot expect or demand. Reciprocity as an organizing value has received substantial attention in management research as intertwined with developing trust between employees and their supervisors (e.g., Wayne, Shore, & Liden, 1997) or across organizations (e.g., Gulati, 1995). The relationship between organizations and their customers is based on reciprocity and trust, where consumers expect value and satisfaction in the organization’s products in return for their trust and loyalty (e.g., Sirdeshmukh, Singh, & Sabol, 2002). Reciprocity also implies responsibility—for example, Baer et al. (2015) find that being trusted can affect employees’ emotional states. Considering reciprocity in light of organizational purpose could lead us to new research avenues: How do organiza-
tions perceive their contract with their local communities? Do employees feel that their physical and emotional effort in serving the organization is rightly rewarded or reciprocated? How does the organization deal with its supply chain partners in negotiating prices or sourcing materials? What gets contracted when a CEO joins or departs, and does it reflect contribution to both organizational purpose and actions that demonstrate the character traits that sustain purpose?

Sustainability—Being Stewards of People, Values, and Resources

The responsibilities of business extend to future generations, who will have the same rights as we do to use and enjoy the earth’s resources. Sustainability means seeking to replace what we use and repair what we damage, striving to leave the planet in a better condition than that in which we found it. Many businesses take the responsibility of stewardship seriously; as corporate citizens, they care about their impact on the people they employ and the environment. They respect the rules demanded by society to regulate business and fair competition and innovation, and they promote and advocate more effective global action. However, this is not always the case—sometimes, with dramatic consequences for both the business and the environment. A challenge lies in embedding stewardship in purpose and acknowledging and seeking to measure the impact business has on people, values, resources, and the environment, as well as accepting responsibility for that impact. It involves taking steps to develop people, nurture values that support good stewardship, and actively preserve and restore existing resources and create new ones when possible so that others may enjoy their benefits.

Management scholars have articulated how stewardship could be the guiding principle in organizations (e.g., Davis, Schoorman, & Donaldson, 1997). In a recent From the Editor on climate change (Howard-Grenville, Buckle, Hoskins, & George, 2014), questions facing scholars and practitioners were raised on organizational actions to adapt to climate change and environmental sustainability. However, framing stewardship as part of accomplishing business purpose would enable stakeholders to see how, through their commitment to the business’s purpose, they can personally make a positive contribution to society—it would merit scrutiny and dialogue about the alignment of business practices and societal concerns. Stewardship in service to business purpose could generate questions about how business honors its duty to protect the natural world. How can businesses go about conserving and replacing finite resources in support of their purpose? How can organizations contribute to the communities in which they operate in ways that enable those communities to operate more effectively, prosper, and grow? In what ways can they self-regulate in areas such as product and service quality or environmental protection for the common good? And, importantly, how does an organization contribute to a better informed citizenship such that it can be sensibly challenged by society and aided in being true to purpose?

CLOSING THOUGHTS

An unswerving focus on purpose as set out above will engender trust that can support innovation and growth and position companies for long-term success. Purpose that is defined by the common good provides a basis for organizations and its stakeholders to reflect on the scope of business activities and the implicit contract they have with their employees, communities, and society. Purpose provides an overarching framework to substantiate the need for businesses in society, and to amplify the positive impact they generate in the communities where they operate.

The values of dignity, solidarity, plurality, subsidiarity, reciprocity, and sustainability are potential mechanisms to help organizations build both trust and better businesses. Why is this the case? Focusing on purpose reflects the best of what a business can be: providing stewardship of resources, which reduces the inefficiency and cost of repairing, restoring or paying for resources unnecessarily consumed in the production of goods and services; showing authentic respect for the whole person in creating a committed workforce, loyal customers, and supportive governments and regulatory agencies; operating freely and responsibly to create new goods and services that society wants; demonstrating empathy toward communities that provide new markets and customers; crossing borders seamlessly to attract the best talent and grow new markets; building long-term relationships that foster loyalty and trust, rather than mistrust and its associated costs; and nurturing decision making that engages with the workforce to encourage innovation and take responsibility for keeping the company true to its purpose.
We pose questions for management scholars and see an opportunity to conduct meaningful and relevant work engaging the topic of purpose in management. Research in the areas of compassion, meaning at work, social consciousness and responsibility, justice, value congruence, and diversity support the themes discussed. However, to restore trust in business, it is important to ensure that such topics are not sidebars to a main story that features short-term profitability, inequality of outcomes, and self-interest. Focusing on purpose can provide a framework for connecting the dots among research streams, as well as opening up new avenues of inquiry into why, and for whom, businesses exist. In addition, it can lead to research on measures of performance that include not only profitability, but also legacy, responsibility, and altruism. It may involve returning to the roots of the businesses that we study to learn why they were started, what they wanted to achieve, and how, perhaps, some lost their way.

Businesses can indeed be generators of trust, not just consumers of trust and goodwill. The journey to restoring trust in business begins by being clear about the purpose of business, and its role and responsibility within the society in which it operates and prospers. In a world of sharply rising inequality, and still too often driven by seemingly insatiable desires for more, we urgently need to reframe how we collectively understand the purpose of business—the reason for which it is created and exists—and as citizens, consumers, and colleagues decide what we want and act accordingly. We need to allow our best values to be brought to work and ensure those values can be aligned with business purpose. There is nothing predetermined about how the role of business in society will evolve in coming years and decades; it involves moral and social choice.

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