

The Relationship between Corporate Purpose and Financial Performance:
A European Perspective

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The President:

Prof. Dr. Bernhard Ehrenzeller

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Abstract

Work is probably one of the most fundamental experiences of human life. Many people derive a sense of meaning and identity from their work. As such, it comes as little surprise that the topic of “purpose” is increasingly being promoted as a way for companies to catalyze employee engagement. This is relevant on an individual basis but also for organizations because companies with high levels of employee engagement tend to perform better. The primary research question that follows this logic is whether corporate purpose beyond mere profit maximization can influence financial performance (RQ1). Moreover, given the complexity of this dynamic, two secondary research questions are formulated in efforts to better understand the primary research problem. In a first step, the question of whether purpose could influence employee engagement as a mediator for performance is explored (RQ2), and subsequently the question is addressed of whether cultural differences could moderate the perception of purpose (RQ3). To answer these questions, the dissertation runs three separate empirical analyses. In a first step, the project runs four experiments to measure whether people in two separate cultural groups (US and European) respond to a firm’s corporate purpose and how such a corporate purpose may affect their perceptions of the company and their own work engagement. In a second step, the study looks at whether high-purpose companies outperform their peers in accounting terms. The author runs panel regressions in 11 European countries using an OLS model based on accounting data and employee perception data sourced from Great Place to Work (GPTW) to test the hypothesis that a company’s accounting performance depends on the degree to which its employees believe in its corporate purpose. And finally, in a third step, the study uses stock price performance and volatility data to explore whether a relationship might exist between corporate purpose and a company’s stock price returns. For the first section, the results suggest that corporate purpose positively influences employees’ perceptions of their companies and their work engagement (RQ2), with US employees seeming to be even more sensitive than their European peers on questions of purpose (RQ3). The second and third sections find no statistical relationship between purpose and financial performance (RQ1), both on an operational level and with respect to the stock price performance of a company.

Zusammenfassung

Arbeit ist wahrscheinlich eine der grundlegendsten Erfahrungen des menschlichen Lebens. Menschen leiten aus ihrer Arbeit einen Sinn und ihre Identität ab. Daher ist es nicht verwunderlich, dass das Thema "Purpose" zunehmend als Möglichkeit für Unternehmen propagiert wird, das Engagement der Mitarbeiter zu fördern. Dies ist nicht nur auf individueller Basis relevant, sondern auch für Organisationen, da Unternehmen mit einem hohen Maß an Mitarbeiterengagement tendenziell besser abschneiden. Die primäre Forschungsfrage, die dieser Logik folgt, ist, ob der Unternehmenszweck über die bloße Gewinnmaximierung hinaus die finanzielle Leistung beeinflussen kann (RQ1). Angesichts der Komplexität dieser Dynamik werden außerdem zwei sekundäre Forschungsfragen formuliert, um das primäre Forschungsproblem besser zu verstehen. In einem ersten Schritt wird die Frage untersucht, ob der Zweck das Engagement der Mitarbeiter als Vermittler für die Performance beeinflussen kann (RQ2), und anschließend wird die Frage behandelt, ob kulturelle Unterschiede die Wahrnehmung des Zwecks moderieren könnten (RQ3). Um diese Fragen zu beantworten, führt die Dissertation drei separate empirische Analysen durch. Zunächst werden im Rahmen des Projekts vier Experimente durchgeführt, um zu messen, ob Personen in zwei getrennten kulturellen Gruppen (USA und Europa) auf den Unternehmenszweck eines Unternehmens reagieren und wie sich ein solcher Unternehmenszweck auf ihre Wahrnehmung des Unternehmens und ihr eigenes Arbeitsengagement auswirken kann. In einem zweiten Schritt wird untersucht, ob sinnorientierte Firmen ihre Wettbewerber in buchhalterischer Hinsicht übertreffen. Zu diesem Zweck führt der Autor Panel-Regressionen unter Verwendung eines OLS-Modells durch, welches auf Buchhaltungsdaten und Mitarbeiterwahrnehmungsdaten basiert, die von Great Place to Work (GPTW) in 11 europäischen Ländern stammen. Dabei wird die Hypothese getestet, dass die Buchhaltungsleistung eines Unternehmens davon abhängt, inwieweit seine Mitarbeiter den Unternehmenszweck als sinnstiftend wahrnehmen. In einem dritten Schritt untersucht die Studie anhand von Daten zur Aktienkursperformance und Volatilität, ob möglicherweise ein Zusammenhang zwischen dem Unternehmenszweck und den Aktienkursrenditen eines Unternehmens besteht. Für den ersten Abschnitt deuten die Ergebnisse darauf hin, dass der Unternehmenszweck die Wahrnehmung der Mitarbeiter über ihr Unternehmen und ihr Arbeitsengagement positiv beeinflusst (RQ2), wobei US-Mitarbeiter in Fragen des Zwecks noch sensibler zu sein scheinen als ihre europäischen Kollegen (RQ3). Im zweiten und dritten Abschnitt wird kein statistischer Zusammenhang zwischen dem

Unternehmenszweck und der finanziellen Performance gefunden (RQ1), sowohl auf operativer Ebene als auch in Bezug auf die Aktienkursentwicklung eines Unternehmens.

Executive summary

The primary research question this dissertation addresses is whether corporate purpose beyond mere profit maximization can influence financial performance (RQ1). Moreover, given the complexity of this dynamic, two secondary research questions are formulated in efforts to better understand the primary research problem. In a first step, the question of whether purpose could influence employee engagement as a mediator for performance is explored (RQ2), and subsequently the question is addressed of whether cultural differences could moderate the perception of purpose (RQ3). To define corporate purpose, the author relies on the definition proposed by Henderson and Van den Steen (2015): “a concrete goal or objective for the firm that reaches beyond profit maximization” (p. 327). In an effort to test this research question, the author conducts three empirical research studies. First, in efforts to analyze the impact of corporate purpose on employees’ feelings about their company and their work engagement, the author uses an exploratory factor analysis (EFA) supported by t-tests. More specifically, he performs two survey-based experiments in which he presents one group of survey respondents in the United States and a second group in Europe with descriptions of two companies, one with a clearly defined corporate purpose that unmistakably extends beyond mere profit maximization (the purpose case) and one without this corporate purpose (the business-as-usual case). This study finds that corporate purpose positively influences an employee’s work engagement and perceptions about his or her job (RQ2), and that US employees seem to be more purpose-sensitive than their European peers (RQ3). The second empirical analysis uses an OLS model to test the hypothesis that a firm’s accounting performance, as measured by its return on assets, depends on the level of purpose that its employees perceived. The author measures purpose among publicly listed companies in Germany, Switzerland, France, the United Kingdom, Denmark, Italy, Ireland, Sweden, Finland, Belgium, and Norway. The result is that there is no statistical evidence to show that a firm’s purpose orientation relates in any way to its operating financial performance (RQ1). Finally, in efforts to augment the preceding analysis, the author tests the relationship between purpose and a firm’s stock price performance and volatility. The results show that the portfolio of high-purpose companies outperform the portfolio of low-purpose companies, but the statistical significance of the result is too weak to establish any relationship (RQ1). As such, the dissertation sets out to explore empirically the complex relationship between purpose and financial performance and how this dynamic may be mediated by employee engagement and moderated by cultural and demographic differences.

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1. Introduction

Everyone is talking about corporate purpose. The concept has become a management buzzword. Chief executive officers (CEOs) such as Richard Branson and Unilever's former CEO Paul Poleman have in recent years positioned the concept as a compass for better navigating an increasingly complex world in which strategy is rarely static and few corporate decisions are obviously right or wrong. Today, most purpose-driven campaigns suggest that companies should be recognized as forces for social and environmental progress in addition to being engines of value creation for shareholders. This theme has also crept up the agenda of priorities for a growing number of international business organizations. For example, the World Economic Forum (WEF) started running sessions on the topic in Davos in 2016 with this successful theme: "The future of business – looking at why trust and purpose are becoming the new currency of business" (Zappulla, 2019). Last year, the WEF took another step forward by publishing the "Davos Manifesto 2020: The Universal Purpose of a Company in the Fourth Industrial Revolution" (Schwab, 2019). Specifically, Schwab (2019) writes as follows:

The purpose of a company is to engage all its stakeholders in shared and sustained value creation. In creating such value, a company serves not only its shareholders, but all its stakeholders – employees, customers, suppliers, local communities and society at large. The best way to understand and harmonize the divergent interests of all stakeholders is through a shared commitment to policies and decisions that strengthen the long-term prosperity of a company (p. 5).

This broad interpretation of the purpose of a company suggests that private enterprise can serve as a means to address social and environmental challenges that range from climate change to social injustice, harmful products, income inequality, and poor working conditions. This holistic interpretation of the role of business in society may seem normatively compelling, but it does not offer any hint of whether such an approach would also deliver competitive business results. Nonetheless, the shift in sentiment is notable. Moreover, the shift is not limited to high-level discussions in the Swiss Alps. In August 2019, 180 US-based CEOs issued a public statement on the purpose of business through the Business Roundtable, which suggested that companies should no longer strive exclusively to advance the interests of shareholders (Gelles & Yaffe-Bellany, 2019). The organization wrote that "while each of our individual companies

serves its own corporate purpose, we share a fundamental commitment to all of our stakeholders” (Gelles & Yaffe-Bellany, 2019, p.3). To this end, the statement can be seen as a signal by corporate America that business should increasingly prioritize topics that affect a broader scope of stakeholders, such as protecting the environment, fair compensation for all employees, ethical dealings with suppliers, and supporting the communities in which they operate—in addition to the long-term generation of shareholder value.

1.1. Four drivers pushing purpose up the corporate agenda

This next section examines how different stakeholders and business actors are pushing the topic of corporate purpose up the agenda list in the public discourse. The first section considers the increasingly active role the investment community is playing in terms of guiding the interests and actions of corporate executives into line with those of civil society. The second section looks at several illustrative examples of trailblazing companies from different sectors that are proactively taking stands for social issues, ranging from racial and gender inequality to environmental degradation. The third section considers the increasingly conscious role that consumers play in terms of exercising their buying decisions, and more specifically, the expectations they communicate to their brands in this context. And finally, millennial employees seem also to be accelerating this shift toward more purpose-driven companies, as many millennials report to place a greater importance on being able to derive a sense of purpose from their work than the generations before them may have done. Together, these four factors seem to be accelerating the shift toward an economy in which corporate purpose may play an ever-greater role in society going forward.

1.1.1. Asset managers promote sustainable finance

Asset managers are taking notice. In fact, the chief executives of the world’s two largest asset managers, Vanguard and Blackrock, who together represent more than \$12 trillion in assets, are both advocating for a longer-term management approach to company management. Both institutions have used their annual letters to CEOs to encourage executives not to focus myopically on short-term profit generation but to consider the long-term creation of value (Fink, 2020). In fact, Blackrock’s CEO, Larry Fink, wrote in his 2020 annual letter to CEOs, “Society is demanding that companies, both public and private, serve a social purpose. To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society” (Fink, 2020, p.1). Fink goes on to write that

“the time has come for a new model of shareholder engagement – one that strengthens and deepens communication between shareholders and the companies that they own” (Fink, 2020, p. 2). In early 2020, Fink announced that Blackrock would make investment decisions with environmental sustainability as a core central tenet. He even intends to withdraw from certain investments with high sustainability-related risks, such as coal producers. To this end, Fink writes, “Awareness is rapidly changing, and I believe we are on the edge of a fundamental reshaping of finance. The evidence on climate risk is compelling investors to reassess core assumptions about modern finance” (Fink, 2020, p. 1). A statement like this from the CEO of the world’s biggest asset manager is adding momentum to the push to redefine the role of business in society. In the wake of such a statement, smaller asset managers are also being compelled to align their asset allocation with environmental and social considerations. As more investors integrate these considerations into their investment strategies, they force executive boards around the world to manage their companies in accordance with the broadening expectations of their equity owners regarding the role these companies should be playing in society (Sorkin, 2020).

This trend toward systematically integrating extra-financial considerations into the investment process is also evident in the strong growth in signatories to the United Nations–sponsored Principles of Responsible Investment (PRI). Those signatories commit to incorporating ESG issues into their decision-making and ownership practices and so better align their objectives with those of civil society (BMO Global Asset Management, 2019). Today, more than 2,250 investment firms have become signatories, representing more than \$85 trillion in financial assets to which the managers have committed to apply environmental, social, and governance (ESG) considerations (see Figure 1.1). This data indicates that incorporating ESG topics is no longer a niche strategy but has entered the mainstream of asset-allocation practices. It is also in this context that the financial industry is already pushing more executives to manage their firms according to a broader frame of reference than mere shareholder primacy.

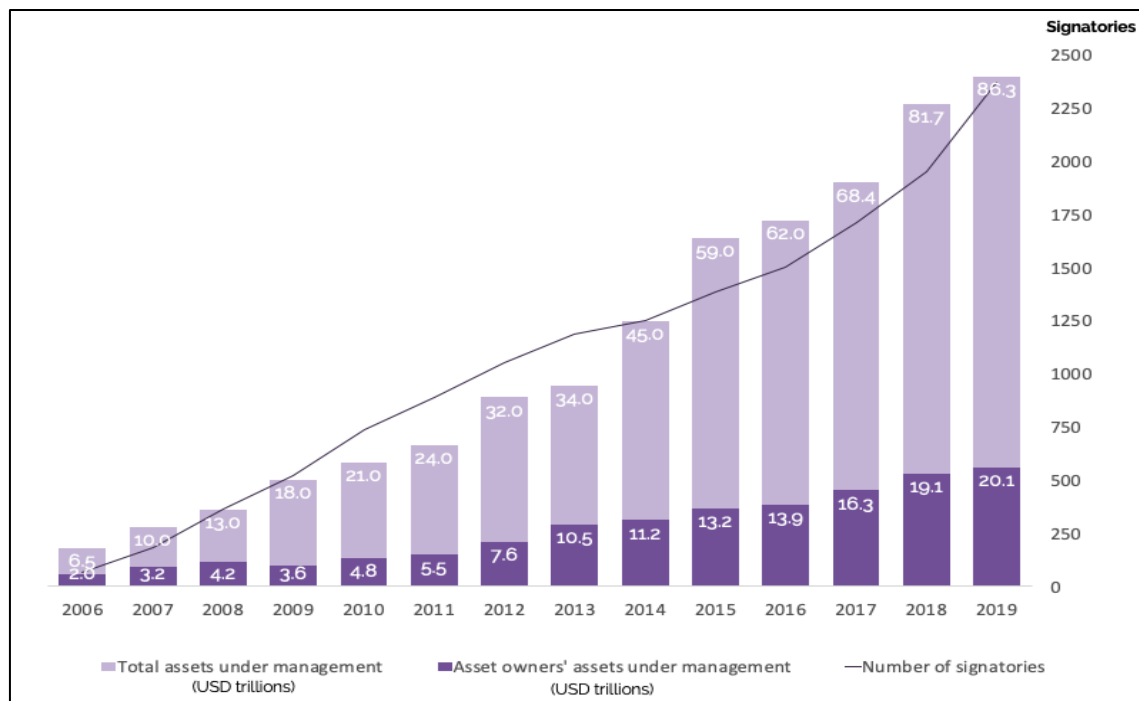


Figure 1.1. More mainstream investors are integrating sustainability themes into the investment process

Source: Author, based on UNPRI data (United Nations, 2020)

1.1.2. Companies assume a pro-active stance on social issues

Another theme that suggests that the topic of corporate purpose is becoming increasingly relevant in society is the growing tendency of companies to take a stand on social and environmental issues, mostly without the guarantee of financial returns and often even at a significant risk of negative business impacts. In 2018, for example, Nike took a stand on a social issue. To celebrate the 30-year anniversary of the Just Do It campaign, Nike selected the controversial athlete and civil rights activist Colin Kaepernick to be the face of their new advertising campaign. The campaign features Kaepernick with the caption, “Believe in something. Even if it means sacrificing everything.” The campaign referred to Kaepernick’s decision to kneel on one knee during the national anthem when he was playing for the San Francisco 49ers to protest multiple police killings of unarmed African Americans. Nike’s decision was highly controversial. Although many people welcomed the bold move, many also opposed it, with thousands promising to destroy and boycott Nike products (Kelner, 2018). On Twitter, for example, many promoted the hashtag #JustBurnIt, which trended alongside #BoycottNike. Interestingly, Nike’s stock fell slightly following this backlash but recovered quickly when the firm’s sales rose. This is an example of a company that used its enormous

reach to affect social change by taking a risky stand on a controversial issue that was relevant to the company and its employees. And although a cohort of consumers who have not bought any Nike products since this campaign certainly exists, one can imagine that there have also been potential positive effects, including increased customer loyalty among the cohort of consumers who support the campaign for civil rights, better engagement among employees, improved opportunities to attract top talent to the company, better stakeholder relationships, and so on.

Another example of a company taking a stand on social issues is Airbnb. Only a week after Donald Trump decided to sign an executive order closing US borders to refugees, Airbnb released an advertisement during the 2017 Super Bowl in an effort to reach as many people as possible in response to the ban. The ad, called “We Accept,” showed a montage of people of different races and nationalities with these words: “We believe no matter who you are, where you’re from, who you love or who you worship, we all belong. The world is more beautiful the more you accept” (Benner, 2017). In a similar manner, Proctor & Gamble (P&G) took a stand for the empowerment of girls and women with its Like a Girl campaign and for gender equality in its #WeSeeEqual campaign (Benner, 2017). In 2016, UK retailer John Lewis took a stand against gender stereotyping by doing away with boys and girls labels on children’s clothing. The retailer did this in response to a video produced by eight-year-old Daisy Edmonds that went viral in 2016, in which she highlighted that the boys’ shirts featured slogans such as “Desert adventure awaits,” “Hero,” and “Think outside the box,” while the girls’ shirts featured slogans such as “Hey Beautiful!” and “I feel fabulous.” In the video, Edmonds expresses her indignation by saying, “It’s unfair because everyone thinks girls should just be pretty and boys should just be adventurous” (Cooper, 2016). These and similar examples suggest that company leadership is becoming increasingly sensitive to social themes that may, *prima facie*, have little to do with the functionality of the products they sell while also indicating that company leadership teams seem to increasingly ask what their companies should be standing for.

Even companies such as beer producers are becoming increasingly socially active and creative in their approaches, and they are running campaigns that are not simply about selling more beer products but also about taking stands on certain social themes that extend beyond the borders of their addressable markets. Stella Artois, for example, has successfully been driving awareness of the global water crisis and encouraging consumers to become involved by buying limited edition bottles. Each bottle sold provides a month’s worth of clean water for one person

in a developing country. This example suggests that companies are also now seeing opportunities to tie their operating models to related social issues or causes. Another company that has mastered this approach is Lego, the world's largest and most successful toy company. Lego's purpose is not just to sell more plastic colored bricks; it is far more about striving for the development of children's creativity through play and learning (Blount & Leinwand, 2019). These and similar examples suggest a definite shift in the way people and business leaders are beginning to think about the role of their businesses in society and the way company leaders are positioning their business models. And such examples are not limited to social issues.

The topic of climate change also serves as an example of a theme around which companies are organizing more resources than a strict business mandate would expect from them. For example, more than 200 large multinational companies have committed to reducing their greenhouse gas emissions in accordance with the COP21's goal of limiting global temperature increases to less than 2 °C by 2030. Many companies have announced even more ambitious goals. Last year, for example, Microsoft announced the goal of becoming carbon negative (i.e., absorbing more carbon than its operations generate) by 2030 (Smith, 2020). Such examples offer further evidence, albeit anecdotal, that this newfound faith in defining a higher corporate purpose as a means of tackling global challenges such as climate change is certainly getting closer and closer to the mainstream. In fact, Satya Nadella, Microsoft's CEO, said that a sense of purpose together with a mission that is "aligned with what the world needs" is a powerful way for his company to earn public trust. He went on to say, "As technology becomes so pervasive in our lives and society, we as platform companies have more responsibility, whether it's ethics around artificial intelligence, cyber-security or privacy. There is a moral obligation" (The Economist, 2019). Patagonia is another company that demonstrates a strong sense of purpose toward the environment that extends beyond simple financial profits. In fact, the company even states, "We're in business to save our home planet" (Semuels, 2019) and goes on to claim the following:

At Patagonia, we appreciate that all life on earth is under threat of extinction. We aim to use the resources we have—our business, our investments, our voice and our imaginations—to do something about it ... Staying true to our core values during forty-plus years in business has helped us create a company we're proud to run and work for. To stay in business for at least forty more, we must defend the place we all call home (p. 9).

According to Corley Kenna, Director of Global Communications at Patagonia, “The mission is now more direct than ever before. It’s important to evolve with current times, and these times call for bluntness and urgency. We all feel equally a part of the mission, regardless of one’s level or role, and it’s always our north star for business strategy” (Sonsev, 2019, p. 1). Indeed, Patagonia has become an example of a long-standing, purpose-oriented business that has also been able to align this clear, credible purpose orientation with exceptional business success. Consumers know this and support the brand because of the authentic story the company has built since its inception more than 40 years ago. Indeed, evidence suggests that consumers might also be starting to care more about associating a positive impact with their purchasing decisions and perhaps even being willing to pay a premium for socially and environmentally responsible product solutions.

1.1.3. Consumers take a stand

Consumers seem to be increasingly willing to vote with their money. The Purpose Revolution that John Izzo defined is not limited to business leaders but also refers to a shift in awareness among consumers in an environment in which individuals have more power than ever to stand up for their opinions and “vote” with their money (Izzo & Vanderwielen, 2018). Examples abound. Movements such as Me Too and Fridays for Future have been pushed to the next level by technology-enabled transparency and social media-driven visibility. This newfound empowerment of the individual consumer could also be affecting people’s purchasing decisions. As a result, consumer-facing companies are under the spotlight of consumer scrutiny to a greater extent than ever before. Moreover, customers seem to increasingly expect the brands they support to offer not only the functionality they promise but also compelling stories about the companies’ positive contributions to the societies within which they operate. In retrospect, this has not always been the case. Historically, customers have merely served as buyers of products or services. Today, things seem to be different. Consumers increasingly have the collective power to demand experiences from their providers, co-develop products and services (i.e., prosumer), and influence others on a very large scale to buy (or not to buy) the products or services a company offers (Barton, Ishikawa, Quiring, & Theofilou, 2018). Active customers thus act as prominent, vocal champions of the brands in which they believe and saboteurs of those they don’t. Companies are increasingly beginning to notice this, which might also be activating their awareness of the topic of corporate purpose.

To better understand evolving consumer proclivities, beliefs, and preferences in this context, the global consultancy Accenture conducted a survey of 29,530 end consumers in 35 countries between August 1 and October 16, 2018. The object of this large-scale survey was to help companies better understand how consumer expectations are evolving in a rapidly changing global context and how firms can adjust their business models based on these insights into shifting consumer expectations. The results were telling. In short, it seems that the more closely a company's corporate purpose aligns with a consumer's belief system, the better it is for the company's medium-term competitive positioning vis-à-vis its peers.

For example, 62% of customers expect their brands to take stands on socially relevant themes such as sustainability, transparency, and fair employment practices (Barton et al., 2018). As an indication of the growing influence that consumers have on companies, the results of the survey indicated that 66% of the respondents believe that their personal actions—from posting comments on social media to participating in boycotts or buycotts—can influence a brand's reaction to an event or its stance on an issue of public concern. This represents a heretofore unparalleled degree of perceived customer empowerment. This phenomenon is not restricted to Western economies. Even in China, the public outcry following the death of two carpooling passengers forced the Chinese ridesharing company Didi (Uber's peer, only bigger) to publicly apologize and then fire two executives. Looking ahead, regulatory pressures that have arisen from active customers making their influence heard could affect companies' future competitiveness and, in turn, inspire their leaders to identify a corporate purpose that better aligns their interests with those of their consumers and civil society as a whole. As such, it is also not surprising that given the rising consumer awareness and consumers' new expectations of the companies they support, more and more companies are scrambling to redefine their corporate purpose as an overarching contribution of the business to society.



Figure 1.2. From me to we—the rise of the purpose-led brand

Source: Author, based on data from Accenture

The survey's results also offered a number of other pertinent insights. For instance, the results suggest that although the price and quality of products are as relevant as ever to consumption decisions, they are no longer considered points of differentiation since they are simply expected in a hyperconnected, efficient, and competitive economy. The data from the nearly 30,000 respondents suggests that in such an environment, purposeful stories that are associated with a brand can offer companies that elusive factor of differentiation they are unable to find within the price and quality dimensions of the products and services they offer. To this end, companies that take public and credible stands for social issues (see the examples discussed above) have an opportunity to reframe the relationships they have with their customers and connect with

them on a deeper level based on common belief systems, which can also drive customer loyalty. Those that succeed in associating a credible corporate purpose with their brand can potentially facilitate a new ecosystem around their customers and build a strong community of engaged and loyal stakeholders, all of whom work together to reach the next level of trust, impact, and business success. Indeed, according to the Accenture survey, consumers demand transparency when it comes to the products, services, and promises they find meaningful. Moreover, they use their purchasing decisions to reward values such as family connections, health, security, sustainability, and respect for religious beliefs. The results of this survey suggest that a corporate purpose also presents an opportunity for corporations to demonstrate their ability to respond to shifting trends faster than their competition. The opportunity for companies lies in responding to customer expectations in a more agile manner and thus building the foundation for more robust, more enduring, and even more profitable relationships with customers. As such, they essentially invite “relationships that shift the customer dialogue from ‘give ME what I want’ to ‘support the ideals WE believe in’” (Barton et al., 2018). In fact, even Edelman’s annual Trust Barometer suggests that no less than 81% of consumers say, “I must be able to trust the brand to do what is right” (Edelman, 2019).

Looking further ahead, this and similar results imply that consumer expectations of their brands are changing quite quickly and companies that have complacently believed they could avoid taking positions on hot current social issues have not only underestimated the risk of the potentially significant negative business impact of failing to stand for something that has a clear social or environmental relevance but have also (and perhaps more importantly) missed the opportunity to build robust, loyal, enduring, and self-reinforcing relationships with their clients and the ecosystem of stakeholders. In short, the conversation about corporate purpose seems to rely very heavily on the shifting expectations that customers have of their brands. But corporate purpose is not just being driven by consumers; next-generation employees also play a vital role in this context.

1.1.4. Next-generation employees expect more from employers

Many young people, especially the better-educated talents, expect their workplaces to reflect their personal values much more than the generations before them might have expected. This new generation of young leaders, which is perhaps best represented by people such as Greta Thunberg, increasingly expect companies to take stands on issues and serve as part of a solution to the challenges that future generations are likely to face. This generational cohort and the

cohorts that follow them are relevant to business and society, not least because they represent the largest segment of employees (and consumers) globally. Therefore, what they think and believe matters to business.

In 2017, Gallup published a groundbreaking report that characterized the beliefs and values of this generation of employees and examined how they are affecting the changing expectations and demands of today's workforce (Gallup, 2017). The report suggests that millennials are changing the very fabric of society as they continue to disrupt how the world communicates, marry later, switch jobs more readily, are less likely to identify with specific religions, and are characterized by a general lack of attachment to institutions and traditions. The report also suggests that millennials place a greater importance on being able to derive a sense of purpose from their work than the generations before them may have done. Indeed, millennials need their work to have meaning, whereas older generations were satisfied with just a paycheck since their purpose was the family and community. The report also suggests that most millennials care less about perks found in workplaces today (e.g., table tennis, latte machines, and free food) than they do about identifying a strong purpose in their organizations and personal development opportunities.

As it turns out, millennials also feel alienated by old-style leadership traditions that are defined by command-and-control structures and tend to care more about leaders who can coach them and in organizations that value them and are interested in their development as people and employees. According to the report, millennials behave as consumers of the workplace, weighing their options and continually looking for roles and organizations that permit them to perform at their best. As such, "leaders and managers must understand what millennials expect from their jobs, managers and companies ... they want a sense of purpose" (Gallup, 2017, p. 14). Indeed, these insights are also confirmed in the Bates-Gallup national study "Forging Pathways to Purposeful Work: The Role of Higher Education," which provides further interesting data that emphasize the relevance of purpose for millennial workers and the generational cohorts following them (Bates-Gallup, 2019). According to this research, university graduates believe it is "very important" (37%) or "extremely important" (43%) to derive a sense of purpose from their work. And although four-fifths of college graduates find it important to find purpose and meaning at work, the study suggests that not even half of the group have succeeded in finding a job that offers them purpose and meaning. This so-called "purpose gap" represents a big challenge to the younger workforce, not least because

millennials are already being dubbed the “burnout generation” (Petersen, 2019) because of their lower levels of engagement (i.e., intellectual and emotional connection to their work) relative to previous generations. In short, they have higher expectations, and it seems that many of today’s workplaces are unable to meet these expectations since many organizations are still catering to the values, beliefs, and traditions of the baby boomer generation. Generally, next-generation employees tend to have higher expectations of their employers and be more purpose-oriented than previous generations.

The study also found that recent college graduates with high levels of purpose in their work are almost 10 times more likely to experience overall well-being, which reinforces another key result from the study that millennials are more likely to derive purpose from their work than from other sources. As such, purposeful work seems to be a primary driver of engagement for the younger segments of today’s workforce, and it also tends to relate positively to overall employee well-being. Some forward-looking universities have recognized the importance of preparing the next generation of employees to actively seek and find their purpose at work. For example, one of these institutions, Bates College in Maine in the United States, established the Purposeful Work program in 2014, which was founded on the premise that teaching students how to seek and find purpose in work is central to their long-term career success, sense of fulfillment in life, and contributions to the organizations for which they work and to the broader societies in which they live (Bates-Gallup, 2019). Such initiatives tend to have a self-reinforcing quality to them because students enter the workforce with very honed filters through which they assess their vocational opportunities, and they tend to be highly skilled workers. This creates a virtuous cycle in which companies that work to attract top talent are incentivized to articulate a compelling corporate purpose in order to fall into the scope of consideration of these sought-after employees.

Looking ahead, the trend of millennials searching for purposeful employers is likely to be accelerated by millennials’ values and beliefs as consumers. In fact, 40% of the 8,000 millennials from more than 28 countries who were surveyed in the Deloitte Millennial Survey 2018 believed that the goal of businesses should be to “improve society” (Deloitte, 2018). Furthermore, 60% stated that they joined their current employers at least in part because of the firms’ sense of purpose. The implications of this data are considerable. Millennials are accelerating the trend toward more responsible and purposeful business practices by virtue of their choices with respect to whom they choose to work for and whom they choose to buy from.

In fact, millennials are set to make up at least 40% of global consumers by the end of this year, which will make them the biggest global consumption cohort in the world (Zappulla, 2019). In other words, the pressure from millennials on companies to pay more attention to their *raison d'être* is only likely to grow going forward because it is galvanized by the growing role of millennial consumers and employees and their role as drivers of change in the way businesses are managed. This trend toward placing a higher priority on aligning work with organizational purpose is also being positioned by many millennials as an invitation to business leaders to take this shift seriously, not for moral reasons, but as an opportunity to proactively anticipate the shifting context of business and position their businesses for long-term success.

The discussion above suggests that pressure on companies to move beyond mere legal compliance on social and environmental issues to actively managing and measuring a clear positive contribution to society seems to be growing. The four factors driving the priority of purpose up the corporate agenda list seem to have grown in importance in recent years. From the rising pressures asset managers place on executive teams to integrate ESG themes into their operational performance metrics to the handful of trailblazing companies like Patagonia and Nike who have made social and environmental issues a core part of their strategy to the progressive cohort of consumers demanding more from their brands to the next generation of (skilled) employees who seem to demand more purpose from their employers, the topic of purpose in business seems to be growing in relevance.

1.2. Research gap

Despite the growing interest in corporate purpose, the empirical exploration about whether purpose could influence corporate performance remains largely unanswered. But where academic researchers have wavered to make empirical progress in measuring fundamental robustness of this relationship, consultants and popular journalists have wasted little time in articulating the ostensible need for more purpose in the workplace. For example, best-selling books like Simon Sinek's *Start with Why* (2013), Daniel H. Pink's *Drive: The Surprising Truth about What Motivates Us* (2009) and the best-selling *Firms of Endearment: How World-Class Companies Profit from Passion and Purpose* (Sisodia, Sheth, & Wolfe, 2007) have all raised public interest around the topic of purpose in the workplace. Although such popular contributions generated mainstream interest in the topic of purpose, none of them

systematically explored the empirical relationship between corporate purpose and operating and financial performance.

General academic references to purpose do exist. Nearly 25 years ago, Bartlett and Ghoshal (1994) invited strategy scholars to consider corporate purpose as the essential precursor to effective strategic management. And although this research suggested a relationship between corporate purpose and operating performance in the medium term, the paper also did not offer any empirical support for such a relationship. Indeed, little is known about whether this flavor-of-the-day buzzword is actually helping companies deliver business results in an economically sustainable way. Emphasizing this economic imperative of the discussion is important- for a number of reasons. The economic imperative is relevant because it is uncertain how the world would respond to a situation in which corporate purpose would come into systemic conflict with company profitability. Would the new business buzzword on the block recede into the business annals of insignificance?

Although the body of research linking firms' performance on social and environmental themes to their future stock market performance is increasingly compelling (Khan, Rehman, Khan, & Xu, 2016), there still exists little evidence on the relationship between a publicly listed firm's stock performance and its commitment to a corporate purpose (Gomory & Sylla, 2013; Stout, 2012; Strine, 2014). This scarcity in empirical research on the link between purpose and performance may have to do with three key factors:

- first, the lack of a clear definition for purpose;
- second, the absence of a clear, standardized measurement process to systematically measure purpose across firms, geographies, sectors and years; and
- third, the discord around whether a firm's purpose is a formal announcement from the executive board or whether is better captured by the perceptions of all employees.

Even if a firm has a clearly identifiable corporate purpose, it is often the case that employees have little idea of this purpose and rarely feel any personal identification with it. This raises the question of whether academics should measure a firm's purpose orientation by virtue of the firm's formal (branding) announcements, or whether it may be more reliable to analyze employee perceptions of a firm's corporate purpose to capture a grassroots indication of whether a firm can be considered purpose-driven. In other words, until now, most research has not yet distinguished between a company with an aggressive marketing division that is eager

to capture the “flavor of the month” and a firm with an authentic long-term corporate purpose—one that is credible to its own employees.

Few studies have focused on employees’ beliefs with respect to their companies’ purpose and the meaning they get from their jobs (De Roeck, Marique, Stinglhamber, & Swaen, 2014). This probably also has to do with the practical complexity of the thousands upon thousands of employees from the respective companies who would have to be surveyed and persuading enough companies to participate in the study. The deficit of analyses with a focus on understanding the impact of purpose at the employee level (Aguinis & Glavas, 2012) represents an important research gap, not least because employees in all job functions are responsible for the actual practical execution of a company’s purpose on a daily basis as part of the firm’s business strategy. Moreover, Guiso, Sapienza, and Zingales (2015) found that employees’ perceptions of their leadership being authentic, trustworthy, and ethical are important – and even positively associated with a firm’s operating performance over time. As such, a focus on employee perceptions of the authenticity of a firm’s leadership on purpose is likely to be a key ingredient for a robust analysis of whether corporate purpose could plausibly have an impact on business performance.

In this regard, the most notable contribution to the corporate purpose debate in recent years is by Gartenberg, Prat, and Serafeim (2019) who suggests that a credible measure of purpose orientation needs to be based on “the employees believing in and acting to promote that purpose.” To this end, the authors constructed a measure of corporate purpose that was based on nearly 400 US companies’ employees’ perceptions of their employers (representing nearly half a million responses). Although the practical limitations of persuading enough companies to allow researchers to survey their employees were daunting, the authors found an effective solution by establishing a partnership with the Great Place to Work (GPTW) Institute, an institution that surveys employee perceptions across all levels of the management spectrum on a number of themes. As such, Gartenberg et al. (2019) was the first empirical and employee-based contribution to the complex discussion of whether and under which circumstances purpose is positively related to financial performance. Given the scarcity of research with a focus on employee perceptions of a firm’s purpose in relationship to its financial performance, more work to offer a deeper understanding of this complex relationship in this area is warranted. Moreover, a further key question that arises is whether this analysis based on a US dataset can be considered universally representative. In other words, could it be that a Chinese

or European audience would respond differently to the questions posed by the GPTW survey and thus distort the results of Gartenberg et al.'s study? If so, and if the results from this study cannot be considered universally representative, it would justify building on the employee-based approach that was used by Gartenberg et al. (2019) study, but perhaps with a broader analysis on a different focal group such as a European audience.

1.3. Research contribution

The goal of this dissertation is to explore empirically the complex, multi-faceted relationship between purpose and financial performance and how this dynamic may be mediated by employee engagement and moderated by cultural and demographic differences. To this end, the discussion in this section is based on four key premises:

First, the study of Gartenberg et al. (2019) is the first analysis exploring the complex relationship between corporate purpose and financial performance by focusing on a measure of purpose that stems from measuring the perceptions of employees at the respective companies. The approach of this study has afforded the research community a pioneering and standardized approach to measuring a firm's corporate purpose based on the aggregated responses from its employees - and not simply on the quality and scope of corporate marketing campaigns. As such, the Gartenberg et al. approach has laid the first stone of a central foundation of research on purpose with a focus on measuring corporate purpose based on the perceptions of a firm's employees. In efforts to better understand the complex relationship between purpose of performance, the Gartenberg et al. approach can be used as a foundation from which to expand the scope of the empirical progress on the topic with respect to a host of other economic operating metrics, as well as across other geographical, sectoral, and cultural contexts. This is exactly what this analysis intends to do and thus also where this analysis contributes to a better understanding of a complex relationship between the variables purpose and performance.

Second, the Great Place to Work (GPTW) data sourcing methodology used in the Trust Index survey offers a unique opportunity to access enormous amounts of employee-level data in a standardized format. The survey responses include multiple parameters across companies, functionalities and geographies that can be reconfigured into a robust index of employee perceptions about purpose orientation. This data is also collected in multiple countries in the world, and given the standardized approach to collecting the survey data, the dataset offers a

universe of standardized responses on employee perceptions about their employers, and is thus well-suited to generate an employee-driven index on corporate purpose, one that can be used across geographies and cultural contexts. It is also for this reason that this analysis also relies on this standardized approach to collecting data on the employee level, and using this data across sectors and geographies. Herein also lies a key contribution to expanding the discourse of the relationship between the two variables purpose and performance: analyzing different parts of a large, standardized data universe in efforts to better understand the complex relationship between purpose and performance.

Third, previous research on individual motivation has suggested a positive relationship between employee engagement levels and performance (Harter, Schmidt, & Hayes 2002, Halbesleben 2010, Harter, Schmidt, Agrawal, Plowman, & Blue, 2016). To the extent that such perceptions could be higher in firms at which employees feel more purpose driven could suggest that employee engagement could mediate the complex relationship between corporate purpose as measured by employee perceptions of their employers and economic performance.

Fourth, the cultural and management differences between the US and Europe may be large enough to warrant a cross-cultural factor analysis of the relationship between corporate purpose and employee engagement and performance among European companies and employees. Given this fourth premise, the addition of the cultural dimension also makes an additional contribution to the body of research on the relationship between performance and purpose, as measured from the employee-level.

Based on these four premises, the purpose of this dissertation is to build and expand on the pioneering efforts of the Gartenberg et al. (2019) approach based on a European dataset from 11 separate GPTW affiliates. To this end, the author adopts the approach of building a robust measurement of corporate purpose based on employees' perceptions of their employers with data derived from the standardized Trust Index survey from Great Place to Work. Importantly, the author significantly expands upon and adapts the Gartenberg approach. For example, unlike the Gartenberg et al. (2019) analysis, the author includes an exploratory factor analysis on the impact a clearly identifiable corporate purpose might have on employee engagement. Given the third premise on cultural differences discussed above, this factor analysis is conducted for both US and European employees, and shows that US employees respond more sensitively to a corporate purpose intervention than their European counterparts.

Moreover, the author's analysis extends the Gartenberg methodology by estimating the relationship between performance and two additional measures of purpose, for a total of 3 measures of purpose: Purpose_all, Purpose_impact, and Purpose_Pride (with just one being tested in the Gartenberg et al. study). And finally, the author's analysis includes a quantitative analysis of how two stock portfolios of publicly listed companies with both high and low Purpose Index scores perform in comparison to each other. The author compares the results of the two portfolios (i.e. high purpose and low purpose) to a broad European equity market benchmark and also to the entire GPTW universe.

In sum, a key contribution of the study is the confirmation of previous research suggesting a statistically significant (positive) relationship between purpose and employee engagement (Liden et al. 2000, Pratt and Ashforth 2003, Michaelson et al. 2014, Harter et al., 2016). A key addition in this work is that this effect is confirmed by two experiments conducted in two different geographical areas, both in the US and in Europe. And if the purpose orientation of a company can influence the work engagement of an employee, then there is a reason to believe that this higher engagement could also function as a mediator to affect the company's financial performance. The author therefore extends the analysis further to examine the relationship between corporate purpose and financial performance, as measured in both accounting returns and stock price returns. However, both of the subsequently conducted empirical analyses conclude that there no statistically significant relationship between corporate purpose and financial performance exists. The contribution to the body of research in this context is that the analysis of corporate purpose and how it relates to a firm's medium term financial performance is a complex, multidimensional relationship that will likely require more analysis in the future.

1.4. Sharpening the research questions

The primary research question of this dissertation addresses is whether a perceived sense of corporate purpose among employees can influence a firm's economic success. A key issue in this context is the definition of corporate purpose that this dissertation uses. Indeed, it is important to recognize that there exists no formal consensus on a universally accepted definition of corporate purpose. For example, a firm's purpose might be to fundamentally upend how an industry operates; for example, Tesla's "contribute to more sustainable mobility" or Airbnb's "help create a world where you can belong anywhere" (Schermers, 2016). Indeed, multiple examples, illustrations, and definitions exist, and due to the fact that the concept of

corporate purpose is likely to have originated with strategy consultants, the academic study of the concept is still at a relatively early stage.

However, there have been forerunners. Early academic sources referred to purpose in response to questions such as “What should the business of the corporation be?” (Drucker, 1974) or “For whose benefit are all the efforts being made in the corporation?” (Campbell & Nash, 1992). In fact, Peter Drucker’s (1974) reference to the purpose of a business reads like what today might be considered the proverbial consumer-centric perspective:

Business exists to supply goods and services to customers rather than supply jobs to workers and managers, or even dividends to stockholders. To discharge its jobs, to produce goods and services, the business enterprise has to have an impact on people, on communities, and on society ... it has to add to its fundamental concern for the quantities of life, i.e., economic goods and services, concern for qualities of life, that is, for the physical, human and social environment of modern man and modern community (p. 42).

Building on this description and adding a normative component, Bartlett and Ghoshal (1994) defined purpose as “the statement of a company’s moral response to its broadly defined responsibilities, not an amoral plan for exploiting commercial opportunity” (p. 8). Adding a further strategic element, Ellsworth (2002) defined a firm’s purpose in a strategic context by stating, “Corporate purpose defines the firm’s ultimate priority, be it the maximization of shareholder wealth, satisfying customer needs, serving the national and community interest, or providing for the employees’ welfare” (P. 33).

Beyond these forerunner examples, it is important to note that scholars only picked up the topic and subjected it to closer research in the last 10 years. For example, Thakor and Quinn (2013) defined purpose from a normative perspective, stating that it is “something that is perceived as producing a social benefit over and above the tangible pecuniary payoff that is shared by the principal and the agent” (p. 20). Taking an even broader approach, Mazutis and Ionescu-Somers (2015) defined purpose as “a company’s core reason for being – the organization’s single underlying objective that unifies all stakeholders and embodies its ultimate role in the broader economic, societal and environmental context” (p. 3).

Echoing this narrative but challenging the idea that purpose must be pro-social in nature, Henderson and Van den Steen (2015) wrote that purpose is “a concrete goal or objective for

the firm that reaches beyond profit maximization” (p. 11). One year later, The Purposeful Company Report, written by a consortium of academics who were studying purpose in businesses, expanded this definition by Henderson and Van den Steen by more succinctly and more broadly stating a firm’s purpose to be “its reason for being” (Big Innovation Centre, 2016, p. 5).

Most recently, Gartenberg et al. (2019) defined corporate purpose as “the meaning of a firm’s business operations beyond quantitative measures of financial performance” (p. 3). Notwithstanding these contributions, the concept of purpose remains ambivalent and even vague to many observers, offering little clear orientation and next to no consensus on its exact definition and on how corporate leaders can use it to guide their business strategies.

For the purposes of this analysis, and similar to the succinct yet broad definitions used by Henderson and Van den Steen (2015) and Gartenberg et al. (2019), this dissertation will rely on an equally broad interpretation of purpose that allows it to include both financially driven goals and social and environmental objectives. In short, *corporate purpose is a corporate aspiration that reaches beyond mere short-term profit maximization objectives*. Clearly, using such a broad interpretation of the concept offers both advantages (e.g., simplicity), but also drags with it some disadvantages (e.g. imprecision, ambiguity, complexity, etc.). The discussion in the conclusion of this report will delve more deeply into these advantages and disadvantages.

The primary research question that follows this definition is as follows:

RQ1: Can a corporate purpose beyond mere profit maximization influence company performance?

In efforts to gain a deeper understanding of this complex, multifaceted dynamic, the author explores two additional secondary research questions that are derived from the primary question and are designed to probe for additional information:

RQ2: Can purpose improve employee engagement?

RQ3: Can cultural differences – geographic, gender-based and age – influence the perception of purpose? And if so, how?

As such, the dissertation is set to explore empirically the complex relationship between purpose and financial performance and how this dynamic may be mediated by employee engagement and moderated by cultural and demographic differences.

1.5. Introducing the research design and methodology

In efforts to better understand the complex relationship between purpose and performance, this project begins with the exercise of assessing human perceptions about their work – or more specially, the companies for which they work. To examine how people feel about a company based on its objectives and how such objectives influence their perceptions of the company and their work engagement, the author conducts two survey-based experiments. In each experiment, the author presents one group of survey respondents in the United States and a second group in Europe with descriptions of two companies—one with a clearly defined corporate purpose that unmistakably extends beyond mere profit maximization (the purpose case) and one without (the business-as-usual case). In each experiment, the author analyzes the responses using exploratory factor analysis (EFA) supported by t-tests to assess:

1. The impact of corporate purpose on employees' feelings about the company and their work engagement (RQ2). To test this, author uses corporate purpose as the independent variable and the responses to the statements as the dependent variables. The author checks whether there is any statistical difference in the responses to each company.
2. The cultural difference between the US and Europe (RQ3). To test this, author uses geographic locations as the independent variable and the responses to the statements as the dependent variables. The author analyses the responses of each company separately to check whether there is any statistical difference in the responses from the respective regions of inquiry.
3. How corporate purpose influences gender and age (RQ3). To test this, author uses demographics as the independent variable and the responses to the statements as the dependent variables. The author analyses the responses of each company separately to check whether there is any statistical difference in the responses of males and females, also in the responses of two different age groups.

The study concludes that corporate purpose positively influences the employee work engagement (RQ2), with the analysis generating statistically significant results for both

geographic areas US and Europe. The study also finds that cultural differences can influence the perception of purpose (RQ3), with US respondents seemingly more sensitive to the topic than European respondents. If the purpose orientation of a company can influence the work engagement of an employee, then there may be reason to believe that engagement could serve as an effective mediator to affect the company's financial performance.

In a second step, the author extends the empirical analysis to examine the relationship between corporate purpose and financial performance (RQ1). The author constructs different purpose measures using the GPTW survey data collected from 11 individual GPTW affiliate offices in Switzerland, Germany, France, the UK, Italy, Ireland, Sweden, Denmark, Finland, and Norway. The author uses operating performance, stock price performance as the proxies for company's financial performance and performs two analysis:

1. Panel regression analysis between different measures of purpose and company operating performance while controlling for the lagged dependent variable, firm fixed effects and time fixed effects. In this analysis, the author uses a company's purpose measures constructed from GPTW survey data, country of domicile, industry sector, GPTW survey year, and response to the statement "This is physically safe place to work" in the GPTW questionnaire as independent variables and the operating Return on Assets (ROA) measured as EBIT over average total assets as the dependent variable.
2. Quantitative analysis of two portfolios of publicly listed companies with high and low purpose measures followed by t-tests to statistically check the relationship between stock price performance and corporate purpose (RQ1). In this analysis, the author uses a company's purpose measure constructed from the GPTW survey data as the independent variable and the company stock performance as the dependent variable.
3. Both analyses described above designed to assess the complex relationship between a firm's purpose and its financial performance yield the same result: no statistically significant relationship between purpose and performance.

1.6. The Structure of This Dissertation

This dissertation consists of six chapters.

Chapter 1 – This chapter introduces the research topic and discusses both its social relevance and the growing amount of attention it is drawing from multiple stakeholders, including business leaders, customers, employees, and non-governmental organizations. This chapter also attempts to develop a clear definition of the topic and identifies the knowledge gaps that this dissertation aims to fill by clearly presenting the main research question that addresses whether a perceived sense of corporate purpose among employees can influence a firm's economic success. The research design is also presented and the methodology is discussed. The chapter concludes with a discussion of the structure of the overall dissertation.

Chapter 2 – The literature review contains a review of the existing literature of the role of businesses in society that references shareholder theory, stakeholder theory, corporate social responsibility theory, corporate shared value theory. In a second step, the chapter looks at purpose from an individual's perspective, and introduces insights from positive psychology. In a third step, the chapter focuses on employee engagement and its relationship to purpose. In a fourth step, the chapter focuses on purpose from the employee perspective, with a specific reference to the pioneering work of the Gartenberg et al. (2019) study. In a fifth step, the chapter considers the role of cross-cultural dimensions theory, which further underscores the difficulty of isolating a complex, ambiguous term like purpose. And finally, the sixth and last step introduces the conceptual research design that emerges from the insights presented in this literature review.

Chapter 3 – This chapter sets out to conduct four (2x2) experiments to examine how people feel about a company based on its objectives and how such objectives influence their perceptions of the company and their work engagement. To test this, the chapter conducts two survey-based experiments. In each experiment, the author presents one group of survey respondents in the United States and a second group in Europe with descriptions of two companies—one with a clearly defined corporate purpose that unmistakably extends beyond mere profit maximization (the purpose case) and one without (the business-as-usual case). The author then asks the respondents to indicate whether they agree or disagree with a series of statements relating to their perceptions of the company. These experiments all find that corporate purpose positively influences an employee's work engagement and perceptions about his or her job. From a cultural perspective, the study finds that there is a significant difference (at the 1% significance level) between the responses from Europe and the United States, with

the US group being more sensitive to corporate purpose interventions than their European counterparts.

Chapter 4 – This chapter tests the empirical relationship between corporate purpose and a firm's operating or accounting results (but not stock prices). This section builds on the research framework that was introduced by Gartenberg et al. (2019) to measure the purpose-orientation of employees at multiple job levels in companies across multiple countries and sectors. Following this logic with respect to measuring purpose orientation, the author was able to gain access to a dataset of employee responses collected by the Great Place to Work (GPTW) Institute, a proprietary and independent institution that conducts annual standardized surveys that span multiple firms, job titles, countries, and years. The results of the study indicate a weak (positive) relationship between corporate purpose and a company's financial operating performance, but this relationship is not statistically significant and therefore could not establish any clear association between corporate purpose and its financial performance.

Chapter 5 – This chapter builds on the dataset from GPTW's Best Companies to Work For described in Chapter 4 to explore whether a relationship exists between corporate purpose and a company's stock price performance and stock price volatility. To study this relationship, the author conducts a quantitative analysis of how two portfolios of publicly listed companies with different Purpose Index scores perform in comparison to each other, in comparison to the entire GPTW universe, and in comparison, to a broad equity market benchmark. The results are positive. The portfolio of companies that exhibit a higher purpose index outperforms the portfolio of companies that exhibits lower purpose index in terms of both absolute performance and risk-adjusted performance, but it is not statistically significant to establish any relationship.

Chapter 6 – This chapter concludes the dissertation, beginning with a general discussion on theme and its practical relevance. The second stage of the chapter discusses the theoretical conclusions of the dissertation that extend from Chapters 3 through 5 before discussing some of the potential managerial implications of the results. This is done to emphasize the relevance of the topic to the evolving business environment of 2020. The conclusion ends with a discussion of the limitations of the research project and explores further promising avenues of research.

2. Literature review

This chapter begins by investigating the existing theories around the role of business in society and how such insights could inform the discourse around purpose and performance. This first section dives immediately into several important theories exploring the institutional and societal incentive structures guiding the activities of a firm, ranging from shareholder theory to stakeholder theory to corporate social responsibility to corporate shared value. The second section explores the purpose theme as a synonym for meaning in the context of positive psychology, thus addressing the individual's perspective on purpose. The third section focuses on multiple facets of employee engagement, including how a great sense of purpose at work can be related to higher levels of employee engagement. The fourth section has a focus on employee perceptions of what it may mean to qualify as a purpose-driven company. And finally, the fifth section examines how insights from cross-cultural theories may call into question the validity of general management concepts (especially new ones) like corporate purpose, thus adding further layers of complexity to the analysis of how such management concepts can empirically be linked to improved operating and financial performance.

The sources discussed in this literature review should serve as a foundation for the critical analysis of how purpose may or may not influence corporate performance across different cultures. The subsequent empirical analyses exploring the relationship between purpose, engagement, and performance are conducted in Chapters 3, 4, and 5.

2.1. A Historical discussion of the role of business in society

A key question that a number of researchers have tried to answer over the past decades, with varying degrees of complexity and clarity, is this: What is the *raison d'être* of a firm in a societal context? In analyzing the existing literature, which is all just a few decades old and should be considered in this particularly short historical context, the author structures this discussion around four primary economic theories: shareholder theory, stakeholder theory, corporate social responsibility theory, and corporate shared value theory. These theories all address the role or purpose of business in society, and as such contribute to the theoretical (and normative) discourse around corporate purpose from a societal perspective. However, although many researchers in these fields seem to imply a relationship between purpose – however they may define it - and economic success, the works cited offer little empirical evidence with

respect to answering the question of whether purpose could drive economic success. Nonetheless, as a theoretical foundation, and to underscore the semantic complexity of the concept, this first section on the role of business in society research is indispensable.

2.1.1. Shareholder theory

As suggested above, purpose is an ambiguous concept. Neoclassical economic theory—or shareholder theory—assumes that the corporation’s sole purpose is profit maximization subject to capacity constraints. In the 1960s, Milton Friedman (1962) suggested this:

There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud (p. 133).

In his seminal book *Capitalism and Freedom* (1962), Milton Friedman considers shareholders the economic engines of companies and, as such, the only constituents to which the firm owes any degree of social responsibility. During the 1960s in an era in which patriotism was expected of companies, the stark clarity with which Friedman presented this message shocked many. Friedman considered the purpose of a firm to be to maximize profits and return a portion of those profits to shareholders as a reward for having invested capital in the firm. These profits are never to be invested in environmental or social causes because, according to Friedman, that would mean a decrease in profits. In fact, in a famous *New York Times* editorial, Friedman flat out rejected the idea that firms have a social responsibility to society that goes beyond serving the immediate interests of their equity owners and asserted that the concept “shows a fundamental misconception of the character and nature of a free economy” (Friedman, 1982, p. 112). Building on this perspective, R. Edward Freeman’s separation theory suggests that ethical and business considerations can and should be sharply separated from one another. In effect, this means that managerial decisions can be separated in a binary way—business decisions without a moral or normative anchor and moral decisions without a business anchor (Freeman, 1994). This doctrine has come to be known as shareholder theory.

In essence, shareholder theory implies that the corporate purpose of a firm is to maximize its shareholders’ wealth while minimizing the importance of its relationship with its broader stakeholder community (Friedman, 2007). Even more specifically, shareholder theory suggests

that the shareholder is the residual claimant who provides the necessary financial capital for the firm's operations (Jensen & Meckling, 1976). In line with this stream of logic, any corporate purpose that does not explicitly focus on maximizing shareholder returns is a distraction and should thus result in financial underperformance. Shareholder theory is closely related to what most economists and scholars would associate with the invisible hand metaphor that was popularized by the father of economics, Adam Smith. Smith suggested that competition among economic actors and, more specifically, the uncompromising pursuit of each actor's own interests tend to lead to optimal efficiency with respect to the allocation of scarce resources in an economy (Friedman, 1982).

Supporting this logic, other popular scholars such as Sundaram and Inkpen (2004) even suggested that the shareholders are the most relevant stakeholders since they occupy the residual claims on the firm, while others posit that any alternative view that supports a firm having multiple functions is distracting and confusing (Jensen, 2002). Such opinions tie neatly together in Freeman's separation theory, which states that managers' fiduciary responsibilities (to shareholders) in the context of their business decisions require them to put the interests of shareholders above those of other stakeholders (Freeman, 1994). It is important to note, however, that Friedman never equated shareholder interests with short-term profit maximization; he called on companies to remain within the law and even abide by established ethical standards (e.g., with respect to workplace safety). Nonetheless, shareholder theory clearly conflicts with any notion that a corporate purpose beyond mere profit maximization could potentially be associated with improved medium- to long-term economic outcomes. The theoretical legacy of this fundamental theory would imply that any corporate focus on a purpose extending beyond mere profit maximization should invariably result in lower economic returns. Alternatively, shareholder value theory suggests that profit and shareholder value maximization is the legitimate purpose of a firm and is thus also most likely to drive economic performance higher. However, the theory adds little more than eloquently argued conjecture and perhaps a broad contextual understanding to the question of whether a purpose beyond shareholder maximization influences economic performance of the company in question (RQ1).

Moreover, shareholder theory with a primary focus on maximizing shareholder value has attracted a lot of criticism in recent years, particularly in the context of an increasingly complex system of global pressures and trends. Indeed, global challenges—from climate change to

rising inequality to declining levels of trust in companies to bigger demands for meaningful work from a new generation of employees—are factors that have reignited the wider debate about the role that business can or should play in society. Some authors even suggest that shareholder value theory has an inherently ideological quality to it. In the words of Freeman, Wicks, and Parmar (2004):

Maximizing shareholder value is not a value-neutral theory and contains vast ideological content. At its worst, it involves using the *prima facie* rights claims of one group – shareholders – to excuse violating the rights of others (365).

This critical view of shareholder theory echoed the dissent voiced by Donaldson and Preston (1995) who a decade earlier went one step further by suggesting that a myopic shareholder view that considers equity holders as the only concern of management is “normatively unacceptable” and that “managers should acknowledge the validity of diverse stakeholder interests and should attempt to respond to them within a mutually supportive framework, because that is a moral requirement for the legitimacy of the management function” (p. 87). Donaldson and Preston suggested that managers have a moral obligation to recognize the validity of diverse stakeholder interests within a particular business context. Ultimately, this wider debate about the legitimacy of shareholder value theory spawned a further school of thought called stakeholder theory. As such, it also paved the way for the modern concept of corporate purpose that deprioritizes the primacy of shareholder value as a goal and recognizes the impact of business activities – both direct and indirect – on the interests of a variety of stakeholders.

2.1.2. Stakeholder theory

Stakeholder theory was conceived in an effort to qualify and question the normative benchmark set by shareholder theory. Stakeholder theory posits that a firm should play a broader role in society and should aim to maximize value for a wider range of stakeholders (Freeman et al., 2004). These stakeholders consist of a variety of actors, including consumers, employees, creditors, regulators, communities, suppliers, and, of course, shareholders (Freeman & Evan, 1990). Stakeholder theory defines the purpose of a company in a fundamentally different way. According to stakeholder theory, a firm’s *raison d’être* is to coordinate and prioritize the interests of the many stakeholders who are affected by its business activities (Freeman & Evan, 1990). To this end, stakeholder theory questions and indeed challenges the most fundamental

assumption of shareholder theory that the primary corporate purpose of a firm should be to maximize net income and, in the process, shareholder value (Donaldson & Preston, 1995).

Stakeholder theory also looks at the normative theory of stakeholder identification—the morals and values involved in managing an organization—and then examines the conditions under which managers treat their stakeholders as relevant actors in the firm’s business operations (Donaldson & Preston, 1995). An important aspect of the theory is that it prioritizes the importance of stakeholders according to their potential to significantly impact the context of each firm’s operations (Jawahar & McLaughlin, 2001). But who or what are stakeholders? Definitions of stakeholders vary widely (Laplume, Sonpar, & Litz, 2008). The range is enormous, from a relatively narrow view that stakeholders are those who wield power over companies (Frooman, 1999) to the idea that stakeholders are those who carry the risks of corporate actions (Clarkson, 1995) to the broadest view that stakeholders are members of social groups who are tangentially and directly affected by a company’s actions (Freeman, 1984). Even once a definition has been accepted, however, one must also realize that not all stakeholders are equally important to a firm’s management in practice. This raises the question of how companies prioritize their engagement with a variety of its stakeholders. To this end, Mitchell, Agle, and Wood (1997) stated that stakeholder priority is typically assessed according to two criteria: 1) power, which is assigned due to the financial resources they have at their disposal and 2) legitimacy, which is assigned on account of the reputation the company enjoys in a particular social setting. These are what Mitchell et al. (1997) refer to as “dominant stakeholders.” Building on this contribution of dominant stakeholders, authors such as Freeman et al. (2004) emphasized that the objective of generating value for stakeholders can accrete particular value for shareholders by aligning their interests with those of civil society. In other words, it is assumed that generating long-term value for equity shareholders means that it is necessary to cater to the needs of a broader set of stakeholders who have no immediate ownership in the firm, including customers, employees, suppliers, and the broader community in which the firm operates (Venkataraman, 2002).

Following similar logic, Donaldson and Preston (1995) even suggested that a multidimensional stakeholder approach can, over time, generate more sustainable economic value rather than crudely trying to satisfy just one stakeholder group (i.e., shareholders) on a short-term basis at the expense of the rest. Such a multidimensional stakeholder view of effective strategic guidance gains increasing relevance in a world that is becoming more connected and complex,

which makes it seemingly naïve to rely on merely one metric (shareholder value) to guide the strategic operations and allocation of a company's resources (Freeman et al., 2004). Moreover, such a perspective on the role of business in society supports the idea that a clear, corporate purpose that goes beyond mere profit maximization could, in fact, be a more successful medium-term economic strategy. Freeman et al. claim that one would have to deny the increasing complexity of business decisions to favor a simplistic model in which a firm's objective is singular (i.e., the shareholder value approach) rather than a multidimensional approach such as stakeholder theory. Indeed, stakeholder theory invites a systematic skepticism of the orthodoxy of shareholder primacy as embodied by shareholder theory. Nevertheless, stakeholder theory offers no clear and unambiguous guidance to what a firm's corporate purpose should be. Freeman (1984) admits this.

Stakeholder theory offers no concrete, unarguable prescription for what a corporation should stand for ... it is not normative in the sense that it prescribes particular positions of moral worth to the actions of managers (p. 210).

In fact, more recent work even suggests that stakeholder theory should not be considered a practical tool of management but rather a general approach and thus an end in and of itself (Freeman et al., 2004). The basis impetus for stakeholder theory has largely been to refute the shareholder primacy orthodoxy (i.e., a celebration of what stakeholder theorist would probably consider unbridled self-interest). In this spirit, the stakeholder theory plays an instrumental role for the purposes of this dissertation, given its important role in questioning the universal validity of the shareholder value theory, and thus paved the way for scholars and practitioners alike to offer legitimacy for any corporate strategy that deviates from the shareholder value orthodoxy. Moreover, stakeholder theory also suggests that a normative approach to fairly and effectively managing the interests of a firm's stakeholders needs not necessarily amount to a trade-off in economic performance (Donaldson & Preston, 1995). In other words, a corporate purpose that considers the well-being of multiple stakeholders is not inevitably doomed to deliver poor economic performance. These insights lay the foundation to even consider the notion that a corporate purpose beyond mere profit maximization could potentially be related to better economic performance. This serves as the foundation for this dissertation: the fundamental acknowledgement of stakeholder theory that a strategic approach to effectively managing the interests of all stakeholders (including employees, customers, suppliers, social communities, governmental entities, shareholders, etc.) is fundamental to the long-term

operational success of a corporation (Freeman, 1984). This belief that the relationships with stakeholders including non-shareholding stakeholders are centrally—not tangentially—relevant to a firm’s operational success (Lee, 2008) also offers important insight into the next relevant theory: corporate social responsibility. Corporate social responsibility is a theory that builds on stakeholder theory by emphasizing the social contribution of a company along with the moral obligation of the company to comply with best-practice standards with respect to environmental, social and governance themes.

2.1.3. Corporate social responsibility theory

Corporate Social Responsibility (CSR) theory has also undergone a considerable evolution over the last few decades, often being influenced by the preceding views of shareholder and stakeholder theories. A review of the academic literature on CSR indicates that the first references date back to the 1950s and Howard Bowen’s book *Social Responsibilities of the Businessman* (Bowen, 1953). Bowen’s work is unable to credibly answer the fundamental question of whether or not a businessman (sic) should assume responsibilities to society, but this is only because he assumes the answer to be obvious, in the affirmative (Lee, 2008). Bowen’s (1953) definition of social responsibility makes this essentially normative approach to a company’s purpose clear:

The obligations of businessmen to pursue social policies are clear, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society (p. 6).

The essence of this first reference to corporate social responsibility theory is clearly normative, but it nonetheless marks the advent of the theoretical analysis of what we today refer to as corporate social responsibility (Carroll, 1999). And although many scholars accepted Bowen’s normative doctrine about the role a business should play in civil society (Backman, 1975; Barnett & Salomon, 2012), the growing majority of scholars who wrote in the 1970s rejected this dogmatic normative approach. In fact, the conceptual expansion of the purview of stakeholder theory as a potential driver of economic value also served as an invitation to reevaluate the main tenets of CSR. Wallich and McGowan (1970) made the first attempt to reconcile CSR with shareholder interests. According to his economic model, which is dubbed “enlightened self-interest,” shareholders aim to achieve “social optimization,” which they define as the flourishing of all firms in a social context after all negative externalities are

effectively allocated or internalized. Wallich and McGowan's (1970) social optimization theme stands in stark contrast to the notion of profit maximization for a single firm. The key and critically important implication of this research suggests that it is in the long-term business interests of a company to actively engage in CSR. In 1970, efforts to reconcile the social and economic interests of the corporation were groundbreaking. Building on this one year later in 1971, Steiner (1971) contended that businesses are, indeed, economic actors in the first instance but should recognize a responsibility to contribute positively to the societies in which they operate over the medium to long term. This view distinguishes between a firm's short-term self-interest and its long-term enlightened self (and social) interests.

The next scholar after Steiner to extend the scope of CSR theory was Harold L. Johnson (1971), who suggested that corporate social responsibility was key to long-term business success because "social responsibility states that businesses carry out social programs to add profits to their organization" (p. 54). In addition to this decidedly economic view, Johnson (1971) also suggested that corporate social responsibility is a rational choice that is founded in utility optimization, which assumes that economic actors are inherently interested in both their own interests and those of others. Tying these insights together, one recognizes that the works of Wallich and McGowan, Steiner, and Johnson were instrumental in qualifying the importance of the normative approach to CSR but enabled the shift away from the normative approach to a more holistic approach (Eilbirt & Parket, 1973). Peter Drucker (1974) also advocated such a holistic approach by suggesting that companies that comply with corporate social responsibility theory typically prove environmental integrity, economic development, and social justice as part of their strategies for operating competitively in their markets. Drucker was joined by Archie Carroll's (1979) call to support this holistic and multidimensional approach to business:

The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time (p. 500).

Carroll even proposed an iconic three-dimensional model of CSR, which researchers such as Wartick and Cochran (1985) and even Epstein (1987) have expanded upon over the intervening decades. As Figure 2.1 indicates, the initial model included social responsibility, social responsiveness, and social issues in an effort to offer a holistic view of corporate social responsibility (Carroll, 1979). Carroll explains that the economic component refers specifically to the discretion a corporation has to make healthy economic profits; the legal segment refers

to the responsibility a firm has to operate within the “rules of the game”; the ethical segment refers to a firm being responsible for abiding by norms that go beyond legally binding expectations but conform to established social standards; and the discretionary segment suggests a responsibility toward society that goes beyond any moral or legal expectation (Carroll, 1979). This three-dimensional model is of pivotal importance to the literature foundation of CSR, not least because it reconciles the two previously incompatible poles of the economic and normative perspectives. As such, this framework has become widely accepted as a lens through which to view CSR theory, both theoretically and from a practical standpoint (Lee, 2008). This framework also serves as the basis for further research into the relationship between corporate social responsibility (Cochran & Wood, 1984) and corporate economic performance (Ullmann, 1985). As such, it is also relevant to the study of corporate purpose.



Figure 2.1. The role of business in society – Carroll’s three-dimensional model

Source: Author, based on the pyramid presented by Carroll (1979)

The conceptual development of stakeholder theory has resulted in multiple authors’ suggestions that CSR could even be a driver of economic value getting louder. For example, Burke and Logsdon (1996) submitted five dimensions along which to associate CSR with economic value creation: 1) centrality, or closeness to the firm’s purpose; 2) specificity, or the firm’s ability to capture private benefits; 3) proactivity, or planning in anticipation of certain social or environmental trends; 4) volunteerism, or inviting employees to share their time for a

worthy cause; and 5) visibility, or the fact that noteworthy initiatives are visible to key stakeholders (Burke & Logsdon, 1996). This trend toward recognizing CSR as a potential driver of economic value emerged from the tensions that existed between CSR and financial performance during the 1980s, and it seems only to be getting stronger. Indeed, CSR has now entered the mainstream, and it is even being used to analyze additional extra-financial perspectives ranging from environmental responsibility (Aguinis & Glavas, 2012) to affirmative action (Rayton, Brammer, & Millington, 2015) to diversity in general (Bear, Rahman, & Post, 2010) to corporate reputation (Sánchez & Sotorrío, 2007). These research initiatives serve as the broad basis of the discourse around whether extra-financial targets can strengthen a firm's economic performance. And although CSR tends to be closely aligned with the corporate compliance with various laws and international agreements, the CSR theory can also be credited with systematically bringing the consideration of extra-financial themes onto the corporate agenda. As such, CSR can be regarded as a precursor to the current discussion of corporate purpose. Importantly, however, CSR is different to corporate purpose in so far as a purpose-driven firm would consider the management of extra-financial themes as a core part of its strategy, whereas a firm dedicated to CSR standards would likely be one pursuing its business interests while taking great effort to abide by best-practice norms and laws on environmental, social and governance themes.

Building on the work exploring the relationship between CSR of corporate performance discussed above, Freeman (2010) went on to formulate a distinction between the residual concept of CSR described above, which focuses on returning excess earnings to society, and a new and integrated approach to CSR that considers CSR to be part of a firm's overall corporate competitive strategy. More specifically, the integrated approach blends CSR into the conceptual key of corporate strategy by suggesting that environmental, social and governance considerations are not tangential to effective corporate strategy, but central to it. As such, managers become responsible for weaving the demands of various stakeholders together with corporate capacities in order to create value while respecting the rules that regulate corporate behavior (Bosch-Badia, Montllor-Serrats, & Tarrazon, 2013). However, the most meaningful contributions to associating CSR with the creation of (economic) value come mainly from the articles by Michael Porter and his main co-author Kramer (Porter & Kramer, 2006). These authors consider the expenses that are necessary to reduce environmental impact or strengthen the societies in which businesses operate as an opportunity to improve competitiveness. They also distinguish between responsive CSR, which focuses on returning excess earnings to

society, and strategic CSR, which seeks to identify societal problems that the corporation can help resolve, thus creating value for both society and shareholders. As such, strategic CSR then becomes a source of opportunity, innovation, and competitive advantage (Porter & Kramer, 2006). This approach is also the basis for Porter and Kramer's most recent theory: corporate shared value theory. In fact, CSV could be considered a broader category into which most purpose-driven firms would be likely to fit.

2.1.4. Corporate shared value

The most recent evolutionary step guided by Porter and Kramer with respect to the relationship between business and society is the concept of shared value. The basis of this new approach is the recognition that societal needs—not just conventional economic needs—define the constitution of markets and that societal problems can create internal costs for firms. It is in this context that shared value refers to “policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates” (Porter & Kramer, 2011, p. 3). According to this approach, it is incumbent on companies to seize the opportunity to turn capitalism into an environmentally, socially, and economically sustainable economic system lest they risk losing their societal legitimacy or even their license to operate. The authors define the challenge as follows:

A big part of the problem lies with companies themselves, which remain trapped in an outdated approach to value creation that has emerged over the past few decades. They continue to view value creation narrowly, optimizing short-term financial performance in a bubble while missing the most important customer needs and ignoring the broader influences that determine their longer-term success. How else could companies overlook the well-being of their customers, the depletion of natural resources vital to their businesses, the viability of key suppliers, or the economic distress of the communities in which they produce and sell? How else could companies think that simply shifting activities to locations with ever lower wages was a sustainable “solution” to competitive challenges? Government and civil society have often exacerbated the problem by attempting to address social weaknesses at the expense of business. The presumed trade-offs between economic efficiency and social progress have been institutionalized in decades of policy choices (Porter & Kramer, 2019, p. 324).

The solution to this impasse is presented as shared value, which reconnects economic success to social progress in a way that generates economic value while also creating social value by directly addressing societal needs and challenges. More specifically, the authors suggest that firms can generate shared value in three key ways: 1) by reconceiving products and markets, 2) by redefining productivity in the value chain, and 3) by enabling local cluster development (Porter & Kramer, 2011). It is also in the context of this evolution that the corporate purpose of a firm is now in the process of being redefined as creating shared value. Although shared value can lead to a more sustainable value chain in the long term, the strategy also experiences pressure from capital market participants who still focus mainly on short-term (quarterly) profits.

2.1.5. A critical summary of business in social research theories

All the research contributions that have been mentioned here—from stakeholder theory to corporate social responsibility theory to shared value theory—can be grouped within the cluster of business research in social research. This broad research sector faces several academic challenges, most of which relate to the confluence of a number of emerging and inherently overlapping research fields that range from the more established ones discussed above to lesser-known areas such as business citizenship, corporate social performance, stakeholder management, and so on (Waddock, 2004). Indeed, the proliferation of so many different theories, corporate purpose being the most recent, has also spawned new degrees of uncertainty among business leaders with respect to the primary points of orientation around which they should be setting their priorities.

In a reflection of this uncertainty, companies in recent decades have exercised a higher degree of nuance in their greater or lesser pursuit of profit maximization. For example, some firms place varying degrees of emphasis on the long-term versus the short-term results (Brochet, Loumioti, & Serafeim, 2015) such as when Unilever announced that the firm would stop giving quarterly results and focus on the long-term creation of value that is equitable, shared, and sustainable (Poleman, 2015). Another nuance with respect to the goal of profit maximization involves a greater or lesser focus on the negative externalities that a firm's operations have on other stakeholders and the environment (Paine, 2004), like Natura committing to preserving biodiversity and offering products with a minimal environmental impact. Another distinction about the profit maximization maxim includes a tighter or looser focus on other stakeholders compared to shareholders (Freeman, 2010), like Novo Nordisk officially identifying its

patients—not its stockholders—as its primary stakeholder group. Indeed, such examples of nuance in recent years have also invited scholars to argue that companies can create shareholder value by strategically integrating social considerations into their strategies (Godfrey, 2005), similar to the shared value theory discussed above. This notion is based on the belief that meeting the needs of other stakeholders such as employees or customers indirectly creates value for shareholders in the longer term (Porter & Kramer, 2011). Several scholars have also recognized that neglecting the needs of other stakeholders can actually destroy value through consumer boycotts (Sen, Gürhan-Canli, & Morwitz, 2001), create the inability to hire talented employees (Greening & Turban, 2000), and incur expensive fines. All these instances suggest that social and environmental considerations seem to be increasingly central, not tangential, to business leadership and perhaps even financial performance. At the same time, it is important to recognize that this large body of research exploring the ways in which extra-financial targets can lead to better economic performance serve only as weak proxies for what the analysis refers to as the broader topic of purpose. Moreover, the four distinct theories also suggest the large level of complexity that exists when evaluating the meaning and impact of ambiguous concepts like corporate purpose.

2.2. Purpose and positive psychology – the individual’s perspective

The last section looked at corporate purpose as it refers to the role business is set to play in society, discussing various theories to laying out the normative role of a company in society in general. This section looks at corporate purpose from an individual’s perspective, and less from a societal perspective. The filter through which purpose is viewed here is positive psychology.

One of the new fields of research that relates closely to the pursuit of purpose is positive psychology. The field started creeping into the mainstream over the last two decades. Books such as *Give and Take* (Grant, 2013), *Start with Why* (Sinek, 2013), *Drive* (Pink, 2009), and *Flourish* (Seligman, 2011) have invited a new audience into the discussion about the purpose of work. In essence, positive psychology examines the role that purpose (or meaning) and well-being have in people’s lives—but also at work. More specifically, researchers in the field have sought to shift the focus of their research from psychological pathologies and neuroses to themes that help people improve their effectiveness and general satisfaction in the face of adversity in a variety of settings. With specific reference to the work-life context, positive psychology also looks at the conditions that are necessary to facilitate an environment in which

humans have the greatest chance of flourishing (Seligman, 2002b). To offer a better overview, Figure 2.2 illustrates the main research topics that fall under positive psychology, with purpose and meaning being a central part of the body of knowledge within the field. As such, it makes sense to use this filter in order to look at corporate purpose from a different perspective than in the first section, which looked at the purpose a firm in a societal context.

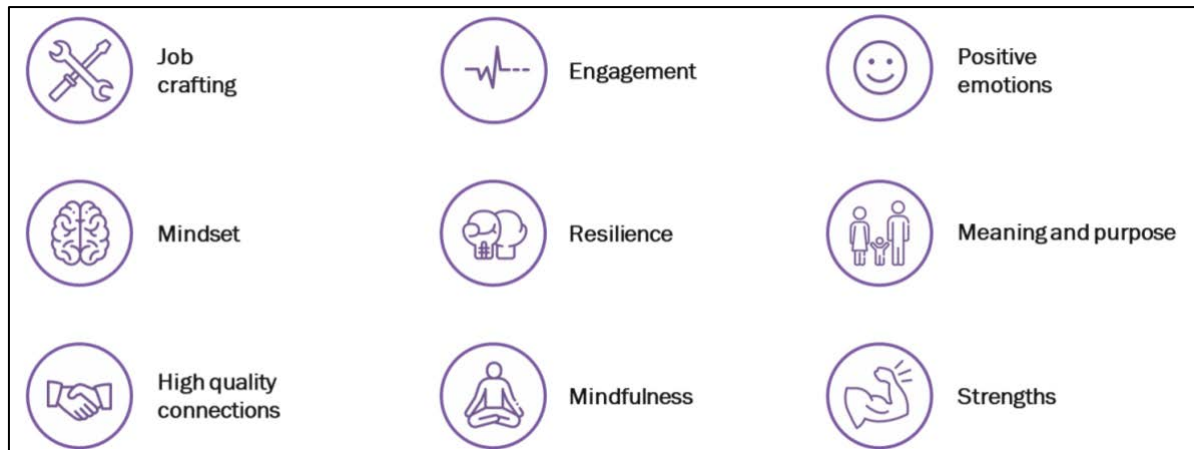


Figure 2.2. Research topics in positive psychology

Source: Author, based on Seligman's analysis (2019)

Although the term “positive psychology” was first introduced more than 70 years ago by none other than Abraham Maslow (1943), it was popularized about two decades ago at the University of Pennsylvania by the iconic researcher Martin Seligman. Seligman was one of the growing group of thought leaders who became disenchanted with the disease-oriented focus of psychology (i.e., making miserable people less miserable) and saw an opportunity to shift the research focus to positive human traits (i.e., joy, courage, inspiration, purpose, and happiness in general) and how these could unfold in the workplace (Seligman, 2002b). Seligman is also the father of the well-known theory of “learned helplessness,” which examines how humans can learn to enter a state of helplessness, even feeling as though they have lost all control over what happens to them (Klein, Fencil-Morse, & Seligman, 1976). This work also contributed to the foundation of his work on positive psychology, since the concept of learned helplessness served as an intuitive invitation to explore potential remedies to this state like activating a sense of purpose, joy and inspiration. In this context, Seligman (2002b) describes his objective as follows:

The aim of positive psychology is to catalyze a change in psychology from a preoccupation with repairing the worst things in life, to also building on the best qualities in life (p. 3).

Building on this main theme, the University of Pennsylvania's Positive Psychology Center developed the following definition:

Positive psychology is the scientific study of the strengths and virtues that enable individuals and communities to thrive. The field is founded on the belief that people want to lead meaningful and fulfilling lives, to cultivate what is best within themselves, and to enhance their experiences of love, work, and play (Seligman, 2019, p. 1).

Although the roots of positive psychology can be traced back to Maslow (1943), Carl Jung (1954), and even Aristotle's view of happiness as a vulgar and fleeting feeling that is not enough to sustain a good life (Kenny, 1992), it was not until Seligman's research on meaning and the positive emotions in life that hundreds of researchers delivered groundbreaking insights into how positive psychology can apply to a variety of human domains, including the workplace. This research is relevant because purpose (and meaning) is intricately linked with the positive emotions that serve as the focal point of positive psychology. As such, most of the insights from positive psychology have a direct relevance to well-being and purpose at work. This is relevant for this dissertation, not least because the insights from positive psychology that boost employee engagement levels might, by extension, also be relevant to performance since higher engagement levels are positively associated with employee and company performance (Harter, Schmidt, Agrawal, Plowman, & Blue, 2016).

For example, Jenkinson et al. (2013) discovered that people can improve their sense of well-being and life satisfaction by volunteering time to a cause they find meaningful. This study even suggests that volunteering one's time to a meaningful cause can reduce symptoms of depression. This research underscores how, on an individual level, finding meaning at work can improve employee well-being. Along similar lines, Dunn, Aknin, and Norton (2008) discovered that spending money on other people results in higher levels of life satisfaction. This research stands in direct opposition to or at least dilutes the well-established shareholder theory discussed above, since it explores the benefits of diverging from a strict shareholder primacy orthodoxy. Similarly, Layous, Nelson, Oberle, Schonert-Reichl, and Lyubomirsky (2012) found that performing acts of kindness toward other people promotes well-being in the giver and leads to that person being more readily accepted by his or her peers. This research also works to break the mould of the primary purpose of a firm always needing to be shareholder value maximization. Correspondingly, Scott and Barnes (2011) discovered that

people who actively work to cultivate a positive attitude (what the authors call “emotional labor”) experience higher levels of well-being. This research result is relevant because a person can cultivate a positive attitude by identifying an underlying purpose in the reason, he or she does a certain task. Importantly, according to positive psychology, putting some effort into cultivating a positive attitude by identifying a clear purpose in a task can improve employee well-being. In related research, Fowler and Christakis (2008) discovered that positive emotions (arising from a clear sense of purpose) are, in fact, contagious; in other words, people with happy friends are more likely to experience well-being in the future. This is centrally relevant to workplace performance, given that Lyubomirsky, King, and Diener (2005) discovered that experiencing positive emotions actually increases an employee’s chances of success at work. However, this does not mean that forcing people to just think positively will invariably lead to more success at work. It is quite the opposite. According to research by del Valle and Mateos (2008), forcing people who are not considered natural optimists to just think positively at work has been shown to be just as detrimental as intense pessimism. This is also why the cultivation of a clear sense of meaning or purpose can potentially be so relevant; the identification of a clear purpose can serve as a driver of a positive attitude. In other words, a clear sense of purpose can be used to rationalize difficult times and thus promote well-being at work.

2.2.1. Happiness vs. purpose

Seligman also dismisses the concept of happiness as a goal that humans should strive toward and instead suggests that humans should strive to achieve a sense of well-being or purpose – which he considers a richer and more rounded condition than happiness (Seligman, 2011). In this sense, purpose is considered separately to happiness. Whereas happiness is a fleeting, one-dimensional mood, purpose or well-being is a more grounded, enduring state of being, less susceptible to mood-swings and the emotional oscillations of everyday life. And although Seligman recognizes that happiness has value to humans, he also suggests that the concept of happiness has an ethereal and volatile quality to it and that it might sometimes even be necessary to forfeit short-term happiness to achieve purpose or well-being. As such, Seligman’s research focus is less on the drivers of happiness and more on the drivers of purpose and well-being. Specifically, Seligman (2002a) states as follows:

The well-being that using our signature strengths engenders is anchored in authenticity. But just as well-being needs to be anchored in strengths and virtues, these in turn must be anchored in something larger. Just as the good life

is something beyond the pleasant life, the meaningful life is beyond the good life (p. 14).

The reasons for his focus on an overarching purpose in life are empirically grounded. In their efforts to explore active interventions that can affect life satisfaction (and productivity), Peterson, Park, and Seligman (2005) defined three archetypes of happiness:

- 1) The *pleasant life*, which is wrapped up in the successful pursuit of positive emotions, is often associated with material possessions and short-term, euphoric experiences, and is supplemented by the skills of amplifying these emotions;
- 2) The *good life*, in contrast, is not about maximizing positive emotion but is a life that is committed to using signature strengths to obtain authentic gratification (i.e., get into flow); and
- 3) The *meaningful life* is a life that directs one's signature strengths in the service of something larger than oneself. This archetype can be considered synonymous with purpose.

The results of this research are instructive. It turns out that the pursuit of pleasure or a "pleasant life" has almost no contribution to life satisfaction. The pursuit of meaning or purpose (i.e., a "meaningful life") makes the strongest contribution to life satisfaction, and the pursuit of engagement (i.e., the "good life") also makes a robust contribution to life satisfaction. Interestingly, Peterson et al. (2005) find that pleasure has at best a marginal contribution to life satisfaction and only when engagement ("good life") and meaning ("meaningful life") already exist. In other words, pleasure can be seen as the cherry on top of the cake. Figure 2.3 offers an overview of the researchers' work and how the different archetypes of happiness affect general life satisfaction.

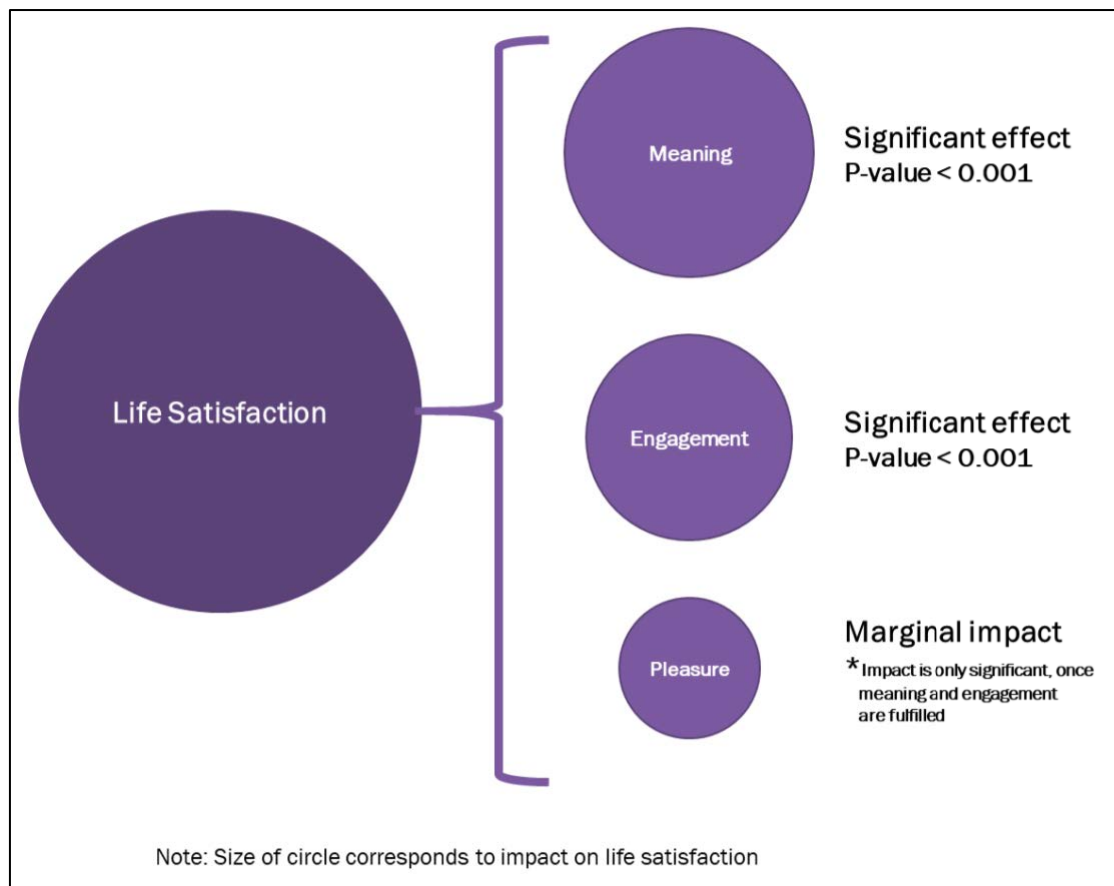


Figure 2.3. The three factors that affect life satisfaction

Source: Author, based on insights from the University of Pennsylvania (Seligman, 2019)

Fredrickson et al. (2013) supported Seligman's results and took them one step further, stating that while happiness and meaning (or purpose) often exist together, they also often don't. In fact, according to the results of their study, no less than 75% of the participants scored high on levels of happiness (i.e., a pleasant life) but low on levels of meaning (or purpose). This inconsistency between happiness and meaning is particularly insightful with respect to gaining a better understanding of purpose and the important role it can play for individuals – and for the way we organize our working environments. To better understand this dynamic in the occupational context, the Energy Project, a high-profile global project focused on identifying the sources and drivers of workplace energy, worked with *Harvard Business Review* to conduct a large-scale survey of 12,000 (mostly white-collar) workers across a broad range of firms and industries. The results were informative. Across all companies, 50% of employees lacked a sense of purpose at work. Moreover, the 50% of employees who derived a sense of purpose from their work delivered better performance than their peers. Moreover, this cohort of purpose-driven employees was 1.7 times more likely to report higher job satisfaction, 3 times

more likely to stay with the respective organization, and 1.4 times more engaged at work than the cohort that did not find a sense of purpose at work (Schwartz, 2018).

Another interesting example highlighting the inherent inconsistency between happiness and purpose can be observed in the exercise of parenting. An article in *New York* magazine by Jennifer Senior looks at why parenting is often negatively correlated with a traditional sense of pleasure or happiness. To this end, Senior (2010) writes:

From the perspective of the species, it's perfectly unmysterious why people have children. From the perspective of the individual, however, it's more of a mystery than one might think. Most people assume that having children will make them happier. Yet a wide variety of academic research shows that parents are not happier than their childless peers, and in many cases are less so (p.1).

This illustration is a powerful anecdote that underscores the dissonance of what Seligman called the “pleasant life” (i.e., happiness) and a “meaningful life” (i.e., purpose).

To further tease apart the notion of happiness from purpose at work, Bunderson and Thompson (2009) explored the dynamics of “work as a personal calling” in a very particular setting: the zoo. This is particularly relevant because zookeepers tend to be disproportionately well educated and work for disproportionately low salaries. Indeed, nearly three quarters of zookeepers possess university degrees and earn less than \$25,000 per year. This bitterly low income (even for US standards) requires nearly two-thirds of zookeepers to either work in second jobs or rely on family or savings to meet their costs of living. Moreover, for a zookeeper, there is little opportunity to move up the organizational hierarchy or get a significant wage increase, and the job does not enjoy a great deal of social recognition, with most people in society seeing the work as hard, dirty, and decidedly unglamorous.

But despite the many challenges of being a zookeeper, staff turnover is remarkably low. Moreover, many prospective zookeepers even work for free for many months as volunteers before actually being hired. Zookeepers are generally part of a community with a deep commitment to animals. This deep commitment suggests that zookeepers see their work as a moral duty of sorts and see themselves as the stewards of the well-being of the animals and of wildlife conservation in general. If an animal is sick, a zookeeper will often skip breaks or come into the zoo in the middle of the night to care for it. With such a background, it is not surprising that these people identify so closely with their jobs and ascribe such a high sense of

purpose to their work. One zookeeper echoed the sentiment of the group: “I can’t think of what would cause me to leave” (Bunderson & Thompson, 2009, p. 36). Bunderson and Thompson confirmed that many zookeepers expressed a sense of “calling” and strongly identified with the relevance and purpose of their jobs, despite the unpleasant circumstances and employment conditions. Moreover, it is interesting to note that many of the zookeepers confirmed that they would never let management know how deeply committed they were to their jobs, sometimes even secretively creating the impression that they disliked their jobs. The reason for this behavior was that zookeepers feared that if management were aware of how much purpose they found in their jobs, they may be left vulnerable to potential exploitation by management. In this context, the Bunderson & Thompson research results suggest that having purpose-driven employees can be a double-edged sword: a large amount of purpose can motivate employees to perform at their best but simultaneously leave them exposed to bad management practices. More broadly, this research suggests that a strong sense of purpose can be related to what economists could consider irrational behavior, i.e. working with passion and engagement for low wages - despite being highly qualified. As it turns out, the case with the zookeepers is not the only documented example in which people behave differently to what neoclassical economic theory may predict.

The report “Jobs, Careers, and Callings: People’s Relations to Their Work” studied the characteristics of people working as maintenance staff members in hospitals (Wrzesniewski, McCauley, Rozin, & Schwartz, 1997). The working conditions of these workers would be considered unpleasant by most people: cleaning the rooms of the sick and recently deceased, and assisting doctors and nurses whenever necessary. The authors of the study were particularly interested in members of this cleaning staff cohort who felt particularly committed to this difficult job. The research showed that these cleaners were treated with disrespect by doctors and nurses, and they often reported that they felt invisible to the medical staff, with some doctors even sometimes demonstrably making their cleaning jobs tougher by doing things such as dropping their gloves on the floor rather than disposing of them directly or nurses avoiding cleaning up bodily fluids and dumping them on the floor to make them the responsibility of the cleaning staff.

At the same time and despite such circumstances, the cleaning staff would sometimes go out of their way and well beyond what was expected to care for their patients by talking to the lonely ones, comforting those who were afraid, taking on small tasks for them, and generally

doing emotionally generous acts that were not part of their official job descriptions. This emotional generosity the workers brought to their jobs seems to be what gave them so much purpose. The cleaning staff workers were not simply doing their jobs and clocking out once they completed what was expected of them; they were doing more for the patients than what was contractually expected without the prospect of any external incentive (i.e. financial compensation).

Although this behavior – similar to that of the zookeepers – may seem paradoxical at first, a growing body of research in the field of positive psychology suggests that it is not as counterintuitive as it may seem. In fact, as it turns out, caring for others and social interaction in general offers humans a great deal of purpose in their jobs (Steger, Frazier, Oishi, & Kaler, 2006). The authors of this study of no less than 250,000 people found that nurturing these relationships offers more meaning to people than anything else. The researchers found that nurturing human relationships reinforces a person's sense of value, invites people to engage more in their jobs, and ultimately offers people an intrinsic motivation to discover more purpose at work. As such, the authors found that people who are intrinsically motivated by a strong sense of purpose are more likely to be better performers at work and to experience greater well-being in general than their peers. Wrzesniewski et al. (2014) went on to build on this work by describing two kinds of motives for human engagement: internal motivation (driven by a strong sense of purpose) and instrumental motivation (the job is an instrument to a different end such as fame, money, etc.). In their highly cited 2014 study, 11,320 West Point cadets rated how much each of a number of motivating factors had influenced their decision to apply to the military academy. The motives that were presented to the cadets included the desire to get a good job later in life, which was then coded as an "instrumental" motive. Other motives included being trained as a leader in the Army, which was coded as "internal." The results showed that cadets with strong internal motives performed best and were more likely to become commissioned officers, were promoted earlier, and were more likely to stay in the military after their five-year mandatory service period. The implications of this study along with other ones cited above suggest that by helping people find a deeper purpose in their work, organizations could potentially help improve the quality of the work they do and thus also affect the performance of the teams. In this context, the perspective of positive psychology offers a unique view on the individual (vs. only the purpose of the firm), and how a sense of purpose could potentially enhance an employee's well-being and engagement at work. Moreover, the important distinction that positive psychology makes between happiness (i.e. "pleasant life")

and purpose (i.e. “meaningful life”) offers further valuable insight into the better understanding of the complex and ambivalent topic that is purpose. Indeed, the birth and growth of positive psychology over the last two decades has made large contributions to better understanding the complex topic of purpose, and the role this theme plays in affecting a person’s sense of well-being.

2.3. The benefits of employee engagement

Most managers would probably agree the ability to build high levels of employee engagement within an organization is often related to high levels of employee performance. But what exactly is employee engagement, and when did it become relevant to the research community? As it turns out, the concept of employee engagement is relatively young, having first appeared in management literature in the early 1990s (Saks, 2006). Kahn (1990) was the first to define employee engagement.

The harnessing of organization members’ selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances (p. 694).

Kahn also goes on to discuss the three psychological conditions that serve as the foundation of employee engagement. The first is psychological safety, or the extent to which employees feel safe enough to show their true selves in the work environment without fear of negative consequences. The second, availability, is the extent to which people feel they possess the required resources to thrive in their vocational roles. The third, meaning, is the extent to which employees derive meaning – or purpose - from their jobs. This third condition of employee engagement already associates engagement closely with the idea of an employee deriving a sense of purpose from his or her work. As such, the concept of engagement is likely to be relevant for this dissertation’s analytical exercises.

Building on this idea of employee engagement by Schaufeli, Salanova, González-Romá, and Bakker (2002) defined the concept as a positive, fulfilling, work-related state of mind that is characterized by vigor (resilience), dedication (a sense of purpose), and absorption (a sense of flow or full concentration). A further contribution is based on academic work on job burnout, which positions employee engagement as the positive antithesis of job burnout (Maslach & Leiter, 2008). Maslach and Leiter (2008) build on the pioneering contributions in the field of

positive psychology to suggest that engagement consists of the three core components of energy, involvement, and efficacy. These qualities are antithetical to the three dimensions of burnout—exhaustion, cynicism, and inefficacy. Such insights, along with the work of positive psychologists who began addressing this topic at the turn of this century, have catapulted the concept of employee engagement to the forefront of measuring best-practice leadership standards, and of the wider academic discourse on business, organizational psychology, and human resource studies.

Indeed, in recent years, multiple academics have published insightful analyses exploring the topic of engagement and its relationship to a myriad of dependent variables. Numerous academic studies established a positive relationship between strong levels of employee engagement and dependent variables such as job satisfaction (Hakanen & Schaufeli, 2012), client loyalty (Salanova, Agut, & Peiró, 2005), organizational citizenship behavior (Rich, Lepine, & Crawford, 2010), lower turnover intentions (Saks, 2006), job performance (Halbesleben, 2010), and financial performance (Harter, Schmidt, & Hayes, 2002). Moreover, and importantly in the context of this dissertation's empirical design, Halbesleben's 2010 paper, "A Meta-Analysis of Work Engagement: Relationships with Burnout, Demands, Resources, and Consequences," found that engagement also relates positively to job performance. More recently, in 2016, Harter et al. conducted Gallup's ninth meta-analysis of more than 300 studies across 230 organizations in 49 industries and 73 countries. The results confirm preceding research outcomes that suggest that employee engagement is a meaningful predictor of performance across such critical outcomes as productivity, profitability, customer loyalty, turnover, absenteeism, and safety incidents. Moreover, and highly relevant to the purposes of this study, workers who feel a great deal of purpose in their jobs are 20 times more likely to be engaged at work (60%) than those who are actively disengaged (3%). Such results are highly relevant for the crafting of this dissertation's main research question since they suggest that purpose can potentially drive a higher sense of engagement among employees.

2.3.1. Purpose as a driver of engagement

As an aspect of positive psychology, employee engagement has established itself as a central theme in measuring employee well-being and performance. It is also in this context that a deeper understanding of how corporate purpose potentially affects employee engagement can be instructive.

Wrzesniewski et al. (1997) established that employees who are intrinsically motivated by a clear sense of purpose in their work—those who tend to consider their work a calling and not just a job—tend to find work more fulfilling and engaging than their peers. This analysis already suggests that a strong sense of purpose can be positively related to an employee's engagement. Cassar and Meier (2018) confirmed this view by suggesting that when workers in mission-driven roles experience a strong sense of purpose in their work, their levels of engagement improve. Grant and Sumanth (2009) also documented that pro-socially-motivated employees (i.e., those who helped others) achieved higher engagement levels. Building on this research, Ward and King (2017) highlighted the myriad benefits of creating purpose at work, both for individuals in terms of what they call subjective well-being (SWB) or engagement and for organizations in terms better performance. Given the growing focus on the relevance of purpose at work, Rosso, Dekas, and Wrzesniewski (2010) proposed new frameworks within which to classify existing work that are organized according to the major sources of purpose. As such, positive psychology researchers are increasingly cautioning against the pursuit of mere happiness at work (e.g., fringe benefits such as coffee and free cars) and are instead advocating for the pursuit of purpose to drive workplace engagement. All of this suggests that purpose can be an important driver of employee engagement. This realization is relevant for this dissertation, since it warrants the first empirical exercise which explores whether a sense of purpose can drive engagement – and compares the results across two different cultural contexts.

Table 2.1 offers an overview of what we know about engagement at work with respect to purpose.

Table 2.1

What we know about employee engagement with reference to purpose and performance

Authors	Key insight on employee engagement with reference to purpose
Bates-Gallup (2019)	Purposeful work seems to be a primary driver of engagement for the younger segments of today's workforce, and it also tends to relate positively to overall employee well-being and performance.
Schwartz (2018)	This study found that employees who derived meaning from their work delivered better performance than their peers, were 1.7 times more likely to report higher job satisfaction, were more than 3 times as likely to stay with their organizations, and were 1.4 times more engaged at work than those who failed to identify meaning in their jobs.
Kahn (1990)	This study suggests that the third condition of employee engagement - meaning - associates engagement closely with the idea of an employee deriving a sense of purpose from his or her work.
Harter et al. (2016)	This study suggests that employee engagement is a meaningful predictor of performance across such critical outcomes as productivity, profitability, customer loyalty, turnover, absenteeism, and safety incidents. The study shows that workers who feel a great deal of meaning in their jobs are 20 times more likely to be engaged at work than those who are actively disengaged.
Halbesleben (2010)	This study demonstrates a positive relationship between high levels of engagement and employee job performance.
Harter et al. (2016)	The study suggests that higher engagement levels are positively associated with employee and company performance.
Harter et al. (2002)	This study confirms that high levels of engagement are positively related to a firm's financial performance.
Lyubomirsky et al. (2005)	The results of this study uncovered that experiencing positive emotions around meaning and gratitude actually increased an employee's chances of success at work.
Fredrickson et al.	This study shows that managers who focus on fostering a sense of meaning in their workplaces are activating a potentially powerful medium for boosting engagement and thus performance at work.

Authors	Key insight on employee engagement with reference to purpose
(2013)	
Bunderson and Thompson (2009)	This report confirms that meaning or purpose at work drives employee engagement.
Steger et al. (2006)	This analysis shows that people who are intrinsically motivated by a strong sense of meaning are more likely to be better performers at work than their peers.
Wrzesniewski et al. (2014)	This report demonstrates that purpose-driven employees (with strong internal motive) typically perform best. By helping people focus on the meaning (i.e., purpose) of their work, organizations could very well help improve the quality of the work they do and thus also impact the performance of the teams and companies for which they work.
Wrzesniewski et al. (1997)	This piece established that employees who are intrinsically motivated by a clear sense of meaning in their work tend to find work more fulfilling and engaging and are more likely to be higher performers than their peers who are less intrinsically motivated.
Cassar and Meier (2018)	This study found that when workers in mission-driven roles experience a strong sense of meaning in their work, their levels of both engagement and performance improve.
Grant and Sumanth (2009)	This report showed that pro-socially-motivated employees (i.e., those with a clear purpose to help others) achieved higher engagement and performance levels.
Harter et al. (2016)	This meta-study showed that across 300 studies, companies that had high levels of employee engagement also had lower turnover, less absenteeism, more productivity, more profitability, and more customer loyalty.

2.3.2. Engagement as a driver of performance

Employee engagement is not only relevant to the individual, but it is also relevant to the organization and the culture it represents. When employees feel engaged, a number of good things happen to the individual and also to the organization. Most recently, Gallup's ninth meta-analysis of more than 300 academic studies from around the world that covered more than 70 countries, nearly 50 sectors, and around 200 large organizations returned very clear results with respect to employee engagement serving as an effective and meaningful predictor of a number of key performance metrics. For instance, across the 300 studies, companies that had high levels of employee engagement also had lower turnover, less absenteeism, more productivity, more profitability, and more customer loyalty (Harter et al., 2016). The literature suggests that employee engagement is positively related to individual performance but also to the overall performance of the organization in question (Harter, Schmidt, & Hayes 2002, Halbesleben 2010, Harter, Schmidt, Agrawal, Plowman, & Blue, 2016). A key question that arises from this corpus of studies that explore the relationship between employee engagement and performance is how a general sense of purpose among employees relates to employee engagement. More specifically, can a strong sense of corporate purpose serve as a driver for employee engagement and subsequently employee (and company) performance?

2.3.3. Can purpose drive performance (via engagement)?

Although the concepts engagement and purpose are conceptually different ideas, they seem to be very closely related to one another. In fact, according to the meta-analysis of 300 studies on employee engagement that was conducted in 2016, employees with high levels of engagement are nearly eight times more likely to feel strongly driven by a purpose compared to less engaged employees (Harter et al., 2016). More specifically, of the employees considered engaged at work, 67% of them felt strongly driven by purpose, whereas only 3% of the dis-engaged cohort felt driven by purpose. These results seem also to suggest what Bunderson and Thompson (2009) already put forward in 2009: that higher degrees of purpose orientation among employees are positively related to higher levels of employee engagement. However, although this relationship seems relatively well established, there are few studies to suggest that such results translate to better operational performance for the respective companies in a statistically significant manner. Following this logic, one clear question emerges.

Can purpose impact company performance? As discussed above, the ambiguous nature of purpose in different contexts has made it difficult to study it in a large-scale and quantitative way. However, there have been forerunners to emphasize the relevance of the topic. Nearly three decades ago, Bartlett and Ghoshal (1994) invited scholars to consider corporate purpose as an essential ingredient to strategic management. They proposed a transition in strategic management from a focus on strategy to a focus on purpose as the primary compass for a firm. More specifically, they argued that a new model for strategic management should consist of the three pillars “purpose, process, and people,” thus replacing the older orthodoxy of “strategy, structure, and systems” (Bartlett & Ghoshal, 1994, p. 27).

Since this groundbreaking contribution to the dialogue on purpose, there has been little empirical progress made on the exploration of whether purpose could affect performance (Henderson & Van den Steen, 2015). Part of the challenge here is likely also to have an institutional origin. In other words, publicly listed companies are typically measured and run in terms of profit maximization of shareholder value (Stout, 2012), which makes it systematically more difficult to elevate a purpose beyond mere profit maximization to the highest corporate goal. Still, several researchers have made attempts at bringing more insight into this complex dynamic. For example, Thakor and Quinn (2013) conduct an empirical study to suggest that the pursuit of higher-purpose projects can have positive business effects, like lower labor costs. In this sense, this paper argues for a potential complementarity between the seemingly competing goals of purpose and profit. Conversely, two years later, Henderson and Van den Steen (2015) suggest that a credibly strong sense of purpose is likely to necessitate non-profit-maximizing decisions at times, which might lead to financial underperformance relative to peers. And in 2019, Gartenberg et al. (2019) found no *prima facie* relationship between corporate purpose and financial performance. A key contribution of this Gartenberg et al. study is its focus on (onerously) measuring the perceptions of a firm’s employees with respect to its degree of purpose orientation.

2.4. Purpose from the employee perspective

With corporate purpose having become such a management buzzword over the last years, more companies are trying to adapt their marketing and communication messaging in response to this perceived new expectation from clients and civil society. From an academic perspective, however, it is important to separate “the walk” from “the talk,” lest a company run the risk of

severely jeopardizing its credibility with its clients, employees, and other important stakeholders and its medium-term operating performance. In other words, one should clearly distinguish between a company with an aggressive marketing division that is eager to capture the “flavor of the month” and a firm with an authentic long-term corporate purpose—one that is credible to its own employees. In fact, Guiso et al. (2015) found that publicly celebrated values as buzzwords—respect, innovation, and teamwork—appear to bear no relationship to a firm’s financial success. As such, when setting up any credible measure of corporate purpose, it seems important to survey the employees in order to achieve a more robust and substantial indication of whether a company is really run in a purposeful way or whether the firm is simply relying on the marketing department’s flavor of the month with respect to its corporate values messaging. Moreover, building on this insight, Guiso et al. (2015) found that employees’ perceptions of their leadership being authentic, trustworthy, and ethical are important – and even positively associated with a firm’s operating performance over time. In other words, firms at which the leadership is seen as authentic and credible by its employees tend to be economically more successful than their peers. Moreover, Morhart, Herzog, and Tomczak (2009) also emphasize the importance of employees being intrinsically aligned with their firm’s purpose in the context of their brand-building behaviors. The results of these several studies are relevant for the purposes of this dissertation because they underscore the importance of measuring a firm’s purpose orientation by virtue of whether employees consider the firm’s purpose messaging as authentic or not. Such academic analyses are in short supply.

Indeed, few studies have focused on employees’ beliefs and feelings with respect to their companies’ purpose and the meaning they get from their jobs (De Roeck et al., 2014). One important reason for this limited progress may have to do with the lack of a measurement mechanism to systematically evaluate purpose across vast numbers of employees and firms and years. As such, the deficit of analyses with a focus on understanding the impact of purpose at the employee level represents an important research gap, not least because employees in all job functions are responsible for the actual practical execution of a company’s purpose on a daily basis as part of the firm’s business strategy (Aguinis & Glavas, 2012). Building on this view, Gartenberg et al. (2019) stated that a credible, measurable, and valid indication of purpose orientation needs to be based on “the employees believing in and acting to promote that purpose.”

The Gartenberg et al. (2019) study was the first empirical contribution to the discussion of how purposeful companies as measured by the perceptions of their employees perform financially relative to their non-purpose-oriented peers. The analysis was conducted in 2019 by Gartenberg et al. in a paper titled “Corporate Purpose and Financial Performance.” The authors tried to determine whether all the resources that companies were directing toward the activation (and communication) of operating their businesses in the context of an overarching corporate purpose were reflected in better economic results. To this end, Gartenberg et al. (2019) constructed a measure of corporate purposefulness that was based on nearly 400 US companies’ employees’ perceptions of their employers (representing nearly half a million responses). As mentioned above, the practical limitations of persuading enough companies to allow researchers to survey their employees are daunting. Gartenberg et al. found an effective solution by establishing a partnership with the Great Place to Work (GPTW) Institute, an institution that surveys employee perceptions across all levels of the management spectrum on a number of themes. The US employees then rated their employers according to a variety of organizational variables (the survey is included in the appendix). This method measures companies based on the employees’ actual beliefs and perceptions of their employers, not on the emotional and pathos-inspiring corporate messaging that CEOs and marketing departments design. Since the actual purpose across companies and sectors can differ significantly (e.g., a pharma company vs. an airline), the survey questions focus employees’ attention on a personally meaningful goal that goes beyond maximizing financial profits with questions such as “My work has special meaning: this is not just a job,” “When I look at what we accomplish, I feel a sense of pride,” “I feel good about the ways we contribute to the community,” and “I am proud to tell others I work here.” As such, these GPTW questions measure the degree to which employees feel that their companies are inspirational places to work or pursue a purpose beyond mere profit maximization. In a further step, Gartenberg et al. built a Likert-type scale to measure the degree of purpose-orientation among the responding employees before testing how, if at all, corporate purpose relates to the accounting performance of the respective companies. The study found no *prima facie* statistically significant relationship between purpose as perceived by company employees and financial performance in either direction. However, Gartenberg et al. also conducted a factor analysis to develop a better understanding of the variability among the correlated variables, and they found that firms with both “high purpose” by their measures and high “clarity from management” exhibited systematically better future accounting performance. Ultimately, the study suggests that purpose does matter

for performance – but only if it exists in conjunction with a high degree of clarity and credibility from management.

Despite the pioneering approach of this empirical analysis, systematically evaluating purpose across over 450'000 employees and over 400 companies, it focused exclusively on US employees. As such, a key question that arises is whether this analysis based on a US dataset can be considered universally representative. In other words, could it be that a Chinese or European audience would respond differently to the questions posed by the GPTW survey and thus distort the results of Gartenberg et al.'s study? If so, and if the results from this study cannot be considered universally representative, it would justify building on the approach that was used by Gartenberg et al. (i.e., measuring purpose by surveying employees at various companies and conducting a similar and perhaps broader analysis on a different focal group such as a European audience). It is also in this context that the author believes it is worth considering whether cultural differences between the US employees and their European peers may be significant enough to justify considering how an analysis of a European employee cohort may add value to the discussion of if corporate purpose might be related to financial performance.

2.5. Purpose from the perspective of cross-cultural dimensions theory

A cross-cultural dimensions theory would suggest that the answer to the question of whether the US management context is sufficiently different to the European context to justify an analysis based on GPTW data is a definitive yes. Pioneered by Geert Hofstede (1993), cross-cultural dimensions theory suggests that there are no such things as universally representative management theories because the cultures in which humans find themselves influence the perceptions of their realities too much. As such, a cultural dimensions theory is a framework that is regularly used to better understand differences in culture across nations and to explore how these differences can impact a business setting. In Hofstede's groundbreaking article "Do American Theories Apply Abroad?" (1980), Hofstede argued as follows:

Many of the differences in employee motivation, management styles, and organizational structures of companies throughout the world can be traced to differences in the collective mental programming of people in different national cultures (p. 74).

He goes on to suggest that people carry with them “mental programs” that are collectively “programmed” early on in their family environments and are subsequently reinforced in school and in the organizations in which they work. An important characteristic of these mental programs is that they contain aspects of national culture and clearly express different values that are predominant among people from different countries (Hofstede, 2001). This research suggests that a society’s culture can have a considerable impact on the values and perceptions of its members and can affect how people behave and perceive organizational constructs such as purpose. More specifically, Hofstede suggests that generally accepted US-based theories such as ideas on innovation, workplace culture, and even purpose need not necessarily apply outside the borders of their country of origin. Hofstede (1993) goes on to say the following:

One of the conclusions of my own multilevel research has been that culture at the national level and culture at the organizational level – corporate culture – are two very different phenomena and that the use of a common term for both is confusing (p. 84).

Relating these insights to the Gartenberg et al. study, it seems that Hofstede would probably champion the further development of the employee-based measurement of corporate purpose conducted on US-centric dataset to a European cohort of employees (unfortunately, Prof. Hofstede passed away on February 12, 2020, at the age of 92).

2.5.1. Applying Hofstede’s cultural dimensions framework

Hofstede’s cultural dimensions framework was designed to help determine the dimensions in which national and organizational cultures vary. He developed the original framework between 1968 and 1973 while working for IBM and created a factor analysis to examine the results of a global survey taken of employees in multiple different countries. The original theory proposed four dimensions along which cultural values could be analyzed, but he later added another two to form a systematic framework of six dimensions that are seen as a benchmark in intercultural studies today (Hofstede, 2009). An important aspect of Hofstede’s framework is its recognition that although everyone in society is unique, general measures of social control ensure that most people will not deviate too much from the norm or from standard conventional practice. This norm, or the central tendency of perception and behavior within a society, is what the framework attempts to measure, with a specific focus on the six key dimensions below.

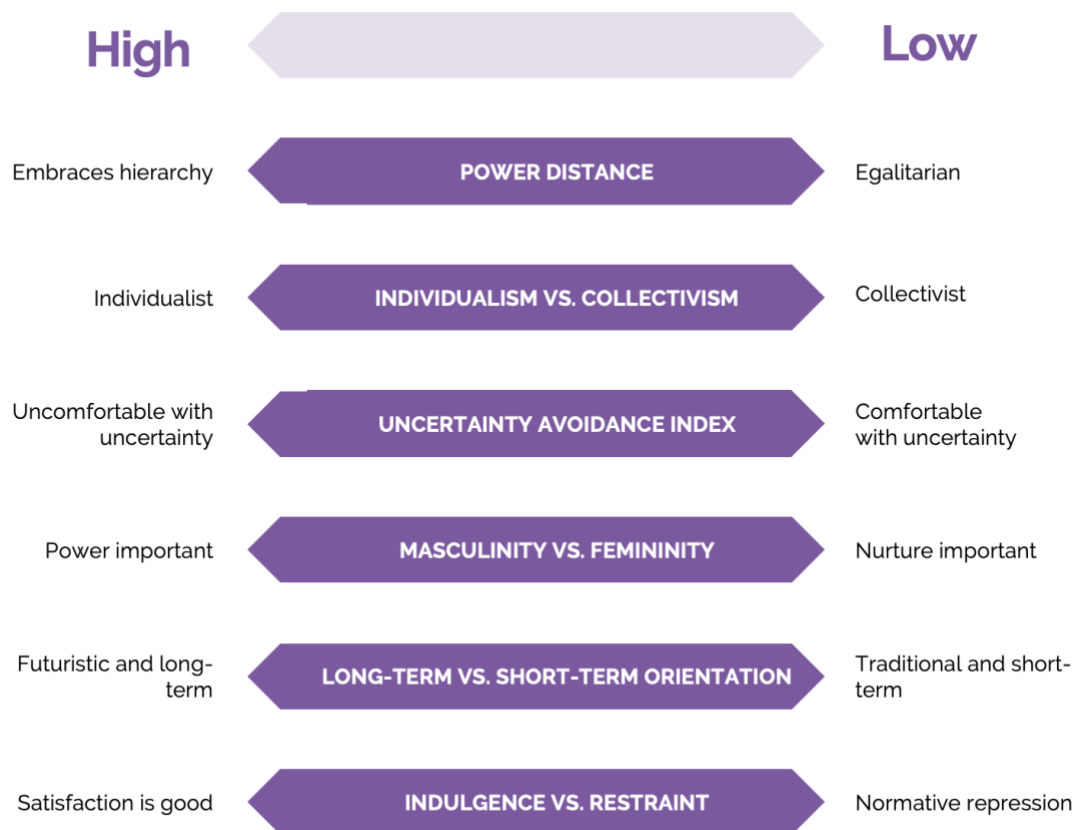


Figure 2.4. Hofstede's cultural dimensions framework process

Source: Author, based on Hofstede's model

1) Power distance index (PDI)

The power distance index (PDI) considers the extent to which inequality and power are tolerated in a society. It is defined as “the extent to which the less powerful members of organizations and institutions accept and expect that power is distributed unequally” (Hofstede, 2011, p. 9). In other words, the PDI explores how a society's level of inequality is endorsed by followers as much as by leaders. A high PDI score suggests that a culture readily accepts inequity and power differences, thus encouraging strict hierarchies and breeding a bureaucracy that respects rank and authority. This model is designed to defend and sustain power concentrations within societies. In contrast, a low PDI score suggests that a culture encourages flat organizational structures and participative and empowering management styles with a high degree of decentralized decision-making responsibility. Here, the goal is power distribution rather than power concentration.

2) Individualism vs. collectivism

This measure explores the degree to which humans in a social context are integrated into various groups and their perceived obligation to and dependence on these groups. Individualistic societies typically have very loosely integrated relationships that do not extend beyond the nuclear family (Hofstede, 1984). They typically emphasize the “I” over the “we.” Collectivist societies typically have more tightly integrated relationships between families and larger networks of groups. These in-groups are loyal to one another and exhibit strong support for one another, with much importance being associated with the well-being of the group.

3) Uncertainty avoidance index (UAI)

This dimension examines the extent to which a society tolerates uncertainty and ambiguity, especially in a world that is changing quickly. This index reflects the extent to which people feel threatened by ambiguous or even just uncertain environments. It is precisely in this context that people subsequently design norms, beliefs and even institutions in efforts to mitigate any ambiguity or uncertainty. A high uncertainty avoidance index (UAI) suggests a low tolerance for ambiguity, uncertainty, and risk-taking with any uncertainty being suppressed through bureaucracy, strict social codes, and the reliance on clear “absolute truths.” In contrast, a low UAI indicates a high tolerance for uncertainty, ambiguity, and risk-taking with the “unknown” being seen less of a threat and sometimes even as an opportunity.

4) Masculinity vs. femininity (MAS)

This dimension defines masculinity as “a preference in society for achievement, heroism, distinct gender roles, assertiveness and material rewards for success,” while femininity is defined as “a preference for quality of life, cooperation, modesty, fluid gender roles, and caring for the weak” (Hofstede, 1984, p. 84). In short, it is “tough vs. tender”. As such, a society that tends toward masculinity is likely to be driven by achievement, competition, and success, with success being defined by the winner or the best in the field. It is a value system that starts in school and is reproduced in work and even in leisure. In contrast, a society that tends more toward femininity is one in which quality of life is the indication of success and standing out from the crowd is not considered worth striving for or is even avoided. In more masculine societies, members

tend to be more assertive and competitive, and traditionally coded gender stereotypes between men and women tend to be more pronounced.

5) Long-term orientation vs. short-term orientation (LTO)

This dimension explores the degree to which a society's norms associate the past (e.g., traditions, conventions, processes, etc.) with current and even future developments. For example, a low score on this index (i.e., a short-term focus) suggests the importance of getting quick results or short-term success (in profitability, for example) and emphasizes the importance of honoring traditions or the status quo, even if the associated norms are obsolete and backward-looking. Here, steadfastness is championed for its own sake. In contrast, societies with a high score on this index (i.e., long-term focus) tend to postpone short-term success in favor of long-term success. They value pragmatism over dogmatism and long-term strategy over short-term tactics. For example, poor nations with short-term orientations typically have few development prospects, while long-term-oriented countries continue to develop and innovate.

6) Indulgence vs. restraint (IND)

This scale refers to the degree of freedom that members of a society believe they have to fulfill their human desires. An indulgent society is defined as one that allows for the relatively free and open gratification of human desires related to enjoying life and generally having fun, while a restrictive society is one that generally tends to suppress the gratification of basic human needs, guiding this suppression by virtue of strict social norms (Hofstede, 2009).

The six dimensions are arranged along indices between 1 for the lowest and 100 for the highest. Taken together, the model allows for an effective comparison among national cultures. At present, it represents the most systematic and comprehensive framework in use by both comparative research studies and management practitioners. This analysis is also pertinent in the context of the study of corporate purpose, not least because cultural differences could very well have an impact on how employees recognize and expect to be inspired by the perceived meaning of their jobs or their employers' corporate purposes. And although the tool is certainly no holy grail as such, it can be used to obtain a general overview and arrive at an approximate understanding of how cultures might differ from one another in the context of a certain business setting or question (Hofstede, 2010). More specifically and with particular relevance to the

topic of corporate purpose and the US-centric dataset used by Gartenberg et al. (2019), the Hofstede model suggests that the cultural differences between, for instance, the United States and Europe seem to be large enough to call into question any claim that the results of the study could be interpreted as universally representative. In an effort to evaluate whether the results of Gartenberg et al.'s study can be considered universally representative, it would be instructive to compare the US data from the Hofstede framework with data from a selection of European countries with the values of the constituent countries being aggregated to form a European average.

2.5.1.1. Europe vs. the United States

When comparing the United States to Europe, it is easy to discern some significant differences in the collective programming of the mind between these two groups. The biggest differences occur in the dimensions of individualism and long-term orientation, with the United States having significantly higher ratings for individualism and Europe having substantially higher ratings in the long-term orientation dimension. When considered together, these two dimensions suggest that people in the United States exhibit a relatively lower sense of connection to other people within their society (i.e., a high score for individualism of 91 vs. 71 for Europe). Europe's high score in long-term orientation (i.e., 57 vs. just 26 for the United States) suggests that European cultures exhibit on average a much more future-oriented perspective when making decisions, while the US culture's very low score of 26 for the long-term orientation dimension indicates an emphasis on the value of getting quick results and achieving short-term success fast. Both of these dimensions could affect culture-specific perceptions of corporate purpose. For example, high individualism scores could infer that US workers are more focused on maximizing their own personal utility rather than achieving any overarching corporate purpose their companies might be pursuing. In addition, the low score on the long-term orientation dimension might also suggest that US workers place more value on short-term results than on the more structural, long-term changes that are typically associated with a corporate purpose. The striking differences between these two dimensions of the framework when comparing US and European cultural results similarly suggest that the results on corporate purpose from the Gartenberg et al. study should not be considered universally representative. In other words, a strong case exists for conducting a similar but more extensive analysis with European data since the US data cannot be deemed universally representative.

The details of the comparison of the six dimensions are provided below.

Power distance index (PDI) – Europe (41) vs. the United States (40). Both cultures exhibit relatively low scores, suggesting a degree of skepticism regarding centralized control and social hierarchy. The low scores infer that these societies generally expect power in institutions to be distributed as broadly as possible. This dimension might suggest a greater openness to corporate purpose in terms of the ostensible belief that more people in society have the agency to change their circumstances.

Individualism vs. collectivism – Europe (71) vs. the United States (91). At 91, the United States scores very high as an individualistic society, far exceeding Europe's average of 71. Essentially, that means that the United States can be characterized as a culture that accepts very limited responsibility for the social well-being of members of the culture who are outside of one's immediate in-group or family. Work relationships tend to be more transactional and competitive in nature than those in European work settings. This high individualism score might affect US perceptions on the role of business in society, which is something that this study will test in the analysis in the subsequent chapters. Moreover, the high individualism score probably also explains why Americans tend to relocate for new jobs a lot more readily than Europeans do. This data might also suggest that US culture is less inclined to be inspired by a compelling corporate purpose that goes beyond profit maximization than a European audience would be.

Masculinity vs. femininity (MAS) – Europe (47) vs. the United States (62). This index suggests that US culture tends to behave in a significantly more masculine manner than European culture. In other words, US culture tends to place more value on being perceived and recognized by other members of the group as the best in a certain vocational category (i.e., an inclination toward the masculine) rather than placing a greater value on intrinsic job satisfaction or simply on liking what one does as a job (i.e., an inclination toward the feminine). It seems that Europeans place more value on job satisfaction than on external social recognition for success in a job, which seems to be the case in the United States. This result might affect employees' perceptions of corporate purpose in a number of ways. For instance, a strong focus on what society defines as success (e.g., profit maximization) could limit the perceived influence of corporate purpose. Similarly, a strong focus on intrinsic motivation and job satisfaction might be closely related to connecting this job satisfaction with a company's overarching purpose. In this case, the more masculine US culture could be less receptive to the

concept of corporate purpose, while the more feminine European culture might prioritize this meaning.

Uncertainty avoidance (UAI) – Europe (58) vs. the United States (46). Europe (58) has a higher UAI score than the United States (46). This suggests that European countries generally subscribe to more structure (probably in the form of bureaucracy), which is a function of a cultural need for a framework that allows for a careful analysis of all available information, which can, of course, limit the dynamism and openness to change that is probably more evident in the United States. According to the Hofstede model, Americans should be more tolerant of new and disruptive ideas and products and in general should be more willing to try to create something completely new (Hofstede Insights, 2020). This could also apply to corporate purpose insofar as purpose is considered a new idea or a new way of looking at a company's role and its contribution to society.

Long-term orientation vs. short-term orientation (LTO) – Europe (57) vs. the United States (26). As mentioned above, this dimension offers an important illustration of the cultural differences between US and European cultures. The Hofstede framework suggests that with more than double the US score, Europeans have a much longer-term planning perspective and, with this perspective, a more pragmatic approach to balancing historical social norms with the need to adapt to changing contemporary social needs and perspectives. This result could also serve as a possible explanation of why European corporates have historically led US corporates with respect to their sustainability initiatives (Baselli, 2019). The lower US score might suggest a greater cultural emphasis on achieving short-term tactical results, which often tends to address issues of financial success and immediate profitability. This fact could also have an impact on whether US employees' perceptions differ significantly from employees in Europe. As such, the results from this dimension might imply that using US-centric data to explore an important statistical relationship should limit the relevance to the US population. This raises the question of whether other cultures—perhaps those in Europe—might respond differently to questions of corporate purpose and whether this theme could motivate employee engagement and thus operating and financial performances within the respective companies.

Indulgence vs. restraint (IND) – Europe (56) vs. the United States (68). The United States seems to be significantly more indulgent than Europe, which suggests that US culture might encourage the freer gratification of basic and natural human drives relating to enjoying life and having fun than the European culture. In general, cultures with higher scores on the indulgence

dimension tend to be more positive than cultures with lower scores in this dimension such as Europe.

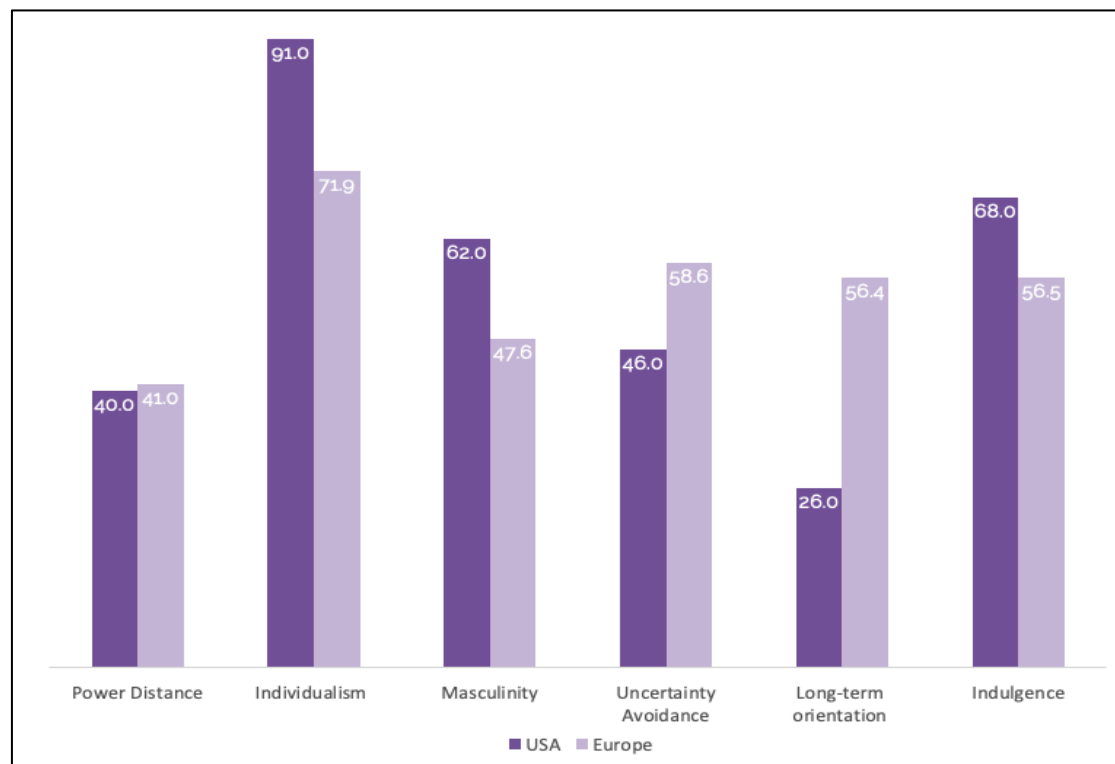


Figure 2.5. Comparing 11 European countries and the United States across Hofstede's cultural dimensions framework

Source: Author, based on Hofstede's cultural dimensions framework

This analysis suggests that, according to Hofstede, a US-centric perception of corporate purpose among US-based employees might not be universally representative. In other words, Hofstede's work and framework suggest that corporate purpose as a concept could potentially have a different moderating effect outside the United States. Many other research analyses have expanded on the Hofstede model to show that the effects of culture and culture-specific personal values can have a distinct impact on cross-cultural perceptions of concepts such as emotional intelligence and leadership (Tang & Koveos, 2008), corporate reputation and customer loyalty (Ganescu, Gangone, & Asandei, 2014), shopping behavior (Venaik, Zhu, & Brewer, 2013), and perceptions of the quality of service (Ladhari, Ladhari, & Morales, 2011).

The literature that addresses the cross-cultural comparability of certain academic studies suggests that an analysis that focuses on only one culture should not be considered universally representative. To this end, the analysis above indicates that the cultural differences between the US and Europe (measured as the average results from 11 countries) are different enough to

support the further development of the GPTW approach used in the Gartenberg et al. analysis by applying the foundation of the approach to a European dataset consisting of data from 11 different European countries. Moreover, the two experiments conducted in Section 3 comparing responses from US-based employees with those in Europe also demonstrate statistically significant differences between the way US employees respond to purpose-driven interventions relative to their European counterparts (RQ3). This point further supports the idea that expanding the foundation of the Gartenberg et al. (2019) analysis to a different, European cultural context could indeed generate academic value.

2.6. Conceptual design of the research framework

The literature review is structured in a way to build the theoretical foundation upon which the definition of purpose used in this dissertation and its primary research question is based: Can a corporate purpose beyond mere profit maximization influence company performance? Moreover, as secondary questions, the dissertation addresses the second research question RQ2 - Can purpose improve employee engagement? – as well as the third research question RQ3 - Can cultural differences – geographic, gender-based and age – influence the perception of purpose? And if so, how?

To this end, the literature review first collects insights from existing theories around the role of business in society and how such insights could inform the discourse around purpose of a company in the societal context. Whereas shareholder value theory implies a myopic view of purpose for a company, stakeholder theory, CSR theory and Corporate Shared Value theory all suggest a broader, more complex view of a firm's *raison d'être*. This analysis also forms the basis of this dissertation's definition of purpose, which is purposefully broad enough to include both financially driven goals and social and environmental objectives: *corporate purpose is a corporate aspiration that reaches beyond mere short-term profit maximization objectives*. This definition is similarly broad as the definitions used by the most recent research contributions on purpose by Henderson and Van den Steen (2015) and Gartenberg et al. (2019). The reason for this broad interpretation of purpose is because the author recognizes that purpose of one particular firm can vary significantly across companies and sectors. For example, one company could aim to supply sustainable energy, another may be to democratize access to financial services or medical services, while yet another may aim to improve lives by advancing

technology in emerging markets. In this sense, the definition of purpose used in this dissertation is intentionally broad, given that the topic is as complex, dynamic and ambivalent as it is.

The literature review also includes a second section that considers the concept of purpose from an individual's view, with a specific reference to the field of positive psychology. This section is relevant to the flow of the dissertation because it offers the foundation to consider purpose not just from a societal perspective, but also from an individual's or employee's perspective. In other words, this part of the literature review explores research insights that suggest that a purpose (in life and at work) is often related to greater human well-being and fulfillment. The literature review then takes this notion one step further with a discussion of employee engagement, how it relates both to purpose and performance, with the emerging hypothesis shaping the structure of this dissertation by positioning employee engagement as a mediator of performance. The following section in the literature review focuses on the importance of measuring the employee's perspective of whether his or her company is purpose-driven. To this end, the author introduces in more detail the contribution by Gartenberg et al. (2019), which was the first exercise measuring purpose from the employee level across companies and industries in a standardized manner. This section is particularly relevant since this dissertation builds on this approach, using the standardized GPTW dataset, but for a European audience. The last section delves deeper into cross-cultural dimensions theory to underscore the complexity of isolating a clear, universally representative understanding of purpose. This last section highlights the complexity of exploring the semantics around purpose.

On a more practical level, the empirical building blocks of this dissertation are arranged in 3 exercises: the first one (Chapter 3) seeks to investigate how employees feel about their jobs and whether a company's objective or purpose can potentially affect employees' engagement at work (RQ2). The author conducts two survey-based experiments. In each experiment, the author presents one group of survey respondents in the United States and a second group in Europe with descriptions of two companies—one with a clearly defined corporate purpose that unmistakably extends beyond mere profit maximization (the purpose case) and one without (the business-as-usual case). In each experiment, the author analyzes the responses using exploratory factor analysis (EFA) supported by t-tests to assess the impact of corporate purpose on employees' feelings about the company and their work engagement, using purpose as the independent variable and the respondent's responses to their feelings about the company as the dependent variables. Moreover, the author also tests the cultural differences between the US

and Europe – inspired by the Hofstede analysis - by using demographics as the independent variable and the responses to their feelings about the company as the dependent variables (RQ3). Additionally, the exercise also looks at how purpose could be moderated by gender and age in the same way (RQ3). The exercise concludes with the result confirming the work of previous studies that corporate purpose positively influences employee work engagement (Liden et al. 2000, Pratt and Ashforth 2003, Michaelson et al. 2014, Harter et al., 2016). If the purpose orientation of a company can influence the work engagement of an employee, then there may be reason to believe that this could also affect the company's financial performance.

To this end, the second exercise (Chapter 4) looks at whether purpose, as measured from an employee perspective, relates to a firm's accounting performance. The author constructs different purpose measures using the GPTW survey data collected from 11 individual GPTW affiliate offices in Switzerland, Germany, France, the UK, Italy, Ireland, Sweden, Denmark, Finland, and Norway. The discussion of the relevance of an individual (employee) perspective of purpose from the literature review is relevant in this context. The author proceeds with a panel regression analysis between different measures of purpose and company operating performance while controlling for the lagged dependent variable, firm fixed effects and time fixed effects. The independent variables in this context are the purpose measures constructed from the GPTW survey in the respective countries, along with the country of domicile, industry sector, survey year and the response to the statement "This is physically safe place to work." For the dependent variable, this exercise uses return on assets (ROA), which is measured as operating income (i.e., EBIT) divided by average total assets (i.e., including debt).

The third exercise (Chapter 5) is structured in a similar way to the previous exercise with respect to the measurement of the independent variables (i.e., GPTW survey data). The exercise includes a quantitative analysis of two portfolios of companies with high and low purpose measures followed by a t-test to statistically examine the relationship between stock price performance and corporate purpose. In this analysis, the GPTW data is used as the independent variable and the company stock price performance as the dependent variable. Similarly, to the second exercise, the author presents his analyses within a European context and based on a European dataset, with the methodology largely being inspired by the Gartenberg et al. (2019) approach. Both the analyses in the latter two exercises conclude that there is no statistically significant relationship between purpose and performance (RQ1).

Figure 2.6 offers a conceptual overview of the research methodology of the respective studies.

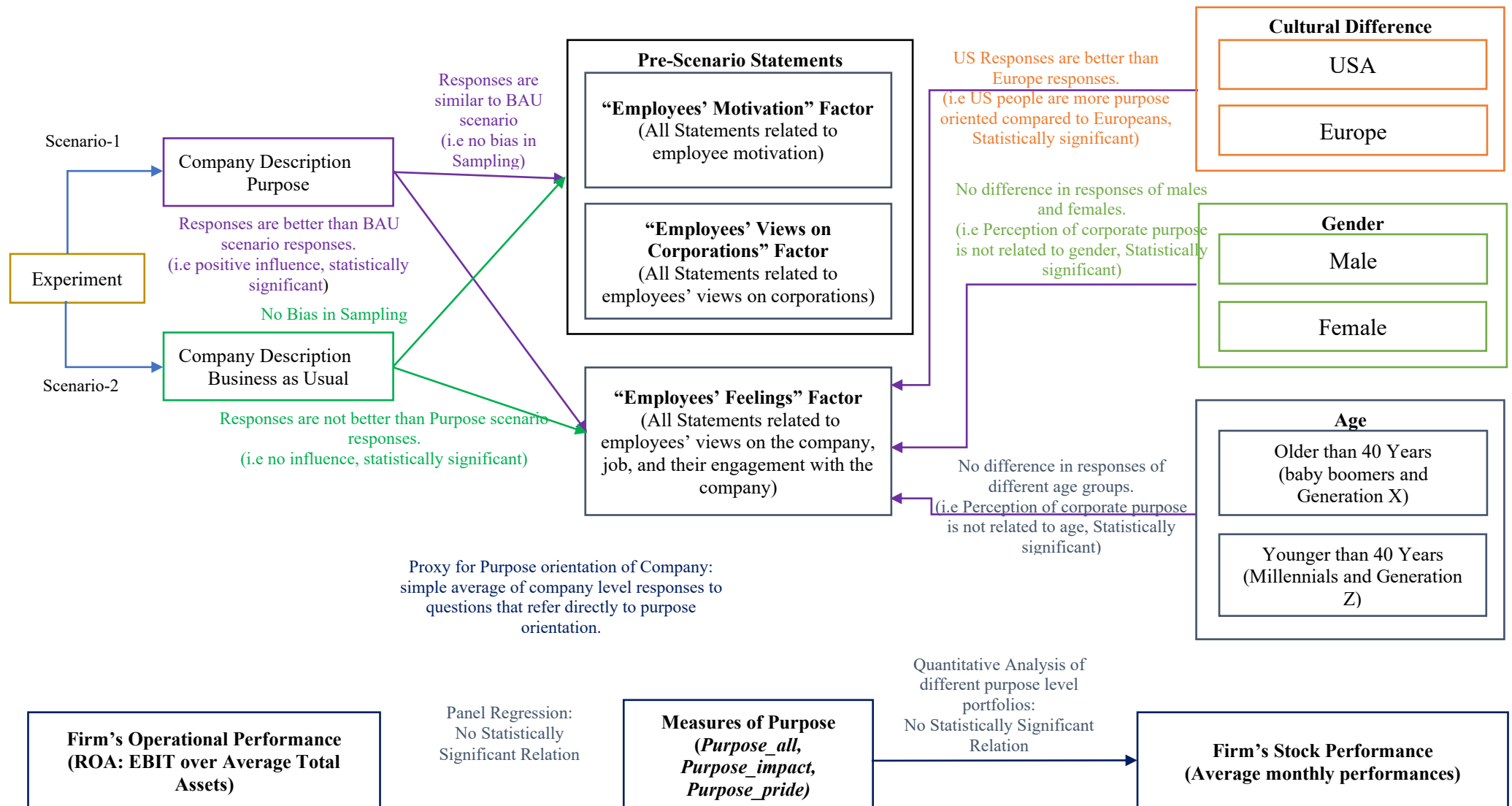


Figure 2.6. Conceptual Model

Source: Author

3. The impact of corporate purpose on engagement – a US versus European Study

Employee engagement seems to relate to performance. In fact, Gallup's ninth meta-analysis of 320 academic studies from around the world found that companies with high levels of employee engagement had lower turnover, less absenteeism, more productivity, more profitability, and more customer loyalty (Bates-Gallup, 2019). But what drives employee engagement? And could employee engagement be influenced by a company having a clearly defined corporate purpose beyond naturally materialistic ambitions such as profitability? Moreover, how does defining a corporate purpose influence an employee's perception about his or her job and about the company in general? Do these perceptions vary according to demographic factors such as culture, age, and gender as the section on cross-cultural differences detailed in the previous chapter suggest? These are all relevant questions that the proposed experiment intends to address. But most importantly, this section will focus on answering two of the secondary research questions:

RQ2: Can purpose improve employee engagement?

RQ3: Can cultural differences – geographic, gender-based and age – influence the perception of purpose? And if so, how?

In an effort to answer these questions, the author performed two survey-based experiments. In both experiments, the author presented one group of survey respondents in the United States and a second group in Europe in order to capture the cross-cultural differences, if any, that could materialize in such an exercise. Both respondent groups were given descriptions of two companies, one with a clearly defined corporate purpose that unmistakably extends beyond mere profit maximization (the purpose case) and one without (the business-as-usual case), which implies an implicit trade-off between the options. The author then asked the respondents to indicate whether they agreed or disagreed with a series of statements relating to their perceptions about the companies being described and about a hypothetical job if they were to be employed by that company. The second company description is modelled as a complementary conceptual replication employed to test theory and allow generalization of this theory (Simons, 2014). In this sense the second experiment complements the first one effectively with a different control group (i.e. a premium textile brand).

This study suggests that, on average, corporate purpose seems to positively influence an employee's work engagement and perceptions about his or her job. In other words, people seem to prefer working for purpose-driven companies, on average, although there are certainly also arguments for the other direction, which are detailed in the final discussion of this dissertation. From a cultural perspective, the study suggests that respondents from the United States seem to respond in a more purpose-oriented fashion than European respondents when considering their jobs (RQ3). This study also found that purpose orientation is not subject to gender or age (RQ3).

3.1. A description of the experiments

A brief description of each experiment is given below.

3.1.1. Experiment 1

The first experiment was arranged according to two scenarios. In the first scenario, the author describes an economically successful company called Engine Inc. in the oil and gas industry that offers its employees a generous compensation and a perks program. This first scenario represented the business-as-usual case. In the second scenario, Engine Inc. represents the same oil and gas company with the same generous employee benefits, but this time, the description of the company included a new and ambitious vision for its impending shift away from its traditional business in oil and gas extraction toward becoming a global leader in renewable (i.e., clean) energy production. This vision represented the company's purpose. As such, the framework is structured to compare a high compensation option with one that has the additional purpose orientation, which suggests an implicit trade-off for the respondents. Table 3.1 shows the details of both scenarios in Experiment 1. Each scenario was randomly sent to two sets of more than 200 respondents—one set in the United States and the other in Europe—in an effort to assess any differences in the responses from the two cultures. In this experiment, the author called the first scenario “Business as Usual” (BAU) and the second scenario “Purpose.”

Table 3.1

The two scenarios in Experiment 1

Business as Usual (BAU)	Imagine that you are currently employed. Your employer is the company Engine Inc., a leading multinational oil and gas company operating in 60 countries around the world, generating the world's 12th-largest revenue (across all industries). It also is the 6th biggest emitter of greenhouse gases. Nonetheless, the company is known for its above-market compensation levels and generous perks program.
Purpose	Imagine that you are currently employed. Your employer is the company Engine Inc., a leading multinational oil and gas company operating in 60 countries around the world, generating the world's 12th-largest revenue. In 2019, the company presented an ambitious vision for its shift toward becoming the leader in renewable energy production, committing to producing 50% of its energy from renewables by 2023.

3.1.2. Experiment 2

The author subsequently conducted a second experiment in an effort to approach the same question from a different angle and test for any irregularities in the results when compared to those obtained in Experiment 1. As such, the second experiment is intended to complement the first experiment with a different control group (premium brand) to examine whether the results change significantly. This process is called conceptual replication (Simons, 2014), and are often used to test conceptual theories, allowing researchers to make generalizations like those made in the examples cited. To this end, the author asked the respondents in Experiment 2 to read newspaper articles about the operations and intentions of two fictitious companies in the textile industry. In the first scenario, the article described Status Weaver Inc., an economically successful textile company with a premium brand. In the second scenario, the article described Future Fit Inc., also a highly recognized, economically successful textile brand known internationally for its strong and credible corporate purpose to “build the best product, cause no unnecessary harm,” and “use business to inspire and implement solutions to the environmental crisis.” Figure 3.1 and Figure 3.2 offer details of both scenarios in Experiment 2. Each scenario was sent randomly to two sets of more than 200 respondents, one in the United States and the other in Europe, in an effort to assess any differences in the responses from the respective cultures. This cultural differentiation was inspired the Hofstede analysis described in the Literature Review. As in Experiment 1, the author called the first scenario “Business-as-Usual” (BAU) and the second scenario “Purpose.”

Trump's Daily Gazette

06 FEB 2020

Higher winterwear prices boost Weaver Inc. margins

By SCARLETT O'HARA

Weaver Inc. beat market expectations for the holiday-quarter profit on Tuesday, as higher prices for its winterwear boosted margins, sending the fashion house's shares up 6% in premarket trading.

The company has said it could sell products at higher prices due to a ramp-up in marketing, especially on social media through supermodels and actors, which has helped lift its brand image and increase prices at its own stores and website by 6%.

The company said it was assessing the financial impact of shutting about half of its 110 stores in China due to the coronavirus outbreak. It gets about 4% of its total revenue from China, a growth market for luxury goods makers.

Sales in China remained strong, rising 30% in the third quarter, benefiting from a marketing drive on social media channels TikTok and WeChat.

Heavyweight parkas, coats, light down jackets and wind breakers were among Weaver Inc.'s bestsellers during the holidays, Chief Executive Officer Patrice Louvet said. Its marketing expenses rose 16% in the third quarter, driven by new advertising campaigns on television and in stores, as well as a new holiday-themed Snapchat filter.

Net revenue rose 1.4% to \$1.75 billion in the quarter ended Dec. 28, with expectations for 2020 revenue to rise 2% to 3%. This does not include any potential impact from the outbreak of a new coronavirus in China.

Reuters

International Moose Count Underway

By BOB O'BOBSTON

The UN-sponsored International Moose Census got off to a flying start today with hopes for an increase in the worldwide moose population compared to last year's disappointing figures. Among the traditional early reporters were Egypt, returning figures of six moose, a twenty percent increase on 2011's figures of five, and Uruguay whose moose population remains stable at eleven.

According to Robbie McRobson, head of the UN Moose Preservation Council, worldwide moose numbers are expected to grow markedly on last year due to the traditional moose strongholds of Canada and the United States, with the larger developing moose ecologies also poised to make gains. The largest percentage increase in moose will likely come from China", says McRobson, "The Chinese government has invested heavily in moose infrastructure over the past decade, and their commitment to macrofauna is beginning to pay dividends". Since 2004 China has expanded moose pasture from 1.5% of arable land to nearly 3.648% and moose numbers are expected to rise to 60,000 making China a net moose exporter for the first time. This is good news for neighbouring Mongolia, a barren moose-wasteland whose inhabitants nonetheless have an insatiable desire for the creatures. The in-

crease in Beijing-Ulanbata anticipated to relieve press relatively strained Russian but increase Mongolia's im trade with its larger neigh

Historically the only c to China in the far east markets has been Singap tiny island nation is set t net loss, expecting a decrea than five percent on last ye moose counted. The head pore's Agency for Agricult Feng Lau, explained to a lous Singaporean parliame day that bad weather had c to this season's poor show notably when a cargo of were swept out into the In in a monsoon.

Yet again the global d moose will be met large US and Canada. The re States is taking comfort in growth figures with gross expected to break 700,000 ports to grow by 2%. The dominance of Canada show of abating though with t moose population expected last year's record figures o dred million billion.

Europe's rise as an int moose power will slow sl year as a response to the Union's move towards sta the European moose. Strir ity controls are holding ba velopment of the eastern populations compared to when they contributed si to europe's strong growt Norway, which is not an E but has observer status, in numbers relative to the with numbers of Norweigi known locally as elk" expect for the tenth consecutive ye ularly thanks to a strong the last quarter.

As moose season reache researchers world wide are science in an attempt to l year's figures. NASA st

Figure 3.1. Business as Usual Case – Scenario in Experiment 2

Daily Swiss Standard

05 FEB 2020

Can You Put a Price Tag on Purpose? How Future Fit Highlights Value Over Cost

By HANNIBAL LECTER

In 2014, Future Fit dissolved its sustainability department a move that the company's VP of public engagement, Rick Ridgeway, remains proud of to this day. Overnight, the outdoor clothing brand deepened its commitment to environmental and social justice by decentralizing its sustainability team and moving them individually out into core areas of the business where they would have most influence.

Sustainability has since evolved to the point where it is now effectively the responsibility of every Future Fit employee. Earlier this month, speaking at an event on corporate purpose in London, Ridgeway kept referring back to Future Fit's mission statement "Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis" almost like a mantra. "Ridgeway said, 'I visit a lot of companies but I've never run into a single company that manages its business to its mission statement like Future Fit does'".

Addressing the audience directly, he added: "It's an interesting thing to consider in your own organizations; I suspect most of you have mission statements, but how many of you really use that to guide your daily weekly long-term and short-term decisions?" Staying true to such values is not always an easy ride. Ridgeway recalled back in the mid-'90s, when Future Fit looked to start sourcing

100 percent organically grown cotton for its products, there wasn't enough organic cotton available to meet Future Fit's requirements at the time. Despite this, the company stayed committed and helped build the market for organic cotton.

"Sure enough in the first year, sales really took a hit," he admitted. "We had to go out and train farmers how to grow cotton, we had to learn how to farm organically. It took two or three years until finally we recovered, and every year after that we've been more profitable and it keeps getting better. "What we took away from that was that a commitment to environmental responsibility, a commitment to business value, and we've never looked back. These commitments, every time we make one, we do better as a business. And we're really healthy we must have one of the strongest balance sheets in the apparel industry."

The company is known for taking risks. The most famous of these was its 2011 'Don't buy this jacket' ad campaign. The jacket in question, known as R2, was one of the company's best-selling lines. It was held up as an example due to its hefty embedded impacts, particular around water use and waste the fact that it came with an environmental cost higher than its price tag was something that Future Fit wanted to highlight. This campaign went viral and in the end probably also further strengthened the firm's credibility and following among its brand ambassadors. Sometimes taking stands on environmental issues can have a positive business impact, too.

Moose Count Underway

By BOB O'BOBST

The UN-sponsored International Moose Census got off to start today with hopes for in the worldwide moose compared to last year's figures. Among the traditional reporters were Egypt, returns of six moose, a twofold increase on 2011's figures. Uruguay whose moose population remains stable at eleven.

According to Robbie, head of the UN Moose Counting Council, worldwide numbers are expected to grow on last year due to the moose strongholds of Canada and the United States, with the developing moose ecologies to make gains. The large age increase in moose come from China", says. The Chinese government has heavily in moose infrastructure the past decade, and their commitment to macrofauna is being pay dividends". Since 2004 expanded moose pasture of arable land to nearly 3 moose numbers are expected to 60,000 making China a exporter for the first time good news for neighboring, a barren moose-waste inhabitants nonetheless have a desire for the creature increase in Beijing-Ulanbaatar anticipated to relieve pressure on relatively strained Russian but increase Mongolia's in trade with its larger neighbor.

Historically the only to China in the far east markets has been Singapore tiny island nation is set to net loss, expecting a decrease than five percent on last year.



Reuters

International

Figure 3.2. Purpose Case – Scenario in Experiment 2

3.1.3. A description of the dataset

The dataset consists of survey responses to statements that were collected through an online survey. The survey was conducted through Amazon MTurk on respondents based in the United States and Europe. The 11 European countries that were covered were Germany, Switzerland, Italy, the United Kingdom, Finland, Sweden, Denmark, Norway, Ireland, and France. Importantly, these countries were the same ones as the 11 European countries for which the author was able to collect GPTW survey data for the empirical exercises conducted in chapters 4 and 5. The survey process consisted of the four sections described in Figure 3.3.

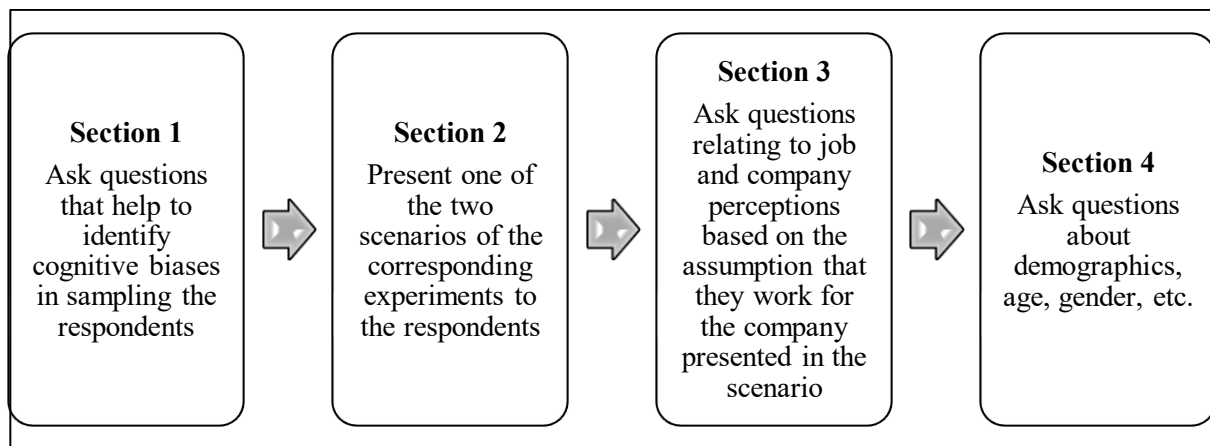


Figure 3.3. Survey process on Amazon MTurk depicting the key sections

The survey included several statements that were drawn from validated survey instruments, including those from Gallup’s inventory that relate to purpose, well-being, employee engagement, meaningful work, GPTW’s “Pride” section in its Trust Index, and statements from Steger et al.’s Work and Meaning Inventory (WAMI) measure (Steger, Dik, & Duffy, 2012). Each statement corresponded to a Likert-type scale to measure the degree to which employees felt their companies were inspirational places to work and investigated the respondents’ feelings regarding meaning and engagement at work. The statements in Section 1 and Section 3 were presented alongside a seven-point scale with responses ranging from “Strongly Agree” to “Strongly Disagree.” The survey respondents were asked to indicate their response by choosing one of the available options (Table 3.2), with the survey being drawn from validated survey instruments like Gallup’s inventory related to purpose wellbeing, employee engagement and meaningful work and from Steger’s Work and Meaning Inventory (Steger et al., 2012). The order of the questions was also relevant.

A “high-hurdle” technique was employed, which places more complex questions or tasks (e.g. reading the article) at the beginning of the process, so that participants who do not take the experiment seriously do not reach the "main part." Moreover, participants were rewarded for each task with goal on increasing their engagement when taking the survey. The advantage of this approach is that the experiments are easily replicable (even across geographies), they reduce demand effects (changes in behavior by subjects due to cues about what answers or behavior may seem appropriate), and the theoretical results are easily comparable between the two experiments, given that no lab interaction (especially in a Covid year) was necessary.

Table 3.2

Likert scale responses

Response	Description
1	Strongly Disagree
2	Disagree
3	Somewhat Disagree
4	Neither Agree nor Disagree
5	Somewhat Agree
6	Agree
7	Strongly Agree

A detailed description of the four sections around which the questionnaire is structured is provided below.

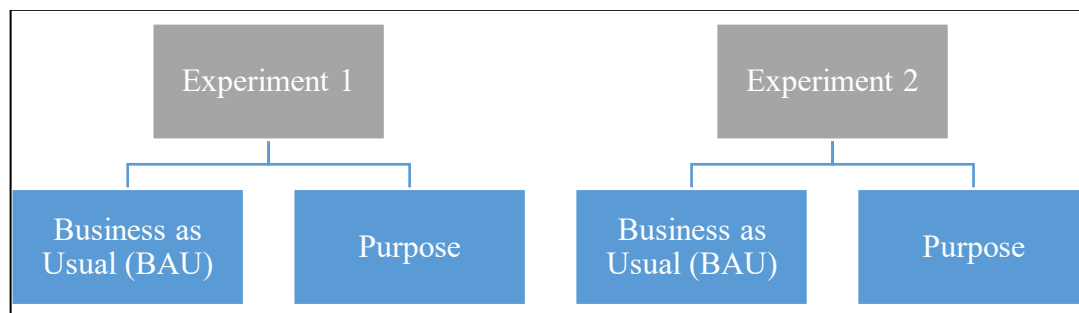
Section 1: Section 1 contained six statements to check for social biases and sample selection biases (see Table 3.3). These statements were presented to the respondents just before presenting the scenario.

Table 3.3

Statements in Section 1 of the questionnaire

1	The relationships with my team members influence my motivation to come to work with passion.
2	My boss's behavior could influence my motivation at work.
3	A lack of personal growth opportunities could negatively impact my motivation.
4	Corporations today possess too much power.
5	I am generally skeptical of corporations proclaiming to serve the common good.
6	It is important to me to derive a sense of meaning from my work.

Section 2: This section presented the respondents with one of the two scenarios corresponding to the experiment being conducted (refer to Figure 3.4). The selection of the scenario was randomized so each scenario was presented to an equal number of respondents but controlled so the respondents in one scenario did not overlap with the respondents for the other scenario. Furthermore, the respondents in Experiment 1 did not overlap with respondents in Experiment 2. This is an important point to clarify.

*Figure 3.4. The experiments and their corresponding scenarios*

Section 3: This section contained 11 statements that measured the employees' perceptions of their jobs and companies based on the intervention (refer to Table 3.4). These statements were presented to the respondents after introducing the scenario.

Table 3.4

Statements in Section 3 of the questionnaire

1	The company has a bigger "purpose" than merely maximizing shareholder returns.
2	My work has special meaning: this is not just a job.
3	I feel good about the ways we contribute to the community.
4	When I look at what we accomplish, I feel a sense of pride.
5	I am proud to tell others I work here.
6	At my work, I feel bursting with energy.
7	I am enthusiastic about my job.
8	My job inspires me.
9	When I get up in the morning, I feel like going to work.
10	I feel happy when I am working intensely.
11	I am proud of the work that I do.

Section 4: This section contained questions that collected demographic information such as age and gender.

3.2. Experiment 1: Results

A total of 450 observations were derived from Experiment 1, with 225 observations for each scenario. The data consists of 207 respondents from the United States and 243 respondents from Europe. Table 3.5 summarizes the key demographic attributes of the respondents' datasets. The average age across all scenario-region cohorts ranges from 34 to 36 years, with the youngest respondent being 18 years old and the oldest 78. The distribution of the dataset in terms of gender is skewed toward males in each cohort, while the number of males or females as a percentage of total respondents is similar in each scenario-region cohort.

Table 3.5

A distribution summary of Experiment 1's demographic composition

	Business as Usual (BAU)		Purpose	
	US	Europe	US	Europe
Male count	72	81	69	85
Female count	33	39	33	38
Regional total for each scenario	105	120	102	123
Scenario total	225		225	
Overall total	450			
Average age	35.6	35.3	36.2	34.8
Minimum age	20	19	21	18
Maximum age	69	62	78	65

3.2.1. A statistical examination of the survey responses

The author begins by analyzing the responses to individual statements for the BAU and Purpose scenarios through statistical examination. In the Likert scale, a score higher than 4 for a statement indicates that the respondents generally agree with that statement. Despite the dataset being randomized, the mean scores of the responses and the percentage of responses with scores higher than 4 are almost identical in the BAU scenario and the Purpose scenario (refer to Table 3.6). This visually implies that there is no bias in the sampling of the respondents. In both scenarios, the mean scores of responses to statements 1, 2, and 3 in Section 1 are quite high (>5). That indicates that the respondents' motivation at work is highly influenced by their team members, their bosses' behavior, and personal growth opportunities, which is not surprising on an intuitive level. The mean scores for statements 4 and 5 in Section 1 are also quite high but slightly lower compared to the other statements. That implies that the respondents are skeptical about corporations that claim to serve the common good and feel that corporations today possess too much power in general. However, it is interesting to note that the percentage of respondents who agree with these two statements is generally lower compared to the percentage of respondents who agree to other statements in this section. The

high mean score for statement 6 indicates that the majority of the respondents feel that it is important for them to derive a sense of meaning or purpose from their work.

Table 3.6

Descriptive statistics from Section 1's statements in Experiment 1 (all observations)

Section 1 statements	Business as usual (BAU)			Purpose		
	Mean	SD	% of responses with score >4	Mean	SD	% of responses with score >4
1) The relationships with my team members influence my motivation to come to work with passion.	5.63	1.41	85.8%	5.37	1.42	76.0%
2) My boss's behavior could influence my motivation at work.	5.88	1.21	88.0%	5.82	1.23	88.0%
3) A lack of personal growth opportunities could negatively impact my motivation.	5.59	1.43	80.9%	5.49	1.40	78.7%
4) Corporations today possess too much power.	5.30	1.52	72.0%	5.36	1.49	72.4%
5) I am generally skeptical of corporations proclaiming to serve the common good.	5.04	1.49	63.4%	5.05	1.55	62.7%
6) It is important to me to derive a sense of meaning from my work.	5.54	1.35	83.9%	5.45	1.45	78.2%

The mean scores of all of the statements in Section 3 are higher among responses received under the Purpose scenario than those received under the BAU scenario (refer to Table 3.7). However, the differences between the mean scores under the BAU scenario and the Purpose scenario vary from one statement to another and do not, therefore, indicate any clear pattern. A key observation is that the statement “The company has a bigger ‘purpose’ than merely maximizing shareholder returns” intends to explain how the respondents feel about the company’s purpose orientation. Analyzing the responses to this statement is very important because any further analysis depends on the general response to this statement. If, for example, the analysis indicates that the respondents do not believe that the company in the Purpose scenario has more purpose than the one described in the BAU scenario, then analyzing the subsequent statements that relate to how an employee perceives a job at such a company is no

longer intuitive. The mean score of the responses and the percentage of respondents who agree or strongly agree with this statement are higher for the Purpose scenario than they are for the BAU scenario, which indicates that the respondents agree that the company in the Purpose scenario has more purpose associated with it. The absence of a clear pattern in the differences between the mean scores of the BAU scenario and the Purpose scenario makes it difficult to draw statistical conclusions, but an improvement in mean scores from the BAU scenario to the Purpose scenario visually indicates that employee perceptions and workplace engagement can be influenced by corporate purpose.

Table 3.7

Descriptive statistics of Section 3's statements in Experiment 1 (all observations)

Section 3 statements	Business as usual (BAU)			Purpose			Difference (Purpose-BAU)	
	Mean	SD	% of responses with score >4	Mean	SD	% of responses with score >4	Mean	% of responses with score >4
The company has a bigger "purpose" than merely maximizing shareholder returns.	3.82	1.76	40.4%	4.50	1.52	56.4%	0.68	16.0%
My work has special meaning; this is not just a job.	3.86	1.68	35.1%	4.13	1.63	44.4%	0.27	9.3%
I feel good about the ways we contribute to the community.	3.75	1.79	35.6%	4.43	1.64	55.6%	0.68	20.0%
When I look at what we accomplish, I feel a sense of pride.	4.07	1.75	43.6%	4.46	1.64	52.4%	0.40	8.8%
I am proud to tell others I work here.	4.21	1.69	46.7%	4.50	1.72	55.1%	0.29	8.4%
At my work, I feel bursting with energy.	4.25	1.54	41.3%	4.30	1.44	46.7%	0.05	5.4%
I am enthusiastic about my job.	4.32	1.67	48.0%	4.52	1.59	54.7%	0.21	6.7%
My job inspires me.	4.14	1.73	43.1%	4.37	1.59	49.8%	0.24	6.7%
When I get up in the morning, I feel like going to work.	4.30	1.62	47.6%	4.53	1.59	56.9%	0.24	9.3%
I feel happy when I am working intensely.	4.46	1.68	55.1%	4.69	1.48	57.8%	0.23	2.7%
I am proud of the work that I do.	4.29	1.70	46.7%	4.61	1.66	57.8%	0.32	11.1%

3.2.2. Principal component analysis

One method of statistically checking for sampling biases and analyzing the impact of corporate purpose on employees' feelings and work engagement is the t-test (a test to assess whether the means of two groups are statistically different from each other). However, running this test on each of the statements presented in the survey is likely to yield little information. It is also cumbersome to arrive at a statistical conclusion by analyzing all of the individual statements separately because in order to do so, one has to understand the relationship between each statement. For example, if the results of t-tests indicate that the mean scores of the BAU scenario and Purpose scenario are statistically identical for only four of Section 1's statements, then one cannot simply conclude that there is no sampling bias since the t-tests also indicate that the mean scores of some statements vary from the BAU scenario to the Purpose scenario. Because of these complexities, the author uses Exploratory Factor Analysis (EFA) with principal component analysis (PCA) as the factor extraction method to analyze and derive conclusions from the data. PCA is a technique that is used to reduce large numbers of correlated variables into a small number of factors that are generally uncorrelated. These factors are derived using combinations of the individual variables while preserving as much information as possible from the original dataset. The PCA analysis in this study relies on the methodology presented by Schaufeli, Bakker, and Salanova (2006) and Claxton, Ferreira, and de Oliveira (2014) in their respective studies.

3.2.2.1. Data adequacy tests for PCA

The author started by conducting data adequacy tests to determine whether the underlying data is suitable for running the PCA. The author used the Bartlett and KMO tests to check the sample for data suitability. The null hypothesis in the Bartlett test is that the correlation matrix is an identity matrix. An identity matrix indicates that there are no correlations among any of the statements. A certain degree of correlation among the statements is a prerequisite if the PCA is to be meaningful. The KMO test value is the ratio between the sum of partial correlations of the data and the sum of normal correlations. A value close to 0 indicates that the correlation values are widely dispersed and that the PCA will not yield reliable factors. Generally, a value between 0.8 and 1 indicates that the sample is suitable for a PCA.

In order to conduct these tests, the author merged the responses from Section 1 and Section 3 into one data pool because there is a possibility that these statements correlate, and performing

these tests on Section 1's and Section 3's statements separately might ignore such correlations and lead to incorrect conclusions. As such, the author used the pooled data from the respondents from the United States and Europe to perform the PCA. The Bartlett test of sphericity (Chi-square = 5813.04; Sig = 0.000) rejects the null hypothesis. The KMO test's measure of 0.93 indicates the presence of common factors. As such, the Bartlett and KMO tests indicate that the data is suitable for running the PCA.

3.2.2.2. Factor extraction and analysis

In the PCA, the maximum number of factors one can extract is equal to the number of variables in the dataset. The eigenvalue of a factor is a measure of variance explained by that particular factor versus the total variance across the variables. A factor with an eigenvalue greater than 1 indicates more variance relative to a single variable; therefore, all factors with an eigenvalue less than 1 are generally discarded. The author performs the PCA under the assumption that the number of factors is the same as the number of statements. The PCA results indicate only three factors with an eigenvalue greater than 1 (refer to Table 3.8) and show that at least two of the statements have a loading of more than 0.6 under each of these factors (refer to Table 3.9). Furthermore, the statements that are mapped with each factor seem to be qualitatively intuitive when viewed as a group. All the statements presented in Section 3 (i.e., those statements that can be affected by the scenario being presented) were mapped to the first factor, which the author calls "Employees' Feelings" because they relate to employees' feelings about the company, the job, and work engagement. All the statements that relate to employee motivation are mapped to the second factor, which the author calls "Employees' Motivation." Finally, the statements that relate to employees' views on corporations are mapped to the last factor, which the author calls "Employee's Views on Corporations." Table 3.9 indicates the names of the factors and the statements that correspond to them. One key observation is that all the statements in Section 1 are either mapped to "Employees' Motivation" or "Employees' Views on Corporations," while all the statements in Section 3 are mapped to "Employees' Feelings."

Table 3.8

The eigenvalues of the factors

Factor	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Eigen value	7.9	2.5	1.3	0.9	0.8	0.6	0.6	0.4	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.1	0.1

Table 3.9

Survey statements and corresponding factors

Statements under Each Factor	Loading of Each Factor	Corresponding Factor Name
The company has a bigger “purpose” than merely maximizing shareholder return.	0.60	“Employees’ Feelings” (employees’ views on the company, job, and their engagement with the company)
My work has special meaning: this is not just a job.	0.84	
I feel good about the ways we contribute to the community.	0.86	
When I look at what we accomplish, I feel a sense of pride.	0.88	
I am proud to tell others I work here.	0.85	
At my work, I feel bursting with energy.	0.85	
I am enthusiastic about my job.	0.90	
My job inspires me.	0.91	
When I get up in the morning, I feel like going to work.	0.82	
I feel happy when I am working intensely.	0.80	
I am proud of the work that I do.	0.91	“Employees’ Motivation”
The relationships with my team members influence my motivation to come to work with passion.	0.84	
My boss’s behavior could influence my motivation at work.	0.78	
A lack of personal growth opportunities could negatively impact my motivation.	0.67	
It is important to me to derive a sense of meaning from my work.	0.67	“Employees’ Views on Corporations”
Corporations today possess too much power.	0.84	
I am generally skeptical of corporations proclaiming to serve the common good.	0.87	

3.2.2.3. Internal consistency test for the derived factors

The internal consistency (i.e., how closely related a set of items are as a group) of each factor was tested using Cronbach's alpha. This test resulted in values of 0.92, 0.73, and 0.73, respectively, for the factors mentioned in Table 3.9. The Cronbach's alpha of 0.92 for the "Employees' Feelings" factor is the highest among the three factors and indicates that the statements under this factor are highly correlated to each other when compared to the other factors. In general, a Cronbach value greater than 0.65 indicates a good measure of internal consistency. This implies that all three of the derived factors were internally consistent.

3.2.2.4. T-test to check for sampling bias in the respondent dataset

All the statements in Section 1 (pre-scenario statements) are mapped to either "Employees' Motivation" or "Employees' Views on Corporations." A score for each of these two factors is calculated using the responses to statements that are mapped to the factors. The author then applies a t-test to determine whether there is a statistically significant difference between a) the mean factor scores based on responses from respondents who were presented with the BAU scenario and b) the mean factor scores based on responses from respondents who were presented with the Purpose scenario. The null hypothesis of the t-test is that the means of the two scenarios are the same. Failure to reject the null hypothesis will indicate that there is no sampling bias in the dataset.

However, in order to use the t-test, the homogeneity of variance between the two scenarios must be established as a preliminary step. The author uses Levene's test to check for the homogeneity of variance. The null hypothesis of Levene's test is that the variances of the factors' scores are equal. The test results in p-values are 0.40, 0.67, and 0.88, respectively, for the three factors, thus failing to reject the null hypothesis and confirming that the data does not violate the assumption of homogeneity of variance.

The author uses the pooled datasets from both the United States and Europe to perform the t-tests. The t-test result for the "Employees' Motivation" factor (t-statistic = 1.11, $p = 0.27$) does not reject the null hypothesis. This indicates that the mean scores of the "Employee's Motivation" factor are the same for both the BAU and the Purpose scenarios. Similarly, the t-test result for the "Employee's Views on Corporations" factor (t-statistic = -0.39, $p = 0.69$) indicates that the mean scores for this factor are the same in both sets of respondents regardless

of the scenarios they were shown. These results indicate that statistically there is no sampling bias in the respondent dataset.

3.2.2.5. The t-test to analyze the impact of purpose

All the statements in Section 3 (post-scenario statements) that relate to an employee's feelings about the company, the job, and work engagement are mapped to the "Employees' Feelings" factor. The author performs a t-test on the "Employees' Feelings" factor to statistically analyze the impact of corporate purpose on employees' feelings about the company and their work engagement. The author uses the pooled datasets from the United States and Europe to perform these tests. The results (t-statistic = -2.62, $p = 0.009$) rejects the null hypothesis that the mean score of this factor for the BAU scenario is the same as it is for the Purpose scenario. Furthermore, the mean score of this factor and the percentage of respondents with a factor score greater than 4 are higher for the Purpose scenario than for the BAU scenario (refer to Table 3.10). Statistically, this shows that employees' perception of their jobs and workplace engagement can be positively influenced by corporate purpose. It also means that employees feel proud of their jobs and contributions to society and believe that their work engagement improves when they work for a company with a corporate purpose.

In the following sections, the author broadens his analysis of the "Employees' Feelings" factor to investigate any potential differences between the responses to the BAU and Purpose scenarios when categorizing by culture, gender, and age.

The author performs a two-way ANOVA test to check for the interaction effects among cultures (United States vs. Europe), gender (male vs. female), and age (those who are above 40 years vs. those who are below 40 years). The two-way ANOVA tests for two effects: main effects and interaction effects. Main effects are like t-tests; they consider each variable separately and investigate the potential difference between the groups in that variable. For example, this could include the impact of purpose on gender (male vs. female). Interaction effects represent the combined impact independent variables may have on the dependent variable. When an interaction effect is present, the impact of one variable depends on the level of another variable, and therefore, the results of the main effects cannot be interpreted in isolation. For example, if the interaction effect between gender and culture is significant, then the impact of purpose on male respondents versus female respondents is also dependent on their cultural background (United States vs. Europe), and vice versa. The test results indicate that the interactions between

culture and gender (p-value = 0.913), gender and age (p-value = 0.358), and age and culture (p-value = 0.502) are not significant. Therefore, in the following sections, the author made the bilateral comparisons for culture (United States vs. Europe), gender (male vs. female), and age (those older than 40 years vs. those younger than 40 years) with the use of t-tests to analyze potential differences in the responses.

3.2.2.6. Cultural differences in responses (United States vs. Europe)

The author analyzes the US and European datasets separately to assess any differences in the responses from the respective regions. The conclusions for the BAU scenario versus the Purpose scenario for the European and US datasets are similar to the conclusions derived from the pooled dataset (refer to Table 3.11, Table 3.12, and Table 3.14). However, the results of a t-test that compares the mean scores of responses for the “Employees’ Feelings” factor (t-statistic = -2.97, $p = 0.003$) for the Purpose scenario of the European and US datasets reject the null hypothesis. That indicates that the mean score of the European Purpose scenario is different from that of the US Purpose scenario. Furthermore, the mean score of the “Employees’ Feelings” factor and the percentage of responses with a score higher than 4 are greater for the US Purpose scenario than for the European Purpose scenario. That indicates that people in the United States seem to be more purpose-oriented than people in Europe (refer to Table 3.13). This could mean exactly what is suggested: that US employees are generally more open to the topic of purpose than their European counterparts. The reasons for this could be manifold. For example, US firms tend to be less regulated by the state relative to European firms, so the concept of corporate responsibility may be more active in US than in European countries, where state regulations are often stricter, forcing companies to act in the interests of civil society. A deeper discussion of the potential reasons for this significant cross-cultural difference between these two geographies is discussed in the Chapter 6 of this dissertation.

Table 3.10

Descriptive statistics of the factor scores from Experiment 1 (all observations)

	Business as usual (BAU)			Purpose		
	Mean	SD	% of responses (score >4)	Mean	SD	% of responses (score >4)
“Employees’ Motivation”	5.66	0.99	96.0%	5.53	1.05	90.7%
“Employees’ Views on Corporations”	5.15	1.32	75.1%	5.20	1.37	76.9%
“Employees’ Feelings”	4.14	1.43	54.2%	4.46	1.35	68.0%

Table 3.11

Descriptive statistics of the factor scores from Experiment 1 (European observations)

	Business as usual (BAU)			Purpose		
	Mean	SD	% of responses (score >4)	Mean	SD	% of responses (score >4)
“Employees’ Motivation”	5.82	0.96	96.7%	5.73	0.96	95.9%
“Employees’ Views on Corporations”	4.94	1.31	68.3%	4.97	1.36	74.0%
“Employees’ Feelings”	4.09	1.32	52.5%	4.28	1.25	64.2%

Table 3.12

Descriptive statistics of the factor scores from Experiment 1 (US observations)

	Business as usual (BAU)			Purpose		
	Mean	SD	% of responses (score >4)	Mean	SD	% of responses (score >4)
“Employees’ Motivation”	5.48	1.01	95.2%	5.29	1.10	84.3%
“Employees’ Views on Corporations”	5.40	1.29	82.9%	5.49	1.33	80.4%
“Employees’ Feelings”	4.20	1.56	56.2%	4.73	1.43	72.5%

Table 3.13

Descriptive statistics of the European and US Purpose scenarios (Experiment 1)

	Purpose (Europe)			Purpose (US)		
	Mean	SD	% of responses (score >4)	Mean	SD	% of responses (score >4)
“Employees’ Motivation”	5.73	0.96	95.9%	5.29	1.10	84.3%
“Employees’ Views on Corporations”	4.97	1.36	74.0%	5.49	1.33	80.4%
“Employees’ Feelings”	4.28	1.25	64.2%	4.73	1.43	72.5%

Table 3.14

T-test results of the “Employees’ Feelings” factor from the Europe vs. United States analysis (Experiment 1)

	t-statistic	p-value	Reject t-test null hypothesis?
By Region			
Europe: Business as Usual (BAU) scenario vs. Purpose scenario	-1.84	0.034	YES
United States: Business as Usual (BAU) scenario vs. Purpose scenario	-2.91	0.004	YES
By Scenario			
Business as Usual (BAU) scenario: Europe vs. United States	-0.28	0.779	NO
Purpose scenario: Europe vs. United States	-2.97	0.003	YES

3.2.2.7. Differences in responses by gender and age group

To observe how a company’s objective influences the responses by gender, the author analyzes the Purpose scenario responses of males and females separately. Even though a slight difference exists in the mean scores of males and females for the “Employees’ Feelings” Factor, the t-test result (t-statistic = 0.921, p = 0.358) shows that the difference is not statistically significant (refer to Table 3.15). The author also observes the influence of company objective on different age groups by dividing the responses of the Purpose scenario based on two age groups: those older than 40 (baby boomers and Generation X) and those younger than 40

(millennials and Generation Z). Similar to the gender analysis, the mean scores for the two age groups are somewhat different, but the t-test result (t-statistic = 1.241, p = 0.216) shows that the difference is not statistically significant (refer to Table 3.15). This result is somewhat surprising to the author since other research studies have suggested that gender actually does play an important role in perceptions of the corporate social responsibility of a company (Hatch & Stephen, 2015). More specifically, the study finds that women, on average, tend to believe that organizations should be more beneficial to society than their male counterparts. The implications of these results and how they tie into other research is discussed in more detail in Chapter 6.

Table 3.15

Descriptive statistics from the “Employees’ Feelings” factor for different gender and age groups in the Purpose scenario (Experiment 1)

	Mean	SD	% of responses (score >4)
Male	4.53	1.32	68.8%
Female	4.29	1.42	66.2%
Older than 40	4.64	1.21	71.6%
Younger than 40	4.38	1.41	66.5%

3.2.2.8. Potential method biases that could affect the reliability of study

Since the author used survey-based questionnaires to collect data, the chance exists that the tested relationship be distorted by the effect of common method variance (CMV), or the variance that is attributable to the error in the method of measurement. The bias generated by the CMV is known the common method bias. Even though the author took necessary precautions to reduce the bias in the collected data using procedures like random sampling of respondent using different sources for dependent and independent variable data, there still exists the risk of common method biases that are difficult to control and could affect the reliability of the study. Listed below, the author introduces possible common method biases that could affect relationships tested in the study (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003):

Consistency motif bias arises due to the natural tendency of the respondents to try to maintain consistency in their thoughts and thus responses to questions. In other words, respondents could experience the desire or subconscious inclination to appear consistent and prudent in their

answers vis-à-vis the researchers, thus increasing the probability of perceiving similarities in the questions where none may exist. For example, the question “corporations today possess too much power” followed by “I am generally skeptical of corporations proclaiming to serve the common good” could invite a respondent to conform to a perceived relationship between these two questions even though no relationship is intended or exists.

Acquiescence bias arises due to the natural inclination of the respondents to agree (or disagree) with questionnaire items if they are worded in a similar fashion. The challenge here is the semblance of a higher correlation between items when in fact that are conceptually unrelated. For example, statements like “I feel happy when I am working intensely” and “I feel good about the ways we contribute to the community” could inspire a natural human tendency to say “yes” more readily to both questions simply because the questions are worded and structured in a similar way.

Mood state bias arises due to the natural tendency of the respondents to view themselves and the world around them in generally negative terms (negative affectivity) or in positive terms (positive affectivity). Since the author’s questionnaire was sent to respondents in 2020, a year in which people were primarily at home and isolated and less confident about their futures due to the Covid pandemic, it could be that a subdued mood may have influenced their answers to the questionnaire.

Scale length bias arises due to the fact that if scales have fewer item options, responses to previous statements are more likely to be accessible in short-term memory and thus also more likely to be recalled and influence responses to other statements. Given that the author’s scales were relatively short, this brevity could elicit scale length bias in the responses the author collected from the respondents.

3.3. Experiment 2: results

The author analyzes the responses from Experiment 2 in the same way as those from Experiment 1. Experiment 2 is intended to complement Experiment 1 in so far as it relies on a different control group (e.g. a textile brand). This comparability is based on the statistical notion of conceptual replication, vs. direct replication (Simons, 2014).

The results from Experiment 2 arrive at the same conclusions as for Experiment 1 (refer to Table 3.16 to Table 3.25). More specifically, the author also confirms that statistically no

sampling bias exists in the respondent dataset of Experiment 2 (refer to Table 3.19 and Table 3.20). Moreover, similar to Experiment 1, the author also finds that the presence of a strong corporate purpose has a positive influence on employees' feelings about their company and their work engagement (refer to Table 3.19 and Table 3.20). In this context, Experiment 2 confirms the results generated in Experiment 1. Additionally, from a cultural perspective, the data from Experiment 2 also suggest that people in the United States respond more sensitively to questions around purpose than people in Europe (refer to Table 3.23 and Table 3.24). And finally, the data from Experiment 2 also confirm that perceptions of corporate purpose are unrelated to gender (i.e., male vs. female) and age (above and below 40 years), which contributes to the validity of the results (refer to Table 3.5). As such, given the results of both experiments on this issue, one can state that corporate purpose seems to have no influence on gender (i.e. male vs. female) and age (i.e. above 40 years vs. below 40 years) in general (refer to Table 3.5).

In this context, the results from Experiment 2 confirm the results of Experiment 1 and thus also confirm that no irregularities seem to exist in the structure and generation of the conclusions from Experiment 1.

Table 3.16

A distribution summary of Experiment 2's demographic composition

	Business as Usual (BAU)		Purpose	
	US	Europe	US	Europe
Male count	61	54	62	59
Female count	41	52	40	52
Regional total for each scenario	102	106	102	111
Scenario total	208		213	
Overall total	421			
Average age	36.9	30.5	39.6	29.6
Minimum age	18	18	22	18
Maximum age	65	61	74	55

3.3.1. A statistical examination of the survey responses

Table 3.17

Descriptive statistics from Section 1's statements in Experiment 2 (all observations)

Section 1 statements	Business as Usual (BAU)			Purpose		
	Mean	SD	% of responses (score >4)	Mean	SD	% of responses (score >4)
The relationships with my team members influence my motivation to come to work with passion.	5.63	1.21	85.1%	5.63	1.33	82.6%
My boss's behavior could influence my motivation at work.	6.04	1.06	93.8%	6.10	1.05	92.5%
A lack of personal growth opportunities could negatively impact my motivation.	5.51	1.26	81.3%	5.65	1.21	82.6%
Corporations today possess too much power.	5.52	1.39	77.8%	5.61	1.38	79.3%
I am generally skeptical of corporations proclaiming to serve the common good.	5.16	1.47	67.3%	5.18	1.43	66.7%
It is important to me to derive a sense of meaning from my work	5.62	1.25	84.5%	5.52	1.36	78.9%

Table 3.18

Descriptive statistics of Section 3's statements in Experiment 2 (all observations)

Section 1 statements	Business as usual (BAU)			Purpose		
	Mean	SD	% of responses (score >4)	Mean	SD	% of responses (score >4)
The company has a bigger “purpose” than merely maximizing shareholder returns.	3.53	1.67	33.7%	5.39	1.24	83.1%
My work has special meaning: this is not just a job.	3.60	1.77	32.2%	5.31	1.38	74.6%
I feel good about the ways we contribute to the community.	3.85	1.72	38.5%	5.65	1.17	86.4%
When I look at what we accomplish, I feel a sense of pride.	4.10	1.69	46.6%	5.54	1.27	82.2%
I am proud to tell others I work here.	4.22	1.60	45.2%	5.67	1.27	82.6%
At my work, I feel bursting with energy.	3.95	1.67	38.5%	4.80	1.35	59.2%
I am enthusiastic about my job.	4.15	1.62	43.3%	5.32	1.33	74.2%
My job inspires me.	3.95	1.73	39.4%	5.31	1.39	73.2%
When I get up in the morning, I feel like going to work.	4.06	1.74	42.3%	5.11	1.46	67.6%
I feel happy when I am working intensely.	4.34	1.60	53.4%	5.14	1.41	68.5%
I am proud of the work that I do.	4.26	1.70	46.2%	5.62	1.22	84.0%

3.3.2. Principal component analysis

3.3.2.1. T-tests to check for sampling bias and to analyze the impact of purpose

Table 3.19

Descriptive statistics of the factor scores from Experiment 2 (all observations)

	Business as usual (BAU)			Purpose		
	Mean	SD	% of responses (score >4)	Mean	SD	% of responses (score >4)
“Employees’ Motivation”	5.72	0.83	96.2%	5.75	0.87	96.2%
“Employees’ Views on Corporations”	5.32	1.29	79.8%	5.39	1.22	81.2%
“Employees’ Feelings”	4.01	1.44	52.4%	5.36	1.10	89.7%

Table 3.20

T-test results for the BAU and Purpose scenarios from Experiment 2 (all data)

	t-statistic	p-value	Reject t-test null hypothesis?
“Employees’ Motivation”	-0.23	0.536	NO
“Employees’ Views on Corporations”	-0.61	0.814	NO
“Employees’ Feelings”	-10.92	0.000	YES

3.3.2.2. Cultural differences in responses (United States vs. Europe)

Table 3.21

Descriptive statistics of factor scores from Experiment 2 (European observations)

	Business as usual (BAU)			Purpose		
	Mean	SD	% of responses (score >4)	Mean	SD	% of responses (score >4)
“Employees’ Motivation”	5.91	0.84	97.2%	5.78	0.81	96.4%
“Employees’ Views on Corporations”	5.22	1.17	80.2%	5.26	1.22	80.2%
“Employees’ Feelings”	3.88	1.30	50.9%	5.15	1.07	87.4%

Table 3.22

Descriptive statistics the factor scores from Experiment 2 (US observations)

	Business as usual (BAU)			Purpose		
	Mean	SD	% of responses (score >4)	Mean	SD	% of responses (score >4)
“Employees’ Motivation”	5.52	0.79	95.1%	5.72	0.93	96.1%
“Employees’ Views on Corporations”	5.44	1.40	79.4%	5.53	1.21	82.4%
“Employees’ Feelings”	4.14	1.56	53.9%	5.58	1.09	92.2%

Table 3.23

Descriptive statistics of the European and US Purpose scenarios (Experiment 2)

	Purpose (Europe)			Purpose (US)		
	Mean	SD	% of responses (score >4)	Mean	SD	% of responses (score >4)
“Employees’ Motivation”	5.78	0.81	96.4%	5.72	0.93	96.1%
“Employees’ Views on Corporations”	5.26	1.22	80.2%	5.53	1.21	82.4%
“Employees’ Feelings”	5.15	1.07	87.4%	5.58	1.09	92.2%

Table 3.24

T-test results of the “Employees’ Feelings” factor from the Europe vs. United States analysis (Experiment 2)

	t-statistic	p-value	Reject t-test null hypothesis?
By Region			
Europe: Business as Usual (BAU) scenario vs. Purpose scenario	-7.80	0.000	YES
United States: Business as Usual (BAU) scenario vs. Purpose scenario	-7.84	0.000	YES
By Scenario			
Business as Usual (BAU) scenario: Europe vs. United States	-1.33	0.182	NO
Purpose scenario: Europe vs. United States	-3.16	0.002	YES

3.3.2.3. Differences in responses by gender and age group

Table 3.25

Descriptive statistics of the “Employees’ Feelings” factor for different gender and age groups in the Purpose scenario (Experiment 2)

	Mean	SD	% of responses (score >4)
Male	5.19	1.16	87.6%
Female	5.34	0.97	92.4%
Age above 40 years	5.65	1.11	92.9%
Age below 40 years	5.47	1.07	88.5%

3.4. Conclusion

The goal of this study was to examine how people feel about a company based on its objectives and how such objectives influence their perceptions of the company and their work engagement. Based on the conceptual replication conducted with Experiment 2 following Experiment 1, the overall results of the study find that there is a material difference (at the 1% significance level) in responses to the two scenarios of a company whose objective includes a clearly defined corporate purpose beyond naturally materialistic ambitions such as profitability and another company whose objective does not include such a clearly identifiable corporate purpose. The study concludes that people feel proud and believe that their job has a special meaning when they work for a company with a purpose. It also concludes that a company’s purpose-orientation improves the work engagement of employees (RQ2).

From a cultural perspective, the study finds that there is a significant difference (at the 1% significance level) between the responses from Europe and the United States. Respondents from the United States seem to be more purpose-oriented when considering their jobs than European respondents (RQ3). This could suggest that US employees are more primed to be open to purpose than their seemingly more skeptical European peers. The reasons for this could include a number of different explanations, including the notion that US employees are *prima facie* generally more open to the topic of purpose than their European counterparts, or the idea that US firms tend to be less regulated by the state relative to European firms, so the concept of corporate responsibility may be more active in US than in European countries, or the view that US employees place more value on work and the perception of their employers relative to European employees. A deeper discussion of the potential reasons for this significant cross-

cultural difference between these two geographies is discussed in the Chapter 6 of this dissertation.

The last part of the study looks at demographics. To this end, the study does not find any statistically significant difference between the responses of male and female respondents and no difference in the responses of different age groups. This suggests that purpose orientation is not subject to these particular demographics and is equally attractive to all respondents. As mentioned above, there is existing research that may seem to contradict these findings with respect to the role gender may play with respect to how people view the purpose or responsibility of a company. The implications of these results and how they tie into other research is discussed in more detail in Chapter 6.

4. The impact of corporate purpose on company performance

4.1. Designing an index to measure firms' purpose-orientation

The abstract nature of purpose makes it difficult to study in a large-scale way. This is also probably why progress with respect to exploring the relationship between corporate purpose and financial performance has been limited. A reason for this thwarted progress might have to do with the absence of a robust measurement framework with which to systematically evaluate firms' purposes over time. Indeed, the author was unable to find a compelling framework for measuring purpose across all employees within a firm other than the research design used by Gartenberg et al. (2019).

In an effort to overcome this challenge, the author builds on the research framework introduced by Gartenberg et al. (2019) to measure the purpose-orientation of employees at multiple job levels at companies across multiple countries and in multiple sectors. Pursuing this logic with respect to measuring purpose orientation, the author was able to gain access to a dataset of employee responses that had been collected by the Great Place to Work (GPTW) Institute, a proprietary and independent institution that conducts annual standardized surveys that span multiple firms, multiple job titles, multiple countries, and multiple years. The author is not aware of another institution that conducts such comprehensive and methodologically sound employee surveys across so many employees, companies, sectors, and countries.

4.1.1. The great place to work dataset

The Great Place to Work (GPTW) Institute conducts research on workplace culture and recognizes leading workplaces in more than 45 countries on six continents (Great Place to Work, 2019). For example, GPTW administers *Fortune* magazine's annual 100 Best Companies to Work For list (Fortune, 2020). First published in 1998, the 100 Best Companies to Work For list is an annual list by *Fortune* magazine that ranks US companies based on employees' perceptions of company culture. The data is sourced from the GPTW's Trust Index Employee Survey and its Culture Audit. The GPTW dataset represents an established and methodologically sound dataset that was first compiled in 1991.

Given the high quality of the GPTW dataset, the annual data have been used in several other prominent studies within the academic community. Guiso et al. (2015) relied on the dataset to better understand corporate culture and its association with corporate financial performance, while Garrett, Hoitash, and Prawitt (2014) used the GPTW dataset to explore the relationship between perceived employee trust across several industries and the quality of corporate accounting. Another prominent example is the work of Edmans (2011), who investigated whether the stock market effectively prices intangibles (e.g., the value of culture, trust, brand value, etc.) by testing whether the *Fortune* list constituents outperform the broader stock index.

But what makes the GPTW survey so interesting and attractive to researchers? The survey is based on respondents offering ratings of their employers on a very broad range of topics, including the quality of management, collegiality, meaning, trust, the nature of the work, and so on. What is important about this dataset is that the survey data allows the careful analysis of real employees' beliefs and not just company-specific interpretations of employees' well-being and also not mere management intentions. In other words, researchers can rely on what employees across multiple job levels actually believe and not what communications departments or the C-suite representatives say about what they believe their employees believe or what they want their companies to stand for in the future.

With a specific reference to tracking purpose, the GPTW survey allows researchers to measure the extent to which employees see their work as being meaningful. Another important benefit of the survey is that the analysis of purpose does not have to rely on surveys that are conducted by the companies; it is a standardized and independent approach that is consistent and harmonized across companies, sectors, and even countries. This is important, not least because measuring cultural indicators such as purpose is difficult, so it is enormously helpful when the responses from a wide variety of sectors, companies, and even countries are standardized, thus making them available for comparison in the context of a larger dataset for a particular study exercise (Guiso et al., 2015).

As mentioned above, the author's analysis considers "purpose" or "purpose-orientation" and "meaning" to be interchangeable and focuses on the strength of these beliefs, not necessarily on their content (e.g., the reason for the purpose of a certain company). In other words, the reader should understand that the terms *corporate purpose*, *purpose-orientation*, and *meaningfulness* refer to the strength of purpose and the strength of meaning as experienced by the respective employees across different job levels in the companies being surveyed. The

survey responses suggest that companies with a strong sense of purpose are considered those in which employees experience, on average, a strong sense of meaningfulness in terms of the impact of their work. Conversely, the data also show that companies with a weak sense of meaning or purpose among their employees will be coded as such.

The author's analysis builds on the research by Gartenberg et al. (2019) that uses the GPTW dataset but applies it to US companies. The author's work uses consolidated raw data from the GPTW survey results that have been collected from the GPTW affiliate offices in Switzerland, Germany, France, the United Kingdom, Italy, Ireland, Sweden, Denmark, Finland, and Norway. The analysis is limited to publicly listed companies that participate in the GPTW survey in those 11 countries since access to each firm's financial data is critical to the analysis. No private companies were considered because of the difficulty in accessing private companies' financial data. As such, the analysis focuses on self-selected firms that are likely to compete heavily for human capital, which is probably why they participate in the GPTW workplace recognition process in the first place. In other words, they likely depend on skilled labor and might generally hope to be recognized by the GPTW survey as companies with particularly good cultures. As such, the selection process might also include a selection bias since companies volunteer to participate in the survey and participation is not mandatory.

To participate in the survey, firms are obliged to submit two separate filings: the Culture Audit Survey (CAS) and the Trust Index (TI) employee survey. While the CAS mainly addresses summary information on the company (e.g., number of employees, demographics, information about benefits and compensation practices, etc.), the TI includes 57 to 61 questions (depending on the GPTW affiliate that is administering the survey) that measure various employee beliefs about the workplace environment, including issues such as management-employee relationships, workplace camaraderie, the meaning of the work, pride, and so on.

The randomized survey responses are captured on a Likert-type scale ranging from 1 to 5, where 1 corresponds to "almost always untrue," and 5 corresponds to "almost always true," thus capturing the intensity of the employees' feelings for a given item in the survey. Moreover, the survey is stratified by job function, with the responses spanning these five job functions: hourly employees, sales (commission-based) workers, middle managers and supervisors, salaried professional and technical workers, and executives and senior managers (see the appendix for more information). GPTW aggregates employees' responses to individual survey statements at the company level by calculating the percentage of employees who believe the

survey statement is “often true” or “almost always true.” For example, if 50 out of 100 survey respondents respond to a specific survey statement on either level 4 or level 5, then the aggregated response at the company level for that survey statement will be 50%.

4.1.2. A purpose index based on four key questions about “employee pride”

For the purposes of this study, the author uses data from the TI surveys and aggregates employees’ responses up to the firm level. In an effort to isolate purpose-orientation, the author considers firms with strong corporate purposes to be those where employees hold strong beliefs in the meaning and impact of their work. To this end, the author builds an index of purpose-orientation by defining a simple average of company-level responses to four key questions that refer directly to the topic of purpose-orientation. The four questions on purpose-orientation fall under the designated “Employee Pride” category in the survey (for more information on how the TI survey is constructed and the questions that make it up, please refer to the sample in the appendix).

These questions ask employees to agree or disagree with the following statements:

- a) “My work has special meaning: this is not just a job.”
- b) “I feel good about the ways we contribute to the community.”
- c) “When I look at what we accomplish, I feel a sense of pride.”
- d) “I am proud to tell others I work here.”

Employee responses to these questions are particularly valuable for three reasons. First, they emphasize the focus on meaningful or purpose-oriented work and work that has a pro-social impact or contributes to the community. Second, the questions emphasize the importance of how employees view the impact they generate through their work and the meaning that employees derive from the impact they generate through their business activities (Pratt & Ashforth, 2003). And third, the four questions also suggest an interpretation of how people feel their work positively influences other people or society as a whole (Wrzesniewski, Dutton, & Debebe, 2003).

The relationship among the four questions is high, as evidenced by very high values from the item-test correlation. The item-test correlation for the four questions is 0.85, 0.93, 0.96, and

0.93, respectively, which suggests, not surprisingly, that the four questions are very closely related to one another.

In addition to the general corporate purpose index as modeled by the work of Gartenberg et al. (2019), the author also builds two additional indices for purpose-orientation by calculating the average of company-level responses for the first two statements (a and b) and the last two statements (c and d). Given that the first two questions (a and b) relate more to the meaning and impact of work, while the last two questions (c and d) seem more closely related to the topic of employee pride, these alternative measures test for differences in outcomes. The author calls these two additional measures of purpose *Purpose_impact* and *Purpose_pride*. Since employee pride could be driven by factors other than employee purpose, analyzing these two alternative indices independently should allow for a better understanding of purpose-orientation from these qualitative factors. This point is important since this approach represents a meaningful enrichment to the research design that was developed by Gartenberg et al. (2019).

In an effort to access the data from different countries, the author negotiated contractual agreements with the respective GPTW affiliates in Switzerland, Germany, France, the United Kingdom, Italy, Ireland, Sweden, Denmark, Finland, and Norway, which allowed him the use of the aggregated TI survey responses from 66 publicly listed companies in 11 countries and eight industrial sectors. The industry sector classification is provided by Bloomberg, the financial data provider. Table 4.2 shows the summary statistics, and Table 4.3 shows the composition of the companies across the eight industry sectors. The most highly represented industries are from the Technology and Consumer Non-Cyclical sectors. Altogether, the dataset consists of 114 firm-years of observations from the four-year period under investigation (2016–2019).

According to Gartenberg et al. (2019), collecting data directly from employees and screening their beliefs about their roles is consistent with the most important contributions to the literature with respect to the role of leaders as meaning-makers and how their rhetorical messaging is relevant for employee performance, as discussed in the work of Carton, Murphy, and Clark (2014). This is important because it is leaders who most often communicate a company's strategy as well as (perhaps even more importantly) the relevance of each division's contribution to this strategy and how the strategy fits into the company's overall *raison d'être*. This approach also creates an important link between company purpose and the organizational literature, much of which is based on the field of positive psychology that was discussed earlier

in this analysis and addresses the importance of meaningful work and individuals' beliefs about how relevant they believe their work is (Pratt & Ashforth, 2003). The organizational literature disproportionately suggests that engagement, work satisfaction, and meaning have a positive impact on employee success, but there is still no conclusive answer to the question of whether this also translates into better corporate performance.

4.2. Mapping the purpose index to financial performance

The author's first methodological step is to average the employee responses to the questions mentioned above into an overall measure or index of company purpose-orientation. In the second step, the author associates this metric with the respective firms' operating return on assets (ROA). ROA is an indicator that offers insight into how profitable a company is relative to the average total assets it carries on its balance sheet—or its invested capital. In other words, ROA provides information about how good a company is in terms of converting invested capital into operating earnings. For the purposes of this analysis, ROA tells us how much operating income (earnings before interest and taxes, or EBIT) is generated from the amount of assets a firm has on its balance sheet. As such, a higher ROA suggests that a company is more efficient at generating operating income based on the assets it carries on its balance sheet. Importantly, ROA implicitly includes the amount of debt a firm carries, which a metric like return on equity (ROE) does not include. As such, ROA offers a more reliable indication of the comprehensive financial performance of a company over a certain period than ROE can. In research, it is also (at least) one of the most commonly used profitability metrics, and is also used in the Gartenberg et al. (2019) report as the dependent variable.

$$ROA = \frac{EBIT}{Average\ total\ assets}$$

The author considers ROA to be a proxy for a firm's performance. The data required for this analysis (EBIT, average total assets, country of domicile, and industry sector) is extracted from Bloomberg, the data provider. For missing calendar years, the author relies on Bloomberg's market estimates. In cases where Bloomberg's market estimates are not available, the author extrapolates annual values using published semi-annual or quarterly data points.

The analysis tests the hypothesis that a firm's performance depends on its purpose (i.e., employees hold strong beliefs in the meaning and impact of their work). To this end, the author conducts an econometric analysis that consists of panel regressions using an OLS model. As

discussed above, the analysis relies on ROA as a proxy for company performance, which serves as the dependent variable for this analysis. Conversely, the analysis relies on the previously discussed parameters derived from the GPTW employee survey data as variables that reflect the firm's purpose.

4.3. A description of the analytical methodology

As alluded to above, the approach this analysis follows is similar to the one adopted in the article “Corporate Purpose and Financial Performance” by Gartenberg et al. (2019), with the biggest differences having to do with a different, 11-country, European dataset and also with respect to the bifurcation of the set of four questions described above. More specifically, this analysis makes a number of technical modifications that include the following.

First, the analysis actively ignores the variable $\sum Controls$, which is the sum of the natural logarithm of a firm's total assets, age, and number of employees. The author ignores this variable, which is used in the Gartenberg et al. (2019) analysis, because in the European, cross-country dataset, it has a very high magnitude compared to the dependent variable (ROA). So, adjusting the dependent variable for this control variable changes its sign to negative. As such, the model estimation is then dominated by the control variable. That leads to nonintuitive, inconclusive results.

The second modification the author makes derives from the fact that the author's dataset spans 11 countries, while the analysis for the Gartenberg et al. (2019) paper is limited to just one country—the United States. As such, the author defines the variable *HQState* as the country of domicile of the company in an effort to control for the impact of country-specific influences.

Third, and as briefly alluded to above, the author extends the Gartenberg et al. (2019) analysis by estimating the relationship between performance and two additional measures of purpose, *Purpose_impact* and *Purpose_pride*, which are aimed at capturing the effects of the responses to a category of statements on purpose orientation where:

- *Purpose_impact* is the measure of purpose calculated by averaging aggregated company-level responses to statements a and b in Section 4.1.2. (these statements relate to questions a and b and relate to the meaning and impact of work); and

- *Purpose_pride* is the measure of purpose as calculated by averaging aggregated company-level responses to statements c and d (these statements relate to questions c and d and relate more closely to employee pride); and then
- *Purpose_all* is the measure of purpose calculated by averaging aggregated company-level responses to all four survey statements a, b, c, and d.

4.3.1. Exploratory data analysis

An exploratory analysis to check for relationships between performance and i) the measures of purpose defined in the section above and ii) the four individual survey statements without any fixed effects and other variables does not reveal any statistically significant relationships.

Table 4.1

Coefficients and p-values of individual pooled regressions (performance vs. individual statements/indices)

	Coefficient	p-value
Statement a	-0.1274	0.1520
Statement b	0.1194	0.0932
Statement c	0.0087	0.9298
Statement d	0.0311	0.7048
<i>Purpose_all</i>	0.0271	0.7676
<i>Purpose_impact</i>	0.0275	0.7504
<i>Purpose_pride</i>	0.0234	0.7996

A visual data analysis (Figure 4.1 to Figure 4.7) reveals a clustering of aggregated company responses toward higher values, implying that companies that rate below an average of level 4 on these survey statements are underrepresented in the dataset.

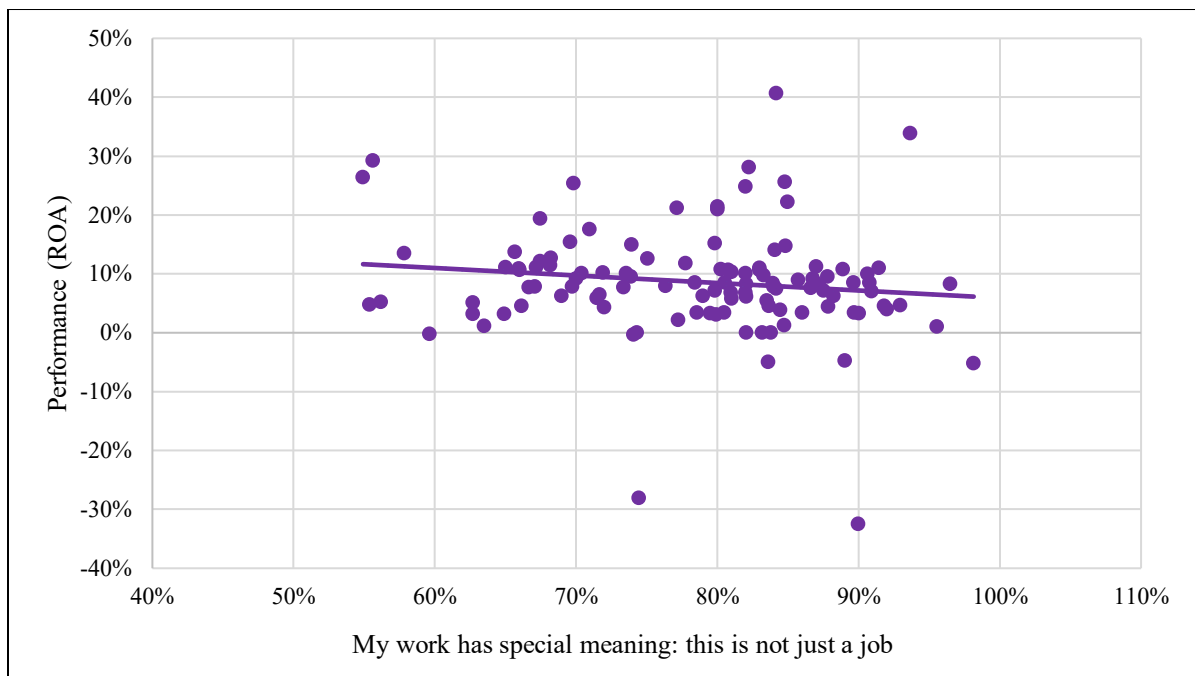


Figure 4.1. Performance vs. “My work has special meaning: this is not just a job”



Figure 4.2. Performance vs. “I feel good about the ways we contribute to the community”



Figure 4.3. Performance vs. “When I look at what we accomplish, I feel a sense of pride”

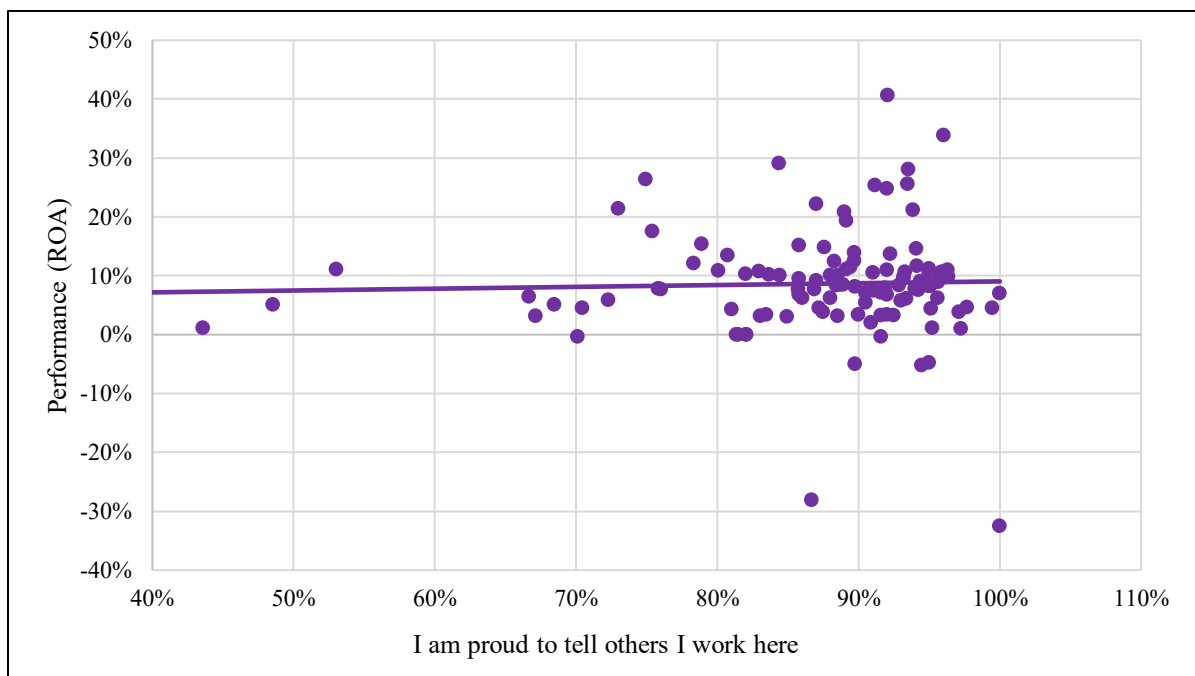


Figure 4.4. Performance vs. “I am proud to tell others I work here”

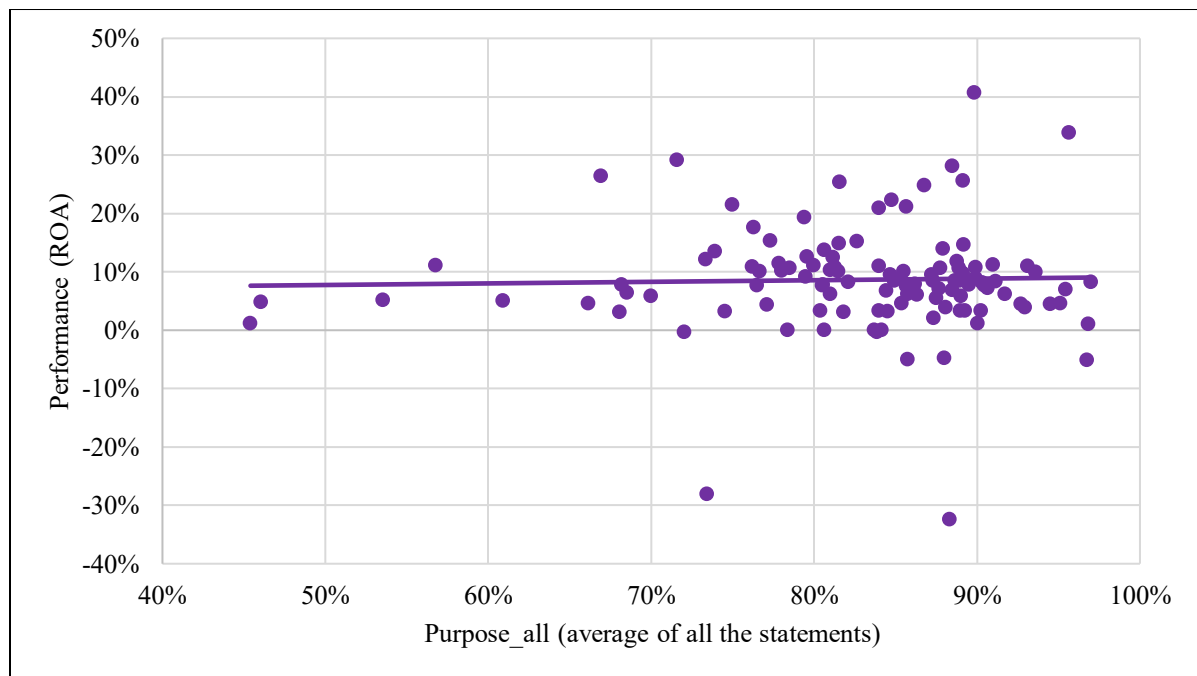


Figure 4.5. Performance vs. “*Purpose_all*” (average of all four statements)

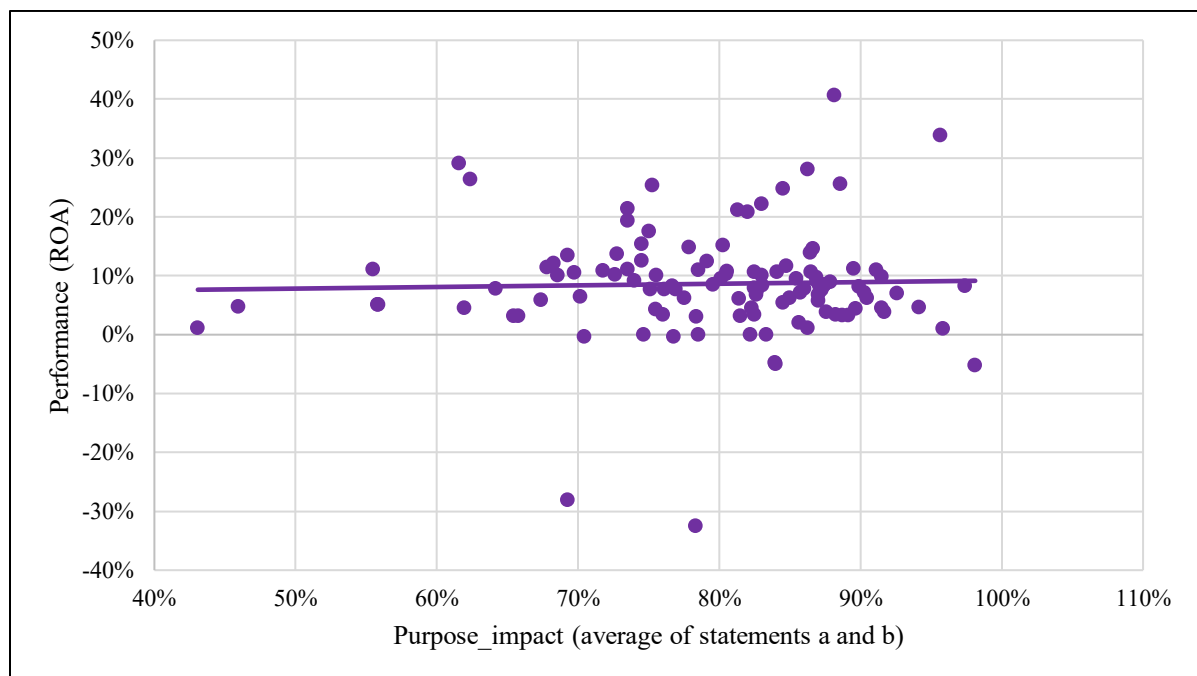


Figure 4.6. Performance vs. “*Purpose_impact*” (average of statements a and b)

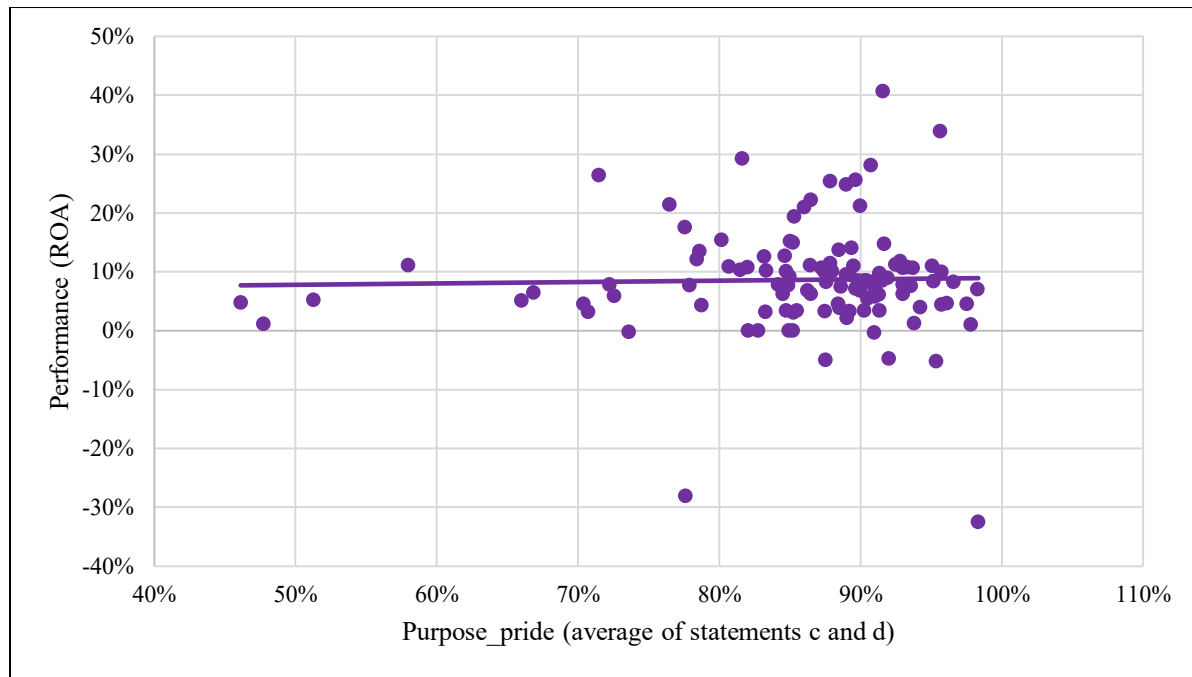


Figure 4.7. Performance vs. “*Purpose_pride*” (average of statements c and d)

4.3.2. Model specifications

The author estimates the relationship between financial operating performance and the above-defined measures of purpose orientation among employees using the approaches detailed in the following sections.

4.4. Model 1: performance vs. purpose orientation

Model 1 is used to investigate the relationship between performance and purpose through a panel regression with year and industry fixed effects.

The model is defined as follows:

$$\begin{aligned}
 Performance_{it} &= a + b_1 \times Purpose_{it} + b_2 \times HQState_i + b_3 \times Industry_i \\
 &\quad + b_4 \times Year_t
 \end{aligned}$$

where

$Performance_{it}$ is operating ROA, measured as EBIT over average total assets for firm i in year t

$Purpose_{it}$ is the measure of purpose orientation from the survey responses in the GPTW survey for firm i in year t . In the model, $Purpose_{it}$ can take three values: $Purpose_all_{it}$, $Purpose_impact_{it}$, and $Purpose_pride_{it}$

$HState_i$ is a dummy variable that represents the country of domicile of firm i

$Industry_i$ is a dummy variable that represents the industry sector name of firm i

$Year_t$ is a dummy variable that represents the year of the GPTW survey

The results of Model 1 (refer to Tables 4.4, 4.5, and 4.6) are not statistically significant for either of the purpose measures. As such, no association between purpose and performance can reliably be established.

4.5. Model 2: purpose orientation vs. performance, controlling for the impact of certain survey questions

Model 2 is used to explore the relationship between performance and purpose with year and industry fixed effects, with the intention of controlling for the impact of certain survey questions.

Specifically, the model is defined as:

$$\begin{aligned} Performance_{it} &= a + b_1 \times Purpose_{it} + b_2 \times ControlQ_{it} + b_3 \times HQState_i \\ &+ b_4 \times Industry_i + b_5 \times Year_t \end{aligned}$$

where

$ControlQ_{it}$ measures the “halo effect” of an employee’s overall happiness at firm i in year t , which might drive the scores of all survey questions. The author follows the approach taken by Guiso et al. (2015) and subsequently by Gartenberg et al. (2019), which include the employee’s answer to a survey question, “This is a physically safe place to work,” as a control variable in the model in order to isolate its effect. This parameter is conceptually distinct from purpose but will, nonetheless, still be influenced by overall happiness.

The author then adds *ControlQ* (“This is a physically safe place to work”) to Model 1 to control for the overall happiness of the employee at the firm level.

Similar to Model 1, the results of Model 2 (refer to Tables 4.4, 4.5, and 4.6) are also not statistically significant for either of the purpose measures and the corresponding *ControlQ*. As such, no association between purpose, *ControlQ*, and performance can reliably be established.

4.6. Model 3: purpose orientation vs. performance (controlling for the impact of certain survey questions as well as lagged performance variables)

Specifically, the model is defined as

$$\begin{aligned} Performance_{it} &= a + b_1 \times Purpose_{it} + b_2 \times ControlQ_{it} + b_3 \times HQState_i \\ &+ b_4 \times Industry_i + b_5 \times Year_t + b_6 \times Performance_{i(t-1)} \end{aligned}$$

Model 3 is almost identical to the one proposed by Gartenberg et al. (2019). This version includes the lagged value of the dependent variable $Performance_{i(t-1)}$ to control for past factors that might have influenced the firm’s performance and still tend to have an impact on its current performance.

With a materially improved statistical significance and adjusted R-squared values for all the purpose measures, Model 3 is significantly more robust than Model 1 and Model 2 (refer to Tables 4.4, 4.5, and 4.6). Furthermore, positive coefficients are observed for the lagged dependent variable of operating performance (when combined with each of the three measures of purpose). These are statistically significant at the 1% level, which suggests the presence of positive serial correlation in the ROA data and implies that current performance is positively correlated with past performance. The author was unable to include a higher-order lag for performance in the estimation as this data was not available for all the companies in this dataset.

The results indicate negative coefficients for *ControlQ* (when combined with each of the three measures of purpose); however, they are not statistically significant.

The model indicates a positive coefficient for all purpose measures (at the 10% significance level), so the positive association between purpose and performance in Model 3 can only be viewed as statistically weak (refer to Tables 4.4, 4.5, and 4.6).

4.7. Model 4: purpose orientation vs. performance (controlling for the impact of lagged performance variables)

The model is

$$\begin{aligned} Performance_{it} &= a + b_1 \times Purpose_{it} + b_2 \times HQState_i + b_3 \times Industry_i + b_4 \times Year_t \\ &+ b_5 \times Performance_{i(t-1)} \end{aligned}$$

Model 4 drops the *ControlQ* variable due to its poor statistical significance in Model 2 and Model 3. The model statistical significance and adjusted R-squared values for Model 4 are similar to those of Model 3. However, coefficient of purpose is not statistically significant for the estimations with all three of the purpose measures.

4.8. Robustness tests and a summary of model results

The author conducts robustness tests for the potential impact of overestimation in Model 3 and Model 4, the two estimations that reflect high model statistical significance and high adjusted R-squared scores. A Levin Lin-Chu Unit Root test is conducted to check for the stationarity of residuals. The very low p-values (<0.01) for the residuals of *Purpose_all*, *Purpose_impact*, and *Purpose_pride* indicate that the errors are stationary. A Breusch-Pagan test is conducted to check for homoskedasticity. The null hypothesis of this test is that error variances are all equal (homoskedastic). The p-values for this test are close to or greater than 0.10 for all measures *Purpose_all*, *Purpose_impact*, and *Purpose_pride*. These tests indicate no clear evidence to reject the homoskedasticity (null hypothesis); therefore, there is no evidence that the fit of the relationship (i.e., heteroskedasticity) is overestimated.

The author also checks whether Model 3 and Model 4 may be influenced by outliers. The author uses Cook's Distance (Cook's D) in efforts to detect the presence of an outlier. Cook's D is a technique which is calculated by eliminating the *i*th data point from the model, and subsequently re-estimating the regression model. As such, Cook's D offers a good summary of

how the values in the regression model change when the i th observation is removed. According to this method, observations with Cook's D greater than $(4/\text{number of observations})$ are potentially influential outliers. The author applies this method to Model 3 and Model 4 and re-estimates the regressions without the detected outliers. The total number of potential outliers observed for Model 3 and Model 4 were 8 and 9, respectively, for each purpose measure (both models have a total of 114 observations). Upon re-estimating the regressions without these outliers, the coefficients for the *Purpose_all* (Model 3: 0.149 (p-value-0.067), Model 4: 0.075 (p-value-0.193)), *Purpose_impact* (Model 3: 0.148 (p-value-0.078), Model 4: 0.069 (p-value-0.179)) and *Purpose_pride* (Model 3: 0.152 (p-value-0.084), Model 4: 0.068 (p-value-0.158)) are observed to be similar to the original estimations. Upon reestimation, the author finds only a marginal improvement in the statistical significance of the coefficients; as such, the overall result remains unchanged. In other words, while adjusting for outliers slightly improves the relationship between purpose and performance, the decision to remove outliers is not intuitively robust. That is because the estimations use survey data aggregated at the company level, which are less likely to be biased by individual employee responses. As a result, removing such observations from the analysis does not contribute to the robustness of the analysis. This may have been different had the estimations been based on individual employee responses. In this case, adjusting for outliers would have been more meaningful as responses from some employees could have been subject to material individual biases. This part concludes that the omission of outliers is inconsequential to the results of the analysis and moreover is not intuitive based on the aggregated nature of the data.

To recapitulate, the analysis in the previous sections indicates that the models do not offer any statistically significant evidence that a firm's purpose orientation relates positively to its operating financial performance (refer to Tables 4.4, 4.5, and 4.6). While Model 3 (which is similar to the one estimated by Gartenberg et al. (2019)) indicates a positive relationship between purpose and financial performance, this relationship is at best a statistically weak one. Furthermore, although the coefficient of the ControlQ variable in Model 3 is not statistically significant, it is negative, which indicates that a firm's financial performance relates negatively to the statement "This is a physically safe place to work." This result is unintuitive.

In comparison, Gartenberg et al. (2019) found a negative but small (close to zero) value for the purpose coefficient in the US context (Table 4.7), implying no relationship between purpose and performance. They also found positive relationships between performance and ControlQ

as well as between performance and the lagged ROA variable. The R-squared and statistical significance of the model in the Gartenberg et al. (2019) study are comparable to those of Model 3, but the p-values of the individual coefficients are also statistically significant. The significance of the coefficients is in large part a result of the expansive US dataset that Gartenberg et al. had at their disposal, which included 429 US companies and 917 firm-years of observations.

Like Chapter 3, the analysis in this study also uses the data collected from survey questionnaires, therefore the results might be affected by presence of common method biases. The most notable difference between current study and the previous study is that in the previous study the author uses the responses from individuals while in the current study the author uses responses aggregated at the company level. As such, the effect of common method biases on the results of this study is likely to be minimal, which also underscores a key advantage of using the standardized GPTW dataset. This is because the use of aggregated responses at company level are less likely to be affected by common method biases that arise because of individual behavior.

Table 4.2

Summary statistics of data

Variable	Mean	Std. Dev.	Minimum	Maximum
<i>Financial information</i>				
Total assets (in mn euros)	18,642	59,733	8	322,971
Return on assets	9.41%	8.88%	-32.47%	40.71%
Firm age (in years)	30	23	3	101
Full-time employees	19,611	39,789	20	169,000
<i>Survey information</i>				
# responses				
Purpose index	82.79%	9.58%	45.41%	97.00%
<i>This is a physically safe place to work</i>	94.40%	6.60%	46.21%	100.00%

Table 4.3

Industry composition of data

Industry sector (Bloomberg)	2016	2017	2018	2019	Total	No. of Firms
Technology	7	8	15	2	32	21
Communications	3	2	6	1	12	8
Industrial	1	2	1	0	4	4
Financial	7	4	6	3	20	10
Utilities	0	0	1	0	1	1
Consumer, cyclical	5	6	6	1	18	8
Consumer, noncyclical	6	8	10	2	26	13
Basic materials	0	0	1	0	1	1
Total	29	30	46	9	114	66

Table 4.4

Relationship between Purpose_all and firm performance (numbers in bracket are the p-values)

	Model 1	Model 2	Model 3	Model 4
Purpose	0.012 (0.919)	0.056 (0.717)	0.164 (0.076)	0.086 (0.219)
ControlQ (“This is a physically safe place to work”)		-0.133 (0.661)	-0.233 (0.194)	
Lagged return on assets			0.753 (0.000)	0.750 (0.000)
Constant	0.087 (0.470)	0.142 (0.414)	0.038 (0.707)	-0.055 (0.443)
HQState	Y	Y	Y	Y
Year FE	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y
Observations	114	114	114	114
Model statistical significance	0.051	0.067	0.000	0.000
Adjusted R-squared	0.114	0.106	0.690	0.687

Table 4.5

Relationship between Purpose_impact and firm performance (numbers in bracket are the p-values)

	Model 1	Model 2	Model 3	Model 4
Purpose	0.056 (0.615)	0.115 (0.412)	0.143 (0.086)	0.085 (0.202)
ControlQ (“This is a physically safe place to work”)		-0.201 (0.482)	-0.198 (0.242)	
Lagged return on assets			0.745 (0.000)	0.745 (0.000)
Constant	0.068 (0.557)	0.158 (0.361)	0.038 (0.707)	-0.045 (0.477)
HQState	Y	Y	Y	Y
Year FE	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y
Observations	114	114	114	114
Model statistical significance	0.048	0.059	0.000	0.000
Adjusted R-squared	0.117	0.112	0.689	0.688

Table 4.6

Relationship between Purpose_pride and firm performance (numbers in bracket are the p-values)

	Model 1	Model 2	Model 3	Model 4
Purpose	-0.035 (0.755)	-0.027 (0.859)	0.150 (0.103)	0.075 (0.272)
ControlQ (“This is a physically safe place to work”)		-0.026 (0.934)	-0.225 (0.220)	
Lagged return on assets			0.757 (0.000)	0.751 (0.000)
Constant	0.113 (0.358)	0.123 (0.474)	0.030 (0.763)	-0.055 (0.460)
HQState	Y	Y	Y	Y
Year FE	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y
Observations	114	114	114	114
Model statistical significance	0.050	0.069	0.000	0.000
Adjusted R-squared	0.115	0.105	0.688	0.686

Table 4.7

Model 3's results vs. Gartenberg et al.'s (2019) results (numbers in bracket are the p-values)

	Model 3	GPS2018
Purpose	0.164 (0.076)	-0.0215 (0.010)
ControlQ ("This is a physically safe place to work")	-0.233 (0.194)	0.0115 (0.013)
Lagged return on assets	0.753 (0.000)	0.831 (0.034)
Constant	0.038 (0.707)	-0.009 (0.054)
HQState	Y	Y
Year FE	Y	Y
Industry FE	Y	Y
Observations	114	917
Model statistical significance	0.000	0.000
Adjusted R-squared	0.690	0.744
Regional Focus	Europe	US

4.9. Results and conclusions

After controlling for the lagged dependent variable (ROA), firm fixed effects, and time fixed effects, the author finds a positive but statistically weak relationship between accounting performance and the overall purpose orientation measure (*Purpose_all*). The coefficient of the purpose measure exhibits weak statistical significance (at the 10% level). In other words, the analysis suggests that high purpose-oriented organizations may or may not exhibit better financial performance in the future. As such, the findings from this analysis are broadly in line with those presented by Gartenberg et al. (2019) who suggest that purpose is *prima facie* not related to accounting performance on a statistically significant level (unless it is also characterized by high camaraderie between workers and high levels of clarity from management).

The results of *Purpose_impact* also do not indicate any statistically significant relationship between performance and purpose, which suggests that corporations in which employees derive a sense of meaning and impact from their work may or may not exhibit higher financial performance. The low statistical significance exhibited by the coefficient of *Purpose_pride* indicates a weak association between performance and factors within the overall purpose

measure that could relate to employee pride. In other words, corporations in which employees either derive a sense of pride from their accomplishments or are generally inclined to tell others that they are proud to work there may or may not exhibit better financial performance. Moreover, the results find no statistically significant relationship with the control variable that acts as a proxy of an employee's overall happiness and that might impact the scores of all other questions. In short, the overall result is that there is no statistical evidence to show that a firm's purpose orientation relates in any way to its accounting performance (RQ1).

5. Purpose and stock price performance

The key conclusion of the study that was conducted in Chapter 3 is that corporate purpose positively influences employees' perceptions of their companies and their work engagement. The results of the study in Chapter 4 indicates that there is no statistically significant evidence to establish a relationship between a company's corporate purpose and its financial operating performance (RQ1). In the next study, the author builds on the dataset of GPTW's Best Companies to Work For described in Chapter 4 in order to explore whether a relationship exists between corporate purpose and company stock performance. To study this relationship, the author conducts a quantitative analysis of how two portfolios of publicly listed companies with different Purpose Index scores perform compared to each other, to the entire GPTW universe, and to a broad equity market benchmark.

The author finds that the portfolios of companies that exhibit a higher purpose index outperform the equity market benchmark in terms of both absolute performance and risk-adjusted performance (i.e., adjusted for volatility or risk) and that this superior performance is consistent over time. The author also finds that this portfolio outperforms a portfolio of companies with lower purpose index values in terms of both absolute and risk-adjusted performance. However, and most importantly, the outperformance is not statistically significant to establish a relationship between corporate purpose and a company's stock performance.

5.1. Methodology and dataset

The author constructs three equally weighted portfolios—GPTW Portfolio, GPTW High Purpose Portfolio, and GPTW Low Purpose Portfolio—and compares the performances of these portfolios to each other and to the STOXX Europe index. Below is the short description of each portfolio:

1. The GPTW Portfolio consists of all publicly listed European companies that have been voted the Best Companies to Work For in the European region by GPTW. The author uses the dataset that was used in Chapter 4.
2. The GPTW High Purpose Portfolio consists of the top 50th percentile of the GPTW Portfolio companies when ranked according to their purpose index scores.

3. The GPTW Low Purpose Portfolio consists of the bottom 50th percentile of the GPTW Portfolio companies when ranked according to their purpose index scores.

The publicly listed companies are from France, the United Kingdom, Ireland, Germany, Switzerland, Italy, Norway, Denmark, Sweden, and Finland. The companies used for this study are a mix of different-sized companies operating in different sectors and in different European countries. Given the diverse nature of the companies, the author uses the STOXX Europe 600 index as the benchmark for comparison because it represents a broad range of large-, mid-, and small-capitalization companies across 17 countries in Europe. Table 5.1 shows the number of companies that were featured in the list of Best Companies to Work For in the region by GPTW, the number of newly added public companies, and the number of companies that were dropped from the list in any given year. From 2016 to 2019, 66 companies were used for this study, corresponding to 105 firm-years of observations. Nine firm-years of observations were excluded from this study because the firms in question went public midway through the year. At the time of the study, the 2019 GPTW surveys for all the countries had not yet been released; therefore, many companies were dropped in 2019.

Table 5.1

Summary statistics of the companies

Year	Number of companies in the portfolio	Number of companies added	Number of companies dropped
2016	26		
2017	27	8	7
2018	44	22	5
2019	8	1	37

5.2. Portfolio construction

GPTW Portfolio: The author constructed an equally weighted portfolio with 26 publicly listed European companies featured in the list of Best Companies to Work For in the region by GPTW, standardized for the first business day in 2016. In subsequent years, the portfolio is rebalanced on the first business day of the year by excluding the companies that are not featured in the current year's list and by including the new companies featured in the list.

GPTW High Purpose and Low Purpose Portfolios: The author constructed equally weighted portfolios consisting of the top and the bottom 50th percentile GPTW Portfolio companies based on purpose index scores, standardized for the first business day in 2016. In the subsequent years, these portfolios are rebalanced on the first business day of the year after updating the purpose index rankings of all companies.

5.2.1. Performance analysis of the GPTW portfolio vs. the STOXX Europe 600 index

The author finds that all three GPTW Portfolios outperform the STOXX Europe 600 index in terms of both absolute performance and risk-adjusted performance (refer to Table 5.2 and Figure 5.1). The portfolios also exhibit risk-adjusted outperformance when performance is adjusted for both systematic market risk (market beta adjusted) and total risk (volatility adjusted). The analysis also shows that the overall outperformance is not isolated to any specific year but rather is consistent across the years in the dataset.

5.2.2. Performance analyses of the GPTW High purpose and Low Purpose portfolios

The author also finds that the GPTW High Purpose Portfolio outperforms the GPTW Low Purpose Portfolio in terms of both absolute and risk-adjusted performance. The outperformance is consistent across the years in the dataset except for 2016. The monthly performance difference between the GPTW High Purpose Portfolio and the GPTW Low Purpose Portfolio shows that the GPTW High Purpose Portfolio consistently outperforms the GPTW Low Purpose Portfolio in 29 of the 48 months of the analysis period. The author performs a t-test to check if the mean of the monthly performance difference between the GPTW High Purpose Portfolio and the GPTW Low Purpose Portfolio is significantly different from zero. The null hypothesis of t-test is that the mean is equal to zero. Failure to reject the null hypothesis indicate that statistically GPTW High Purpose Portfolio does not outperform the GPTW Low Purpose Portfolio. The results (t-statistic = 0.68, $p = 0.25$) does not reject the null hypothesis and indicates that the mean of monthly performance difference is not different from zero. These results suggests that there is no statistical relationship between corporate purpose and company stock performance.

Like Chapter 4, the analysis in this study also uses the responses aggregated at the company level. Therefore, the effect of common method biases on the results of this study is also minimal. This is because the aggregated responses at company level are less likely to be affected by common method biases in individual responses.

Table 5.2

Performance and risk metrics

Metric	Portfolio Name	2016	2017	2018	2019	2016–2019 (annualized)
Return	GPTW Portfolio	8.2%	18.6%	-8.1%	42.9%	13.9%
	GPTW Low Purpose Portfolio	11.8%	17.5%	-11.3%	29.2%	10.8%
	GPTW High Purpose Portfolio	4.6%	19.8%	-4.8%	56.6%	16.9%
	STOXX Europe 600 index	-1.2%	7.2%	-13.2%	23.2%	3.3%
Volatility	GPTW Portfolio	16.4%	7.9%	11.3%	17.1%	14.3%
	GPTW Low Purpose Portfolio	18.3%	9.3%	11.7%	21.6%	16.0%
	GPTW High Purpose Portfolio	15.6%	8.3%	12.8%	22.6%	15.7%
	STOXX Europe 600 index	19.5%	8.3%	12.4%	11.2%	13.5%
Sharpe ratio	GPTW Portfolio	0.50	2.37	-	2.51	0.98
	GPTW Low Purpose Portfolio	0.64	1.88	-	1.35	0.67
	GPTW High Purpose Portfolio	0.29	2.40	-	2.51	1.08
	STOXX Europe 600 index	-	0.87	-	2.06	0.24
Maximum drawdown	GPTW Portfolio	-14.7%	-3.9%	-18.7%	-9.4%	-18.7%
	GPTW Low Purpose Portfolio	-15.4%	-3.9%	-18.3%	-16.0%	-18.3%
	GPTW High Purpose Portfolio	-14.0%	-4.6%	-20.2%	-12.5%	-20.2%
	STOXX Europe 600 index	-17.0%	-7.1%	-18.2%	-7.1%	-18.2%
Beta vs. benchmark (Stoxx 600 Europe)	GPTW Portfolio	0.72	0.73	0.68	0.83	0.74
	GPTW Low Purpose Portfolio	0.77	0.83	0.68	1.12	0.82
	GPTW High Purpose Portfolio	0.67	0.62	0.68	0.56	0.65
Beta Adjusted Performance (Stoxx 600 Europe)	GPTW Portfolio	11.3%	25.6%	-11.8%	51.6%	18.8%
	GPTW Low Purpose Portfolio	15.2%	21.2%	-16.6%	25.9%	13.1%
	GPTW High Purpose Portfolio	6.8%	32.4%	-7.1%	100.2%	25.9%

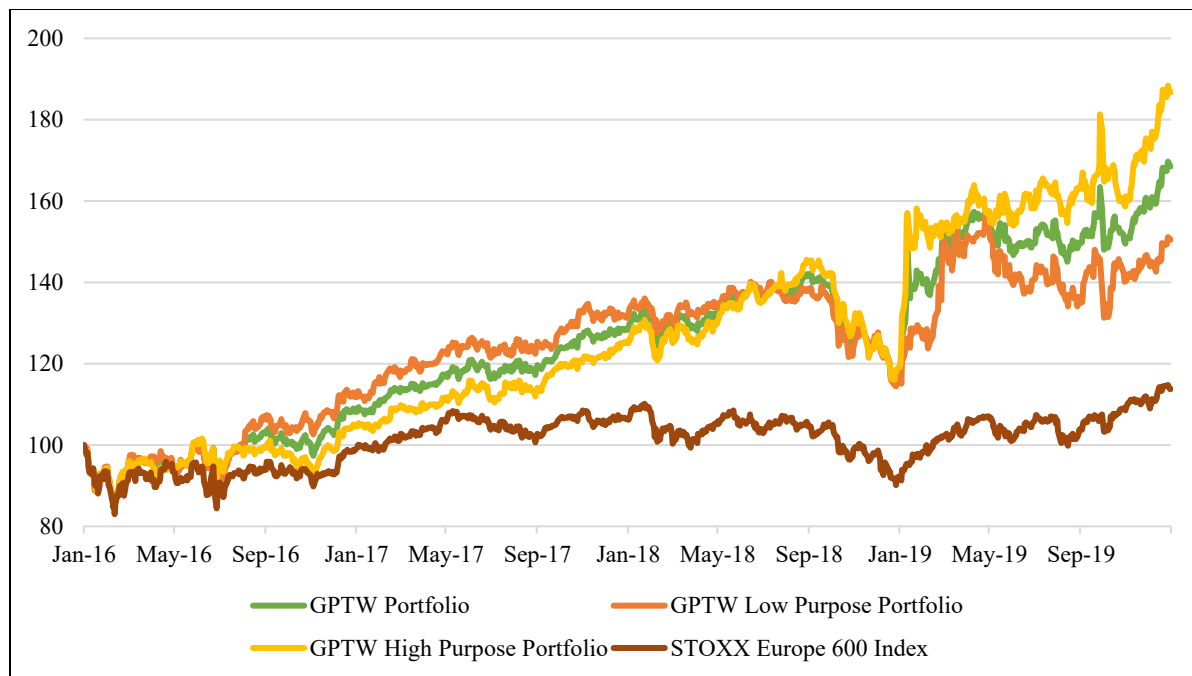


Figure 5.1. Overall series

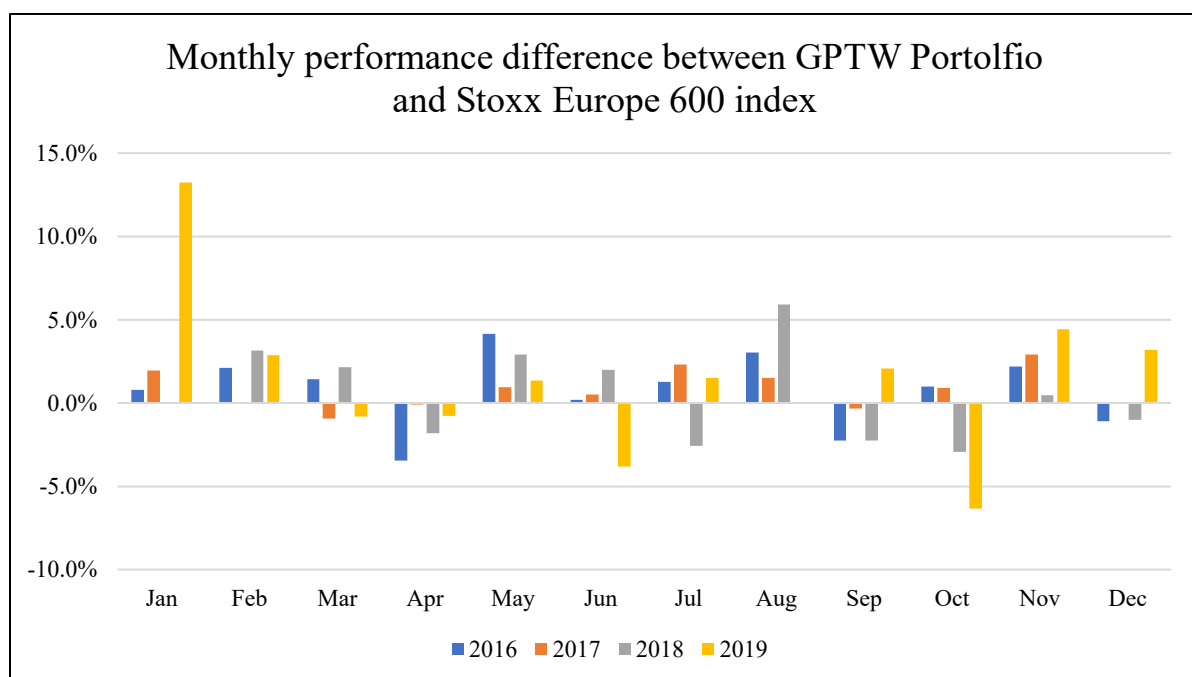


Figure 5.2. Monthly performance differences between GPTW portfolio and Stoxx 600 index

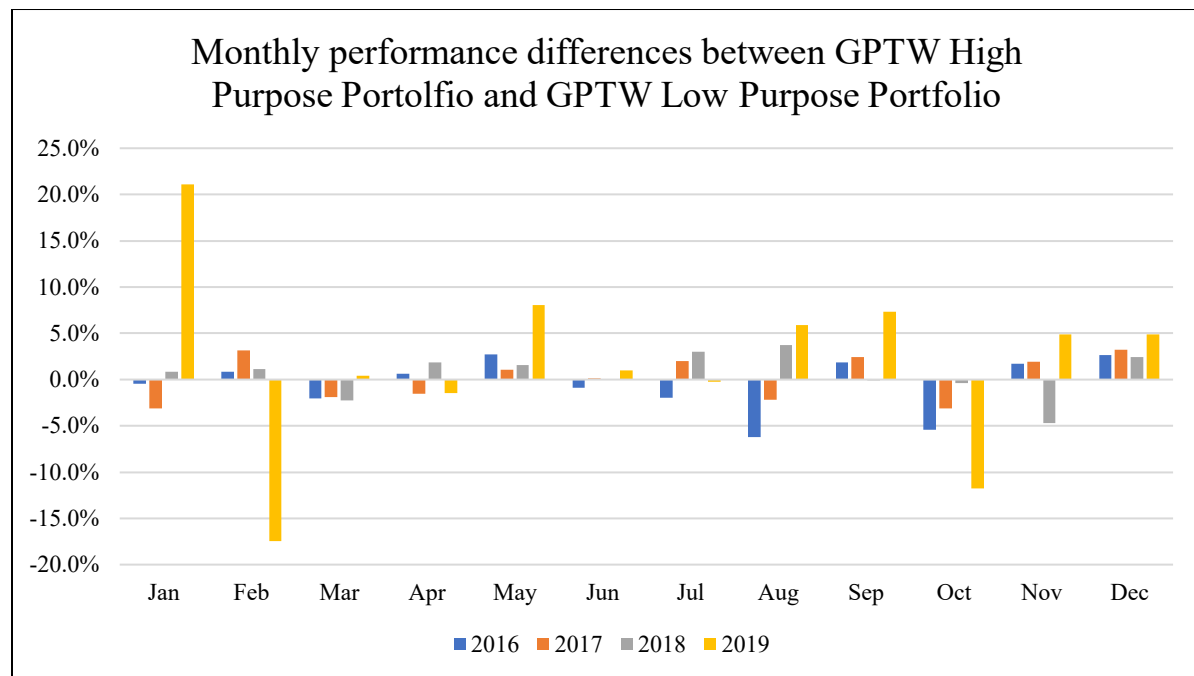


Figure 5.3. Monthly performance differences between GPTW High Purpose Portfolio and GPTW Low Purpose Portfolio

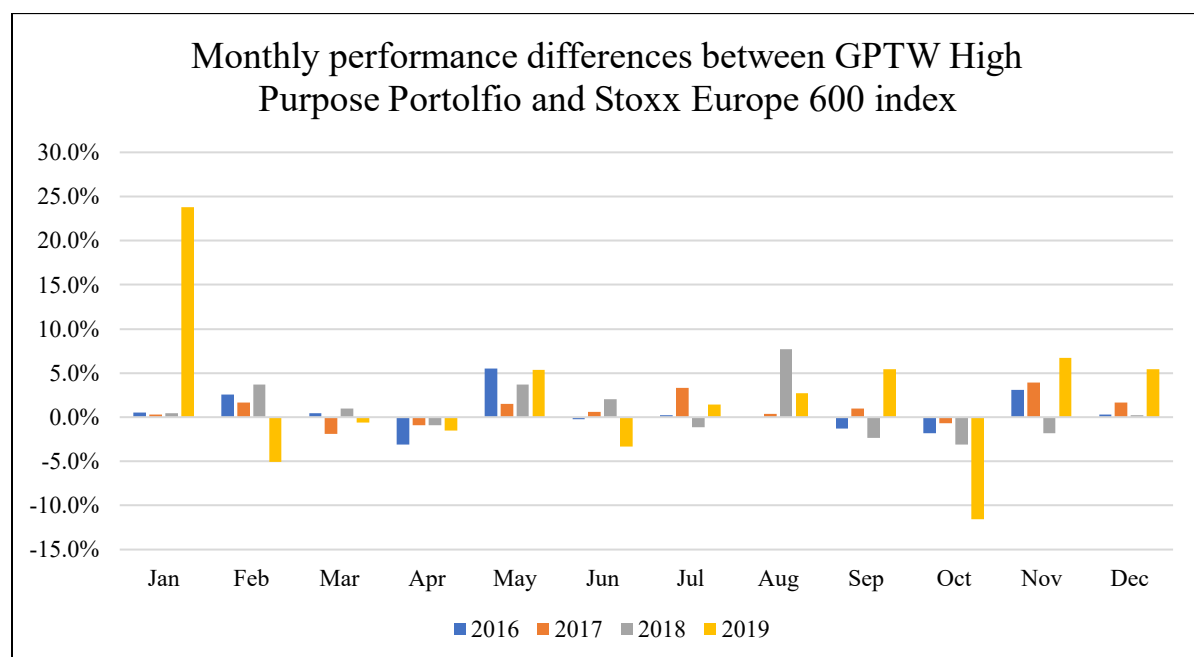


Figure 5.4. Monthly performance differences between GPTW High Purpose Portfolio and Stoxx Europe 600 index

5.3. Results and conclusions

The author explores whether a relationship exists between companies at which employees experience a measurably higher level of purpose-driven engagement as described by the results of the GPTW surveys and such companies' stock price performances relative to a peer set.

The study finds that an equally weighted portfolio of publicly listed European companies that have been voted the Best Companies to Work For by GPTW outperforms the Stoxx Europe 600 index in terms of absolute performance and also in terms of risk-adjusted performance.

Furthermore, a portfolio of GTPW companies with higher purpose scores outperforms a portfolio of GPTW companies with lower purpose scores, but the statistical significance of the outperformance based on t-test is very poor. In summary, the analyses conducted in Chapters 5 do not find any statistically significant relationship between corporate purpose and company stock performance (RQ1).

6. Results and conclusions

This chapter summarizes the relevance of the empirical analysis and the overarching research question in the context of a general discussion before synthesizing the empirical results of Chapters 3, 4, and 5. This chapter not only considers the limitations of the results that were obtained from this analysis but also investigates what these results could mean for managers in business today. Finally, this chapter discusses the long-term outlook together with potential avenues of future research that could build on the results of this dissertation.

6.1. Reasons for the research exercise

The topic of purpose has entered the corporate mainstream. The four factors driving purpose up the corporate agenda list seem to have grown in importance in recent years. From the rising pressures asset managers place on executive teams to integrate ESG considerations into their performance metrics to the handful of trailblazing companies like Patagonia and Nike who have positioned social and environmental issues at the core of their strategies to the progressive cohort of consumers demanding more from their brands to the next generation of employees who seem to demand more purpose from their employers, the topic of purpose in business seems to be only growing in relevance.

As such, the topic of purpose is also increasingly being promoted as a way for companies to catalyze employee engagement. This aspiration is relevant for the individual, but also for the organization because research suggests that companies with high levels of employee engagement tend to perform better (Harter et al., 2016). The primary research question that arises from this logic is as follows:

RQ1: Can purpose influence company performance?

To gain a deeper understanding of this complex dynamic, the author explores two additional secondary research questions that are derived from the primary question and are designed to probe for additional information:

RQ2: Can purpose improve employee engagement?

RQ3: Can cultural differences – geographic, gender-based and age – influence the perception of purpose?

These primary and secondary research questions are based on a relatively broad definition of corporate purpose, which allows it to include both financially driven goals and social and environmental objectives: *corporate purpose is a corporate aspiration that reaches beyond mere short-term profit maximization objectives*. This broader, succinct definition is aligned with the most recent corporate purpose by Henderson and Van den Steen (2015) and Gartenberg et al. (2019). And despite these more recent contributions, the empirical progress around the complex relationship between purpose and financial performance and how this dynamic may be mediated by engagement and moderated by cultural differences has been limited. The analyses conducted in this dissertation are intended to add more insight into this complex dynamic.

The research design is based on a systematic review of existing work on themes relating to purpose that help better understand this aspirational, (still) poorly defined management topic. To this end, existing academic literature is surveyed on the ever-evolving views of the *raison d'être* of the corporation in society. These range from the myopic focus on profit maximization norm in shareholder value theory to the broader, more inclusive stakeholder theory to the more established corporate social responsibility theory to the most recent work on corporate shared value theory, which positions ESG themes at the center of business strategy.

In addition to the normative perspective on the purpose of businesses in society, a better understanding of the individual's (or employee's) perceptions of his company is also key – and how this perception influences his well-being in a subjective sense. Research insights from positive psychology enrich this discussion and lay the foundation for the secondary research question about the relationship between purpose and the employee engagement. More specifically, employee engagement is explored as a potential mediator for the relationship between purpose and corporate performance, before cross-cultural dimensions theory is examined as a potential moderator for purpose and employee engagement.

Based on the review of the relevant literature, the primary research question and the two secondary research questions are defined. To test these questions, the author runs three separate empirical analyses:

First, to test how people from different cultural backgrounds respond to corporate purpose and how this may affect their feelings about their employers and their own work engagement, the author runs four experiments with two separate cultural groups (US and European). Second, to

test whether high-purpose companies outperform their peers in accounting terms, the author runs panel regressions in 11 European countries using an OLS model based on accounting data and employee perception data sourced from Great Place to Work (GPTW). The hypothesis here is that a company's accounting performance depends on the degree to which its employees believe in its corporate purpose. And third, to test whether a relationship might exist between corporate purpose and a company's stock price returns, the author uses stock price performance and volatility data along with the GPTW index on purpose discussed previously to deepen the analysis between purpose and financial performance, in this case stock price performance.

6.2. Differences to the Gartenberg et al. (2019) study

The latter two research exercises involving the employee-based approach of measuring purpose with the GPTW dataset are based on the Gartenberg et al. (2019) methodology. The approach of the Gartenberg et al. (2019) study has afforded the research community a pioneering and standardized approach to measuring a firm's corporate purpose based on the aggregated responses from its employees - and not simply on the quality and scope of corporate marketing campaigns. In fact, Gartenberg et al. is the first attempt to provide empirical evidence on whether corporate purpose can produce economic value. As such, the Gartenberg et al. approach has laid the foundation to launch further studies to explore the link between corporate purpose as measured by employee perceptions and a host of other economic operating metrics, as well as across other geographical and cultural contexts. This dissertation is one of those research initiatives to build on the pioneering approach by Gartenberg et al. (2019). To this end, it is likely to be helpful to understand the differences between the Gartenberg et al. study and this dissertation.

Although the author builds on the Gartenberg et al. (2019) approach, the author also significantly expands upon and adapts the Gartenberg approach – and does several things differently. For example, unlike the Gartenberg et al. (2019) analysis, the author includes an exploratory factor analysis on the impact a clearly identifiable corporate purpose might have on employee engagement. This factor analysis is conducted for both US and European employees, and shows that US employees respond more sensitively to a corporate purpose intervention than their European counterparts. Importantly, this result confirms the notion discussed above that employees in different cultural contexts may respond differently to purpose-oriented interventions. In addition, whereas the Gartenberg et al. (2019) study relies

on employee level data for each company from just one GPTW institute in the US for 917 US companies, the author's data is collected from 11 GPTW affiliate offices across Europe reflecting observations from a total of 114 companies. Moreover, the author's analysis extends the Gartenberg methodology by estimating the relationship between performance and two additional measures of purpose, for a total of 3 measures of purpose: Purpose_all, Purpose_impact, and Purpose_Pride (with just one being tested in the Gartenberg et al. study).

Additionally, whereas the Gartenberg et al. study conducted a factor analysis on the effect of variables like clarity from management and camaraderie between employees, this analysis was not possible for this exercise. The reason for this is that Gartenberg et. al. (2019) performed an exploratory factor analysis on the raw survey responses using 53 out of the total 57 questions to identify whether purpose co-varies with other constructs within the data, like high clarity from management and camaraderie between employees. To conduct this analysis, Gartenberg et. al. (2019) used 456,666 employee level responses for 429 firms across the United States of America. This translated into 917 firm year observations. In contrast, this dissertation's underlying sample size dataset of observations across 11 European countries includes only responses aggregated across firm level, and the number of firms is too small to reliably perform such a factor analysis. At 114 firm year observations, the current sample size is 8 times smaller than the reference paper at 917. This leaves the underlying dataset with a observations-to-variables ratio of 2, which most researchers consider too small to perform an reliable factor analysis. It is for this reason that this dissertation did not include the factor analysis to explore the potential moderating influence of clarity from management and camaraderie between employees.

And finally, the author's analysis includes a quantitative analysis of how two stock portfolios of publicly listed companies with both high and low Purpose Index scores perform in comparison to each other. The author compares the results of the two portfolios (i.e. high purpose and low purpose) to a broad European equity market benchmark and also to the entire GPTW universe. These are just some of the differences in the approach the author takes relative to the Gartenberg et al. approach. Table 6.1 below offers a more comprehensive overview of the key differences in the two approaches take in their respective efforts to empirically test the relationship between a firm's degree of purpose-orientation and its economic performance in two different cultural contexts. For a more detailed overview of the differences between the two studies, Table 6.1 offers a useful overview.

Table 6.1

Structural comparison between the author's analysis and the Gartenberg analysis

Section	Gartenberg analysis	Author analysis
Impact of corporate purpose on engagement		
3	Data collection	No experiments
		1. Performed two survey-based experiments 2. Each experiment contains description of two companies followed by series of statements: one with a clearly defined corporate purpose that unmistakably extends beyond mere profit maximization, and one without any defined purpose 3. Data collected through an online survey conducted on Europe and USA respondents 4. Respondents were presented with one of the two scenarios corresponding to the experiment being conducted and asked to indicate whether they agree or disagree with the statements.
	Analysis	No analysis
		1. Statistical inspection of individual statement responses 2. Exploratory Factor Analysis on the statements with principal component analysis as the factor extraction method 3. t-tests and ANOVA tests on extracted factors to: a) check sampling bias, b) analyse impact of purpose on engagement, c) analyse differences in cultures, gender and age group

Section	Gartenberg analysis	Author analysis
4	Impact of corporate purpose on company performance	
	GPTW data	1. Recognition that corporate purpose is most reliably measured at the employee level. 2. One-stop data collection from GPTW Institute, USA 2. Employee level data for each company.
		1. Also data extraction at the employee level, however... 2. Data collected from 11 individual GPTW affiliate offices in Switzerland, Germany, France, the UK, Italy, Ireland, Sweden, Denmark, Finland, and Norway for companies in respective countries. 3. Aggregated company level data to form a European average.
	No of observations	917 firm year observations from 2006 to 2011 114 firm year observations from 2016 to 2019
	Methodology	
	Performance variable (dependent variable)	Operating return on assets (ROA), measured as EBIT divided by average total assets (or log of Tobin's Q). Operating ROA, measured as EBIT over average total assets according to Bloomberg data link.
	Purpose variable	Extends the Gartenberg analysis by estimating the relationship between performance and two additional measures of purpose (total 3 purpose measures): 1. Purpose_all 2. Purpose_impact: Purpose orientation closely related to the meaning and impact of work 3. Purpose_Pride: Purpose orientation closely related to employee pride

Section	Gartenberg analysis	Author analysis
ControlQ variable	This is physically safe place to work	This is physically safe place to work
HQState variable	State of company headquarters in USA	Company's Country of Domicile in Europe
Industry variable	Industry sector of the company	Industry sector of the company
Year variable	Survey year	Survey year
Σ Controls variable	Sum of the natural logarithm of a firm's total assets, age, and number of employees	Sum of the natural logarithm of a firm's total assets, age, and number of employees. The magnitude of this variable is high compared to dependent variable (ROA) , thus it dominates the model estimation. The dominance of this variable led to non-intuitive, inconclusive results. Therefore, the author chose to ignore it in the analysis.
Purpose and stock price performance		
5 Stock Price Analysis	Fama and French model analysis of how a portfolio of top quintile purpose companies perform in comparison to broad equity market benchmark.	Quantitative analysis of how two stock portfolios of publicly listed companies with both high and low Purpose Index scores perform in comparison to each other. The author compares the results of the two portfolios with both high-purpose and low-purpose cohorts to the entire GPTW universe. In a further step, he compares the results of the two stock portfolios (i.e. high purpose and low purpose) to a broad European equity market benchmark.

6.3. Summary of findings

This research makes two specific contributions to the existing body of knowledge regarding the relationship between a company's corporate purpose and its financial performance.

6.3.1. Experiment to capture impact of purpose on engagement – a US vs. European study

The primary focus on the first study is on answering the two secondary research questions:

RQ2: Can purpose improve employee engagement?

RQ3: Can cultural differences – geographic, gender-based and age – influence the perception of purpose?

In an effort to answer these questions, the author performed two survey-based experiments. In both experiments, the author presented one group of survey respondents in the United States and a second group in Europe in order to capture the cross-cultural differences, if any, that could materialize in such an exercise. Both respondent groups were given descriptions of two companies, one with a clearly defined corporate purpose that unmistakably extends beyond mere profit maximization (the purpose case) and one without (the business-as-usual case), which implies an implicit trade-off between the options. The author then asked the respondents to indicate whether they agreed or disagreed with a series of statements relating to their perceptions about the companies being described and about a hypothetical job if they were to be employed by that company. All the (post-scenario) statements that relate to an employee's feelings about the company, the job, and work engagement were mapped to an "Employees' Feelings" factor.

RQ2: Can purpose improve employee engagement?

The author then performed a t-test on the "Employees' Feelings" factor to statistically analyze the impact of corporate purpose on employees' feelings about the company and their work engagement. The author used the pooled datasets from the United States and Europe to perform these tests. The results (t -statistic = -2.62, p = 0.009) rejects the null hypothesis that the mean score of this factor for the BAU scenario is the same as it is for the Purpose scenario. Moreover, the mean score of this factor and the percentage of respondents with a factor score greater than

4 are higher for the Purpose scenario than for the BAU scenario (please refer to Table 3.10. for more detail). This process of repeated for Experiment2, confirming the results of Experiment 1. Statistically, this shows that employees' perception of their jobs and workplace engagement can be positively influenced by corporate purpose. In other words, with respect to RQ2 (Can purpose improve employee engagement?), the study suggests that purpose can drive employee engagement.

The results also suggest that employees feel proud of their jobs and contributions to society and believe that their work engagement improves when they work for a company with a corporate purpose. Moreover, the results build on existing research. For example, Harter et al. (2016) found that that workers who feel a great deal of meaning in their jobs are 20 times more likely to be engaged at work than those who are actively disengaged. Fredrickson et al. (2013) also demonstrated that managers who focused on fostering a sense of purpose in their workplaces were able to boost employee engagement at work. Bunderson and Thompson (2009) also confirmed that purpose drives employee engagement at work, while Wrzesniewski et al. (2014) demonstrated that by helping people focus on the meaning (i.e., purpose) of their work, organizations could very well help improve their job-satisfaction and the quality of their work. Another important result is that of Lyubomirsky et al. (2005) who discovered that the experience of positive emotions around purpose actually increased an employee's chances of success at work. And finally, although with a focus on a younger cohort, the Bates-Gallup (2019) study found that purposeful work seems to be a primary driver of engagement for the younger segments of today's workforce, and it also tends to relate positively to overall employee well-being. These existing results offer interesting context into the relationship between purpose and engagement, and are in line with this dissertation's results with respect to RQ2.

Taking this result one logical step further, the research linking higher engagement levels to higher employee and company performance is also noteworthy, not least because engagement can function as a mediator for purpose and performance. To this end, the analysis by Harter et al. (2016) is probably most noteworthy, since it showed that companies that had high levels of employee engagement also had lower turnover, less absenteeism, more productivity, more profitability. In line with this line of research results, Cassar and Meier (2018) demonstrated that workers in mission-driven roles tended to be more engaged and performed better too. In related research, Wrzesniewski et al. (1997) found that intrinsically motivated, engaged

workers were more likely to be higher performers than their peers. Bolstering this view, Halbesleben (2010) found a positive relationship between high levels of engagement and employee job performance. This body of research would suggest that employee engagement could be used as a mediator for performance. As it turns out, the results from the first study seem to confirm the RQ2 (Can purpose improve employee engagement?). These results agree with previous research on the topic. Moreover, existing research implies that engagement could serve as a mediator between purpose and performance.

RQ3: Can cultural differences – geographic, gender-based and age – influence the perception of purpose?

To test RQ3 – can cultural differences influence the perception of purpose, and if so, how? – the author analyzes the US and European datasets separately to assess any differences in the responses from the respective regions. To this end, the results of the t-test that compares the mean scores of responses for the “Employees’ Feelings” factor (t-statistic = -2.97, $p = 0.003$) for the Purpose scenario of the European and US datasets reject the null hypothesis. This indicates that the mean score of the European Purpose scenario is different from that of the US Purpose scenario. This is an important finding. Moreover, the mean score of the “Employees’ Feelings” factor and the percentage of responses with a score higher than 4 are greater for the US Purpose scenario than for the European Purpose scenario. That indicates that people in the United States seem to be more purpose-oriented than people in Europe (for more detail, please refer to Table 3.13). This difference is significant at the 1% statistical significance level between the responses from Europe and the United States. In other words, when US respondents were presented with a company with a clearly identifiable corporate purpose, their responses to the survey exhibited a higher improvement in both their perceptions of the purposeful company and their engagement levels than their European counterparts. In short: respondents from the United States seem to be more purpose-oriented than their European counterparts. This result would answer RQ3 in the affirmative.

These (somewhat surprising) results provide new insight into the cross-cultural differences with respect to purpose between US employees and European employees. And although the results are significant and confirmed in both experiments, the reason for such a cultural difference between the US and European respondent cohorts is less clear. This is also because the cross-cultural dimensions theory suggests that high individualism scores in the US could infer that US workers are more focused on maximizing their own personal utility rather than

achieving any overarching corporate purpose their companies might be pursuing. Moreover, the low score on the long-term orientation dimension might also suggest that US workers place more value on short-term results than on the more structural, long-term changes that are typically associated with a corporate purpose. Still, what could explain the ostensible difference arise from Experiment 1 that was confirmed in Experiment 2?

First, the fact that US respondents seem to be more sensitive to the issue of corporate purpose could simply mean that they are generally more open to the topic of purpose than their European counterparts. Alternative explanations could include the following:

- US firms tend to be less regulated by the state relative to European firms, so the concept of corporate responsibility may be more active in US than in European countries, where state regulations are often stricter, forcing companies to act in the interests of civil society;
- US firms may conduct a different type of story-telling-based marketing, which is often centered around a “hero’s story” solving some big challenge, whereas such a marketing approach may be less established in Europe;
- The concept of the social responsibility of companies could be more established and thus taken for granted in Europe than in the US. In this context, one thinks of Germany’s social market economy, which already implies a greater social responsibility of business;
- Another potential explanation could be that employees in the United States may have a greater desire for purpose-driven work because it could perhaps be less commonly found in the US context than in Europe. To illustrate this idea, and using sustainability as a proxy for purpose, one can consider that Europe is home to 49 of the world’s most sustainable companies, whereas the US is home to just 17 (Corporate Knights, 2020);
- Yet a further potential attempt to explain this difference could potentially relate back to the Hofstede analysis, which suggests that US culture typically and historically has tended to record much higher scores for “Individualism” (91 vs. 71 for Europe) and much lower scores in the “Long-term Orientation” dimension (26 vs. 56 for Europe), which suggests that American individuals might be more embedded in a social construct defined by individualistic, short-term thinking, which might make them disproportionately more sensitive to a purpose-intervention than their European peers.

In addition to cultural differences, the author also considers how gender and age could affect purpose. To this end, the author analyzes the Purpose scenario responses of males and females separately. In short, the result is that even though a slight difference exists in the mean scores of males and females for the “Employees’ Feelings” Factor, the t-test result ($t\text{-statistic} = 0.921$, $p = 0.358$) shows that the difference is not statistically significant (for more details, please refer to Table 3.15). In other words, the author deduces that the perception of purpose is not moderated by the gender of the respondents. This result is somewhat surprising to the author since this conclusion does not fit with existing theory that women tend to be more sensitive to social and environmental issues and the corporate responsibility of a firm. For example, Hatch and Stephen (2015) study finds that women, on average, tend to believe that organizations should be more beneficial to society than their male counterparts. Additionally, Bear et al. (2010) found that the number of women on a board was positively related to the respective firm’s reputation, with the CSR rating serving a mediator. In other words, women tend to be more sensitive to CSR themes, and their influence on the board drives better management on these themes, which subsequently is positively related to a better reputation for the company. Moreover, Jones III, Reilly, Cox, and Cole (2017) find evidence that gender significantly influences the gap between consumer attitudes and behaviors regarding CSR. Specifically, the authors find that for female segments of the consumer population, this gap is greatly reduced. In other words, women tend, on average, to have a greater proclivity to “walk the talk” on CSR themes. Given this large body of research suggesting that gender should in fact moderate purpose, the results the author collected for this exercise are surprising.

And finally, the study also considered how age could affect employee perceptions of purpose. Accordingly, the author considers the potential influence of purpose on different age groups by dividing the responses of the Purpose scenario based on two age groups: those older than 40 (baby boomers and Generation X) and those younger than 40 (millennials and Generation Z). Similar to the gender analysis, the mean scores for the two age groups are somewhat different, but the t-test result ($t\text{-statistic} = 1.241$, $p = 0.216$) shows that the difference is not statistically significant (refer to Table 3.15). This result is in line with existing research, which broadly also states that the difference between older and younger employees’ perceptions on CSR themes is not significant (Rosati, Costa, Calabrese, & Pedersen, 2018).

6.3.2. Impact of corporate purpose on accounting performance

The primary focus on the first study is on answering the primary research question:

RQ1: Can a corporate purpose beyond mere profit maximization influence company performance?

To answer this question, the author extends the work of Gartenberg et al. (2019) in a US context to construct various quantitative measures of purpose based on survey data provided by “Great Places to Work” for European companies and measures the impact of a company’s degree of purpose orientation on its financial performance as described by its operating performance (return on assets). The author applies pooled regression techniques on panel data of firm-specific purpose measures together with country, industry, and year variables. After controlling for the lagged dependent variable (ROA), firm fixed effects, and time fixed effects, the author does not find any statistically significant relationship between firm operating performance (ROA) and the overall purpose orientation measure (Purpose_all). In other words, the analysis suggests that high purpose-oriented organizations might or might not exhibit better financial performance in the future. These results are in line with those of the Gartenburg et al. (2019) study, which also found that the employee-based measure of purpose was not correlated with firm accounting performance in either direction.

The author then expands the Gartenberg et al. (2019) analysis by building two alternative measures of purpose, *Purpose_impact* and *Purpose_pride*, by calculating the average of company-level responses for questions that a) relate more to the meaning and impact of work and b) seem more closely related to the topic of employee pride. The author proceeds in this way in efforts to analyze and isolate whether a bigger focus on whether an employee’s perception of the “meaning” of his or her job - or the actual impact his or her job generates – could potentially affect operating returns (ROA) at a higher level of significance. Similarly, the author also tests whether an employee’s sense of positive vocational status (e.g. working for the biggest technology company) could have a more direct impact (i.e. higher degree of significance) on positively affecting the firm’s operating returns (ROA). More specifically, to test whether these two new metrics could affect corporate performance any differently, the author re-estimated the relationships between company operating performance and *Purpose_impact* and *Purpose_pride*. In both cases, the new estimations did not deliver any higher degree of statistical significance. In fact, the results mimicked those found with *Purpose_all*: although the direction of coefficient of the purpose variable is positive in both cases with respect the performance, the statistical significance is too weak to recognize any relationship between purpose and performance. As such, the author finds that the answer to the

primary RQ1 is that an overall measure of corporate purpose along with the alternative measures of purpose *Purpose_impact* and *Purpose_pride* are not related to accounting performance. The implication of these results suggest that corporations in which employees derive a very specific sense of purpose from their work might or might not exhibit better accounting performance.

6.3.3. Impact of corporate purpose on stock price performance

To confirm the findings derived from the regression analyses described above, the author applies historical portfolio analysis to explore whether a relationship exists between companies at which employees experience a measurably higher level of purpose-driven engagement (as described by the results of the GPTW surveys) and the company's stock price performance relative to a peer set. The study finds that an equally weighted portfolio of publicly listed European companies that have been voted the Best Companies to Work For by GPTW outperforms the Stoxx Europe 600 index in terms of absolute performance and also in terms of risk-adjusted performance. Furthermore, a portfolio of GTPW companies with higher purpose scores outperforms a portfolio of GPTW companies with lower purpose scores, but the statistical significance of the analysis based on the t-test is very poor. In other words, the author does not find a statistically significant relationship between corporate purpose and company stock performance. Although the Gartenberg et al. (2019) paper was the first attempt to provide empirical evidence on the value of corporate purpose by virtue of measuring purpose by employee perceptions of their employer, other studies have conducted research on related independent variables. For example, Edmans (2011) analyzed the relationship between employee satisfaction and long-run stock returns based upon a GPTW portfolio of the "100 Best Companies to Work For," which demonstrated a statistically significant outperformance by the GPTW portfolio. The implication of this research suggests that employee satisfaction is positively correlated with shareholder returns. As such, this ground-breaking study suggests 3 key themes: first, making sure that employees are happy can actually be consistent with above-average business performance; second, the stock market seems to inadequately value intangible values like employee satisfaction; and finally, some sustainable investment screens can improve investment returns. Similarly, Flammer (2013) suggested that companies reported to behave responsibly toward the environment experience a significant stock price increase, whereas firms that behave irresponsibly face a significant decrease. As such, Flammer (2013) considers environmental CSR a resource with decreasing marginal returns. Moreover, Edmans

(2012) confirms the positive relationship between job satisfaction and firm value, suggesting that corporate social responsibility can improve stock returns. This body of research contradicts the results of this dissertation with respect to the inability to confirm a statistically significant relationship between purpose-driven companies and their stock price performance.

As such, the two methods the author employs to establish a relationship between corporate purpose and financial performance result in similar conclusions: that the exercises were unable to confirm a relationship between purpose and performance, both from an accounting perspective and a stock price perspective (RQ1).

To summarize this section, the key insights can be recorded as follows: the four experiments conducted in Chapter 3 suggest that a sense of corporate purpose positively influences an employee's work engagement and perceptions about his or her job, confirming RQ2. As such, a corporate purpose beyond mere profit maximization can serve to inspire a greater sense of employee engagement. These results hold true for both the US and European cohorts but suggest that US employees may be more purpose-sensitive than their European peers. This affirms RQ3 - can cultural differences influence the perception of purpose? And finally, the theoretical results in Chapter 4 covering companies in 11 European countries suggest that there is no statistically significant evidence to establish any relationship between a firm's accounting and stock price performance and the degree to which employees feel the firm is purpose driven. Both the results of this exercise along with the results in Chapter 5 indicate that, statistically, corporate purpose is neither related to company performance nor to stock price performance. As such, the dissertation is unable to affirm the RQ1 - can a corporate purpose beyond mere profit maximization influence company performance?

6.4. Limitations of the research

Related to the research designs and data sets chosen for the studies of this dissertation, the presented results are subject to possible limitations. These limitations are arranged into three segments: 1) Purpose and engagement, 2) purpose and performance, 3) Semantic limitations regarding the purpose definition.

6.4.1. Purpose and engagement

The two experiments conducted in Chapter 3 were each conducted on two different population samples. These four experimental studies were based on convenience samples drawn from

Amazon's Mturk. The first limitation relates directly to the use of convenience samples. For example, past research has raised concerns that the use of convenience samples could jeopardize the external validity of the experimental research methodology. This is because the effects observed in experiments based on convenience samples do not necessarily represent a broader population effectively, especially if students are invited to participate, which is often the case (Ferber, 1977; Jones & Sonner, 2001). However, other research has also called attention to the qualification that the appropriateness of using convenience samples for experiments depends on the underlying research goal of the experiment and the type of generalizability. According to Calder, Phillips, and Tybout (1981), the use of convenience samples is considered appropriate when testing a theory that is potentially applicable across practical contexts, but less so when the experiment is intended for direct transfer to a particular practical environment (Calder et al., 1981). In this context, the use of convenience samples for the first empirical exercise in Chapter 3 is deemed appropriate.

The results of the empirical study in Chapter 3 that finds a material difference at the 1% statistical significance level in responses under the two scenarios (business-as-usual and purpose) might be further limited due to the presence of experimenter demand effects (EDEs) – or the bias that occurs when participants infer the purpose of an experiment and respond so as to help confirm a researcher's hypothesis. In other words, the idea here is that respondents quickly notice that the study is about the latest management buzzword corporate purpose and subsequently consciously or sub-consciously answer the questions in a way to confirm the validity of the purpose theme. However, according to Mummolo and Peterson (2019), the fact that this experiment was conducted online could make it robust to EDEs. The researchers showed that even when participants were given information about experimenter intent that did not alter the treatment effects in these experiments in an online environment. Moreover, the researchers even found that financial incentives to respond in line with researcher expectations did not consistently induce demand effects, thus suggesting that researchers could do little to adjust respondent behavior to comply with their research expectations. In this context, the risk of demand effects in the four experiments is considered manageable by the author.

The generalizability of the results might be further limited by the risk that a confounding variable obscures the results with respect to Experiment 2. As mentioned in Chapter 3, the newspaper article introduced respondents to fictitious Weaver Inc., a premium textile brand

able to demand a premium for its goods, and Future Fit Inc., similarly a premium brand but with a purpose orientation. If respondents considered Weaver to be more of a premium brand than Future Fit, the concept of status could potentially threaten the internal validity of Experiment 2. Mitigating this threat, it is noteworthy that the results finding a material difference at the 1% statistical significance level in responses under the two scenarios (business as usual and purpose) are strong for Experiment 2 than for Experiment 1. Moreover, Experiment 2 is not intended to serve as a direct replication of Experiment 1, rather as a conceptual replication intended to test theory in general terms, which is supported by Simons (2014). Still the challenge of Weaver being considered as more premium vis-à-vis Future Fit could challenge the internal validity of Experiment 2 due to the potentially confounding effect of status.

And finally, since the author used survey-based questionnaires to collect data, the chance exists that the tested relationship be distorted by the effect of common method variance (CMV), or the variance that is attributable to the error in the method of measurement. To this end, it is important to recognize the risk of common method biases that could affect the reliability of the study. For example, some biases that could affect relationships tested in the study could include consistency motif bias, the acquiescence bias (linked to demand effect), the mood state bias, and the scale length effect (Podsakoff et al., 2003). To reduce the threat of these biases affecting the validity of the experiments, the author undertook multiple precautions like using random sampling of respondents, using different sources for dependent and independent variable data, and relying on validated survey scales (Steger et al., 2006).

6.4.2. Purpose and performance

As was the case with the four experiments in Chapter 3, the analysis around purpose and performance also uses the data collected from survey questionnaires. However, a notable difference is that the experiments relied on convenience samples from individuals while the empirical exercise on purpose vs. performance relied on responses aggregated at the company level. As such, the effect of common method biases on the results of this study is likely to be minimal. This is because the use of aggregated responses at company level are less likely to be affected by common method biases that arise because of individual behavior. Nonetheless, the GPTW dataset also exhibits several limitations.

For example, the results may be limited by the risk the current dataset exhibits is self-selection bias, considering the fact that only publicly listed companies are included due to the required access to financial data. Participating firms also proactively volunteer to participate in the GPTW survey, which may suggest the presence of a slight bias toward scoring higher on pride and purpose. Moreover, employees might see successful inclusion on the GPTW list as a way to boosting their own human capital value and might result in a slight tendency to overstate their answers to the survey (Furnham, 1986). In addition, from a company perspective, there may also exist an incentive to get higher scores. Since the analysis includes self-selected firms that are likely to compete heavily for human capital, which is probably why they participate in the GPTW workplace recognition process in the first place. In other words, they likely depend on skilled labor and might generally hope to be recognized by the GPTW survey as companies with particularly good cultures. As such, the selection process might also include a selection bias on the corporate level since companies volunteer to participate in the survey and participation is not mandatory.

One further fact that limits the generalizability of this study is the size of the dataset upon which the analysis was conducted. The GPTW dataset consisting of the aggregated values of European countries is limited, and it is much smaller than the one for the United States. For example, Gartenberg et. al. (2019) used 456,666 employee level responses for 429 firms across the United States of America. This translated into 917 firm year observations upon which the analysis is based. In contrast, this dissertation's underlying sample size dataset included only 114 firm year observations, which is 8 times smaller than the US dataset. This leaves the underlying dataset with a observations-to-variables ratio of 2, which most researchers consider too small to perform a reliable factor analysis. Passed research has suggested minimums for sample size include from 3 to 20 times the number of variables (Mundfrom, Shaw, and Ke, 2005). It is for this reason that this dissertation – unlike the Gartenberg et al. (2019) study – did not include the factor analysis to explore the potential moderating influence of clarity from management and camaraderie between employees.

6.4.3. Semantic limitations of the construct corporate purpose

Another important limitation to this research on purpose is that the concept remains highly ambiguous and (positively) aspirational. As such, the broad definition used for this dissertation - *corporate purpose is an aspiration that reaches beyond mere short-term profit maximization objectives* - is not immune to this sense of ambiguity around the topic. For example, it may be

easy to confuse a company effectively managing the multiple ESG factors that affect its business within its sector with a firm that has a clear corporate purpose. In this context, Eccles, Ioannou, and Serafeim (2014) purport that companies with higher ESG scores are generally associated with better financial performance; such companies should not, however, be conflated with high-purpose companies as defined by this dissertation. Indeed, given the multitude of definitions of corporate purpose that exist today, many commentators correctly question whether the concept of corporate purpose is distinct from similar concepts such as corporate social responsibility or socially responsible investing. Theoretically, the concept of purpose could be applied to any company that manage their stakeholder relationships well, that abide by the prevailing sustainability standards in their sector, and that limit carbon emissions from their operations. Such companies could be, but are not necessarily, companies with a clear corporate purpose. Moreover, the definition relied upon in this dissertation seems to imply a clearly “positive” connotation, but the large ambiguity around the topic could also allow alternative interpretations. For instance, one could make the argument that a tobacco firm is purpose driven since the employees are collectively motivated by a purpose to provide an unparalleled smoking experience, or an oil production and exploration company’s employees could be motivated by “driving trade, economic development, and job growth.” Moreover, one could also make the argument that purpose may constitute a singular focus on profit maximization itself. In this case, employees may feel a strong sense of purpose when their effort contributes to those firm profits. This ambiguity around the construct purpose has even led to contention by some stakeholders.

Many see a conflict between a system in which big business sets and pursues broad social goals and, for example, the fiduciary responsibility of an investment manager that requires him or her to act in the best interests of his or her client (i.e., not lose money). For example, Paul Singer, the founder of one of the world’s largest hedge funds, stated that the broad-based discussion about the nature of a firm’s purpose “risks obscuring the fact that earning a rate of return for pension plans, retirement accounts, universities, hospitals, charitable endowments and so on is itself a social good – a very high one” (The Economist, 2019). A case in point already exists and involves the California Public Employees’ Retirement System (CalPERS), the largest pension fund in the United States, which is known for its strong commitment to socially responsible investing. In 2018, Jason Perez, a state employee on the police force, objected to the fund’s discriminating focus on social themes, particularly its 2001 divestment from tobacco stocks, which subsequently outperformed the market. As a result, in 2017, Perez

alleged that CalPERS was underfunded by \$139 billion, which meant that California could no longer afford wage increases for public servants. Perez went on to say, “Eleven people in my family are in law enforcement and I had to make sure their pensions were protected” (The Economist, 2019). To this end, Perez decided to run for a seat on the CalPERS board of directors on the basis of rewinding the fund’s proactive focus on social issues in its investment strategy and allowing it to invest in conventional profit-maximizing, law-abiding firms on the primary basis that these would deliver the best returns on investment to the pension fund. As it turns out, Perez won the seat on the board, and the directors have opposed proposals to sell stocks in companies that operate private prisons, firearm sales, and operate in countries that violate human rights (Gillers, 2019), which has marked a move away from the fund’s early focus on aligning its investments with social activism. This example demonstrates that the purpose construct becomes particularly tenuous when seemingly reliable financial returns are put at risk.

6.5. Managerial implications of the results

Following empirical analyses conducted in this dissertation, the answer to the primary research question RQ1 is clear: the results indicate no statistically significant relationship between purpose and accounting performance and also no statistically significant relationship between purpose and stock price performance. However, the results to the secondary research question RQ2 - Can purpose improve employee engagement? – is positive at 1% statistical significance level. And the results of RQ3 - can cultural differences – geographic, gender-based and age – influence the perception of purpose? – is also positive at the 1% statistical significance level.

6.5.1. Purpose and engagement

The implications of the study suggest that by helping people focus on the meaning (i.e., purpose) of their work, organizations could potentially help employees achieve higher degrees of engagement and motivation at work. As already alluded to above, the results of these experiments with respect to purpose and engagement are aligned with a large body of research on individual human motivation which shows that employees who perceive their work as more meaningful exhibit higher job performance, organizational citizenship behavior, and organizational identification (Liden, Wayne, & Sparrowe, 2000, Michaelson, Pratt, Grant, & Dunn, 2014; Pratt & Ashforth, 2003). The results of the analysis in Chapter 3 suggest that when

constructed correctly, a well-articulated purpose statement may hold potential to inspire employees to better engage with their jobs and with the company for which they work.

However, despite the growing popularity of the topic of corporate purpose as a driver of engagement, many companies still struggle to define a clear purpose for themselves. For example, many companies have very generic and vague purpose statements, ones that do not necessarily invite their employees to identify with their reason for existence. Examples range from “being the premier bank in the world” to “putting our shareholders first” to “spreading the power of optimism.” Such statements do not address key factors such as what the firm actually does, who its customers are, or what problems it hopes to solve (Blount & Leinwand, 2019). Moreover, most managers still tend to focus directly on engagement to measure the quality of company culture, without considering purpose a statistically significant driver of engagement. Indeed, engagement has some limitations, which reinforces the relevance of purpose as a driver of engagement. For example, engagement often begins with the assumption that work is generally something undesirable (Hurst, 2016) and that companies thus need to implement interventions such as free coffee, free e-bikes, free food, sofas, beanbags, play rooms, and so on in order to keep employees motivated by and engaged in their work. The risk here is that the belief that work is inherently unpleasant creates a self-fulfilling prophecy that limits the intrinsic motivation of the people at work. The risk here is that the belief that work is inherently unpleasant creates a self-fulfilling prophecy that limits the intrinsic motivation of the people at work (Hurst, 2016). It is also in this context that investigating the relationship between purpose perception and an employee’s sense of fulfillment and engagement can potentially bring value to the work environments are organized and leadership cultures are designed. Blount and Leinwand (2019) summarize this notion as follow:

As much as you may try to motivate employees with slogans or extrinsic rewards, you won’t achieve excellence if your people don’t know why they are coming to work every day at your firm. The clearer you can be about what value your company creates and for whom, the greater your ability to inspire your workers. And the more you align the right talent, operating model, and financial resources to support your purpose, the better able employees will be to deliver on it.

If there is a chance that meaning and purpose increase well-being and employee engagement, the next question that arises from this logic how to build a sense of purpose at work. Hurst (2016) describes three sources that can be tapped to activate employee purpose in the

workplace. The first is the social dimension, which refers to a person's capacity to build and deepen meaningful social relationships at work. The second is the societal dimension, which refers to the capacity an employee feels he or she has at work to frame work-related goals around a personal purpose. The third dimension is personal growth, which refers to the capacity to learn new skills or participate in personally enriching experiences. In addition to Hurst's work on the activation of purpose in the workplace, Hartung and Taber (2008) suggest that the process of job crafting can also enhance purpose-orientation at work. Job crafting refers to what employees can proactively do to redesign their own jobs in ways that bring them more meaning, engagement, and fulfillment. In this sense, Tims and Bakker (2010) even referred to job crafting (or job design) as a form of proactive behavior to fit their jobs to their personal knowledge, skills, and preferences. In this way, individuals can foster self-completion from work and derive meaning, satisfaction, and happiness as they design their lives. For example, Hartung and Taber (2008) claimed that the new vocational reality demands a recontextualization of an employee's role in an organization and stated, "Rather than fitting self to jobs and readying self to develop a career, workers now must focus increasingly on constructing self in work rather than advancing self in an organization" (p. 77). As such, the concept of purpose is positioned less as a destination and more as a journey, and the job-crafting framework is the vehicle with which to make this journey. The journey begins by using the job-crafting framework to better understand whom one serves, why one serves, and how one serves. It is a tool that offers a better understanding of one's personal motivations.

6.5.2. Purpose and performance

With the research results for RQ1 indicating that there is no statistically significant relationship between purpose and accounting performance and also no statistically significant relationship between purpose and stock price performance, this discussion will rely primarily on previous research and hypothetical considerations on the managerial implications. Apart from the work by Gartenberg et al. (2019) in the United States, no analysis exists that systematically builds a company-wide level of purpose-orientation (based on real employee beliefs) in an effort to more deeply analyze and understand the effects of purpose-orientation across multiple sectors and several years. This was pioneering research, so the relationship between purpose and performance is still poorly understood. Still the discussion of the potential outcomes of further research is worth consideration. For example, if a corporate purpose beyond profit maximization were shown to be associated with lower economic performance, company

strategists could use this insight to gauge the premium that a firm and its shareholders would be willing to pay to use the business to address social or environmental goals. Conversely, if evidence of a positive relationship between corporate purpose and economic performance were to exist, corporate strategists could use that insight to design new business products, services, and business models to capitalize on a compelling corporate purpose as a catalyst for long-term economic success.

But how might purpose influence performance in a positive sense? The mechanisms for purpose to potential impact performance in a positive way could consider the following transmission mechanisms. First, Liden et al. (2000) suggest that being able to attract employees who perceive their work as more purposeful exhibit higher job performance. Second, given that a large body of literature already explores the positive relationship between employee engagement and performance (Michaelson et al., 2014), it stands to reason that high scores for corporate purpose could also positively impact a firm's financial performance via engagement serving as a mediator for this effect (Harter et al., 2016). Third, purpose could influence via the stakeholder effect. In other words, a strong and authentic corporate purpose could bolster a firm's reputation among its stakeholders, thus reinforcing the robustness of the supply chain. Conversely, a misleading or discredited corporate purpose could have the opposite effect, leading to inefficiencies in the supply chain and disruptions in sales (Bhattacharya & Sen, 2004). Fourth, some literature suggests that purpose affects performance via the mitigation of investor short-termism (Brochet, Loumiotis, & Serafeim, 2012).

Considering the flipside of the coin, the next question focuses how might purpose influence performance in a negative sense? This dynamic is intuitive enough. Directing resources at any objective apart from profit and shareholder value maximization serves as a distraction and impairs success. Academic work also supports this view. The article "Do Managers Do Good with Other Peoples' Money?" suggests that a firm's primary purpose should be profit maximization and that anything else only distracts employees from that primary focus (Cheng, Hong, & Shue, 2013). Another important consideration is that a firm sometimes has to make non-profit-maximizing decisions in order to protect its credibility (Henderson & Van den Steen, 2015), such as the Nike example mentioned before with its controversial Colin Kaepernick campaign in 2018. Management knew that the advertisement would have a polarizing effect (Kelner, 2018) and that the many people burning shoes and boycotting the

brand could cause Nike to underperform its sector benchmark, which could have negated the idea that authentic purpose orientation relates positively to performance.

6.6. Future research

As mentioned, the author considers Gartenberg et al. (2019) as a first attempt to provide empirical evidence on economic value related to corporate purpose. Indeed, no analysis exists that systematically builds a company-wide level of purpose-orientation (based on real employee beliefs) in an effort to more deeply analyze and understand the effects of purpose-orientation across multiple sectors and several years. The reason that empirical research on the relationship between purpose and performance has been in such short supply at least in part has to do with the difficulty of measuring employees' perceptions about the purpose orientation of their respective companies across multiple industries and even countries.

In addition to the limitations mentioned above, several questions remain unanswered, and these could be the topic of further research. For example, given that the Gartenberg et al. (2019) project was able to harvest nearly 500'000 employee responses in the US, it would be productive for the research contribution to get similar numbers for a European dataset. In this context, it could be interesting to consider private companies, since no private companies were considered for this dissertation's research. The main reason for this is due to the arduous process of accessing private companies' financial data. An interesting consideration in this context would be how results of this dissertation may change when a larger dataset that represents both private and public companies across continents is employed. In this context, the factor analyses to explore the potential moderating influence of clarity from management and camaraderie between employees could perhaps also be included for the European audience.

Another interesting question for further research could consider the nature of the interventions that could be used to potentially enhance the perception of purpose among employees. The three dimensions of purpose proposed by Hurst (2016) – i.e. social, society, personal – could be tested and complemented with the interventions that may differ across job functions. This may also relate to the role purpose has with respect to job crafting as suggested by Tims and Bakker (2010).

A further question worth considering is whether financial performance could actually influence purpose. In other words, could it be that economically successful firms inspire greater degrees

of pride among employees and employees thus feel more identified with the firm, which is due mainly to its economic success and not per se due to its noble purpose? Additionally, it would be interesting to understand whether employee pride depends on how meaningful and impactful employees find their work and their companies' contributions to society.

Addressing such and similar questions could help accelerate the shift from a mechanistic, transactional view of management science to a more holistic approach, one that recognizes that people and organizations form complex living systems that are often affected by multiple drivers beyond mere financial incentives. Indeed, the discipline of business management over the centuries has evolved quite substantially and continues to do so today. Traditional approaches such as the invention of scientific management in the early 20th century (Taylor, 1911) to Weber's (1921) Theory of Bureaucracy to Peter Drucker's Management by Objectives in the 1950s (Drucker, 1954) are all examples of a static, transactional view of business and management. The new impulses around corporate purpose and the effects of corporate purpose on employee motivation and company success invite a more holistic view of management in practice. Using this filter of corporate purpose to accelerate this shift toward a more integrated view of business in society is particularly relevant in today's business climate.

6.7. Conclusion

This dissertation finds that there exists no statistically significant relationship to show that a firm's purpose orientation relates in any way to its financial performance (RQ1), as measured by both the operating performance and stock price performance. More specifically, the author controlled for the lagged dependent variable (ROA), firm fixed effects, and time fixed effects to find a positive coefficient but statistically weak relationship (at the 10% level) between accounting performance and the overall purpose orientation measure. As an extension to the answer to the primary research questions RQ1, the author also explores whether a relationship exists between high-purpose companies and such companies' stock price performances relative to a peer set. The study finds that an equally weighted portfolio of publicly listed European companies that have been voted the Best Companies to Work For by GPTW outperforms the Stoxx Europe 600 index in terms of absolute performance and also in terms of risk-adjusted performance. Furthermore, a portfolio of GTPW companies with higher purpose scores outperforms a portfolio of GPTW companies with lower purpose scores, but the statistical significance of the outperformance based on t-test analysis is very poor.

In short, the overall result in the analyses conducted to answer RQ1 is that there is no statistical evidence to show that a firm's purpose orientation relates in any way to its accounting performance or its future stock price performance. As such, the analyses conducted in this dissertation suggest that high purpose-oriented organizations may - or may not - exhibit better financial performance in the future. The findings are broadly in line with those presented by Gartenberg et al. (2019) who suggest that purpose is *prima facie* not related to accounting performance on a statistically significant level (unless it is also characterized by high camaraderie between workers and high levels of clarity from management). Looking ahead, the analysis in this dissertation demonstrates the complexity of this new management construct purpose and the building of a robust empirical model to examine its influence – if any – on the economic performance of a company.

In response to the secondary research questions RQ2 and RQ3, this dissertation confirms the results of previous research (Liden et al. 2000, Pratt and Ashforth 2003, Michaelson et al. 2014, Harter et al., 2016) suggesting a positive relationship between corporate purpose and employee engagement (RQ2). Indeed, the overall results of the four experiments conducted find that there is a material difference (at the 1% significance level) in responses to the two scenarios of a company whose objective includes a clearly defined corporate purpose beyond naturally materialistic ambitions such as profitability and another company whose objective does not include such a clearly identifiable corporate purpose. The study concludes that people feel proud and believe that their job has a special meaning when they work for a company with a purpose. It also concludes that a company's purpose-orientation improves the work engagement of employees. In this sense, purpose does seem to be positively related to employee engagement.

From a cultural perspective, and with respect to RQ3 - Can cultural differences – geographic, gender-based and age – influence the perception of purpose? And if so, how? – the dissertation finds that there is a significant difference (at the 1% significance level) between the responses from Europe and the United States. As such, the respondents from the United States seem to be more purpose-oriented when considering their jobs than European respondents. The reasons for this could include a number of different explanations discussed in detail above, including the notion that US employees are *prima facie* generally more open to the topic of purpose than their European counterparts, or the idea that US firms tend to be less regulated by the state relative to European firms, so the concept of corporate responsibility may be more intuitive to

a US audience, or the view that US employees place more value on work and the perception of their employers relative to European employees. Moreover, the results also indicate that perceptions of corporate purpose seem to be unrelated to gender (i.e., male vs. female) and to age (above and below 40 years). As such, while cross-cultural differences do play a statistically significant role with respect to the perception of corporate purpose, gender and age seem not to be related in any way. These results agree with cross-cultural dimensions theory, which suggests that many of the differences in employee motivation can be traced to differences in the collective mental programming of people in different national cultures (Hofstede, 1980). In conclusion, the overall results of this dissertation show how complex and context-dependent the construct of purpose can be.

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Appendix A: Trust Index Employee Survey

Trust Index[®] Employee Survey

“Best Workplaces in Switzerland”

1 Great Place to Work[®] Model[®]

The Trust Index[®] survey is built upon the Great Place to Work[®] Model[®]. The Great Place to Work[®] Model[®] is based on the definition of a great place to work as one in which you “trust the people you work for, have pride in what you do, and enjoy the people you work with.” The definition is further articulated through the following five dimensions of the Model[®] of a great workplace:

Dimension	How it plays out in the Workplace	
	Credibility • Communications are open and accessible • Competence in coordinating human and material resources • Integrity in carrying out vision with consistency	T
	Respect • Supporting professional development and showing appreciation • Collaboration with employees on relevant decisions • Caring for employees as individuals with personal lives	R
	Fairness • Equity—balanced treatment for all in terms of rewards • Impartiality—absence of favoritism in hiring and promotions • Justice—lack of discrimination and process for appeals	U
	Pride • In personal job, individual contributions • In work produced by one's team or work group • In the organization's products and standing in the community	S
	Camaraderie • Ability to be oneself • Socially friendly and welcoming atmosphere • Sense of “family” or “team”	T



2 Statements of the Trust Index® survey

The table contains the whole list of the statements of the Trust Index® survey. The listed statements are ordered by dimension of the Great Place to Work® Model® Framework.

Credibility	1	Management keeps me informed about important issues and changes.
	2	Management makes its expectations clear.
	3	I can ask management any reasonable question and get a straight answer.
	4	Management is approachable, easy to talk with.
	5	Management is competent at running the business.
	6	Management hires people who fit in well here.
	7	Management does a good job of assigning and coordinating people.
	8	Management trusts people to do a good job without watching over their shoulders.
	9	People here are given a lot of responsibility.
	10	Management has a clear view of where the organization is going and how to get there.
	11	Management delivers on its promises.
	12	Management's actions match its words.
	13	I believe management would lay people off only as a last resort.
	14	Management is honest and ethical in its business practices.
Respect	15	I am offered training or development to further myself professionally.
	16	I am given the resources and equipment to do my job.
	17	Management shows appreciation for good work and extra effort.
	18	Management recognizes honest mistakes as part of doing business.
	19	Management genuinely seeks and responds to suggestions and ideas.
	20	Management involves people in decisions that affect their jobs or work environment.
	21	This is a physically safe place to work.
	22	This is a psychologically and emotionally healthy place to work.
	23	Our facilities contribute to a good working environment.
	24	People are encouraged to balance their work life and their personal life.
	25	I am able to take time off from work when I think it's necessary.
	26	Management shows a sincere interest in me as a person, not just an employee.
	27	We have special and unique benefits here.



Fairness	28	People here are paid fairly for the work they do.
	29	I feel I receive a fair share of the profits made by this organization.
	30	Everyone has an opportunity to get special recognition.
	31	I am treated as a full member here regardless of my position.
	32	Promotions go to those who best deserve them.
	33	Managers avoid playing favorites.
	34	People avoid politicking and backstabbing as ways to get things done.
	35	People here are treated fairly regardless of their age.
	36	People here are treated fairly regardless of their race.
	37	People here are treated fairly regardless of their sex.
	38	People here are treated fairly regardless of their sexual orientation.
	39	People here are treated fairly regardless of disability
	40	If I am unfairly treated, I believe I'll be given a fair shake if I appeal.
Pride	41	I feel I make a difference here.
	42	My work has special meaning: this is not "just a job."
	43	When I look at what we accomplish, I feel a sense of pride.
	44	People here are willing to give extra to get the job done.
	45	I want to work here for a long time.
	46	I'm proud to tell others I work here.
	47	People look forward to coming to work here.
	48	I feel good about the ways we contribute to the community.
Camaraderie	49	I can be myself around here.
	50	People celebrate special events around here.
	51	People care about each other here.
	52	This is a friendly place to work.
	53	This is a fun place to work.
	54	When you join the company, you are made to feel welcome.
	55	When people change jobs or work units, they are made to feel right at home.
	56	There is a "family" or "team" feeling here.
	57	We're all in this together.
	58	You can count on people to cooperate.
	59	The results of employee surveys are communicated well in our organization.
	60	After the last employee survey, effective measures were implemented.
	61	Taking everything into account, I would say this is a great place to work.



Assessment Scale:

Respondents are asked to evaluate each of the statements, by the following scale, according to their experience of their company's workplace:

1. Almost always untrue
2. Often untrue
3. Sometimes true sometimes untrue
4. Often true
5. Almost always true

Demographic Questions:**A. Type of Job**

- ☐ Staff Non Management
- ☐ Manager / Supervisor
- ☐ Top Manager

B. Gender

- ☐ Female
- ☐ Male

C. Age

- ☐ 25 years or younger
- ☐ 26 years to 34 years
- ☐ 35 years to 44 years
- ☐ 45 years to 54 years
- ☐ 55 years or older

D. Tenure

- ☐ Less than 2 years
- ☐ 2 years to 5 years
- ☐ 6 years to 10 years
- ☐ 11 years to 15 years
- ☐ 16 years to 20 years
- ☐ Over 20 years

E. Work Status

- ☐ Full-time
- ☐ Part-time

F. Education Level

- ☐ No school leaver's qualification
- ☐ Obligatory school leaver qualification
- ☐ Apprenticeship
- ☐ High school leaver's qualification
- ☐ Bachelor / university qualification
- ☐ Master
- ☐ PhD

Open ended questions:

1. Is there anything unique or unusual about this company that makes it a great place to work? (Please give specific examples)
2. If you could change one thing about this company to make it a better place to work, what would it be? (Please give specific examples)



Appendix B: supplementary statistical tables

Table A1

Descriptive statistics of all of the statements in Experiment 1 (European observations)

	Business as usual (BAU)			Purpose		
	Mean	SD	% of responses (score >4)	Mean	SD	% of responses (score >4)
The relationships with my team members influence my motivation to come to work with passion.	5.84	1.32	87.5%	5.73	1.24	84.6%
My boss's behavior could influence my motivation at work.	5.99	1.17	90.8%	6.02	1.20	92.7%
A lack of personal growth opportunities could negatively impact my motivation.	5.81	1.30	85.0%	5.63	1.27	83.7%
Corporations today possess too much power.	5.01	1.54	63.3%	5.07	1.48	68.3%
I am generally skeptical of corporations proclaiming to serve the common good.	4.88	1.42	59.2%	4.86	1.51	60.2%
It is important to me to derive a sense of meaning from my work.	5.65	1.33	87.4%	5.49	1.35	78.9%
The company has a bigger "purpose" than merely maximizing shareholder returns.	3.93	1.70	40.8%	4.38	1.49	52.8%
My work has special meaning: this is not just a job.	3.83	1.52	33.3%	3.95	1.45	39.0%
I feel good about the ways we contribute to the community.	3.68	1.74	34.2%	4.16	1.54	52.0%
When I look at what we accomplish, I feel a sense of pride.	4.08	1.64	43.3%	4.17	1.53	45.5%
I am proud to tell others I work here.	4.17	1.61	42.5%	4.24	1.75	48.8%
At my work, I feel bursting with energy.	4.19	1.41	36.7%	4.14	1.31	43.1%
I am enthusiastic about my job.	4.18	1.58	41.7%	4.30	1.52	47.2%
My job inspires me.	4.08	1.60	40.0%	4.09	1.41	42.3%
When I get up in the morning, I feel like going to work.	4.26	1.53	45.0%	4.33	1.51	52.0%
I feel happy when I am working intensely.	4.34	1.60	51.7%	4.50	1.48	53.7%
I am proud of the work that I do.	4.23	1.65	45.0%	4.32	1.60	52.8%

Table A2

Descriptive statistics of all the statements in Experiment 1 (US observations)

	Business as usual (BAU)			Purpose		
	Mean	SD	% of responses (score >4)	Mean	SD	% of responses (score >4)
The relationships with my team members influence my motivation to come to work with passion.	5.38	1.48	83.8%	4.94	1.51	65.7%
My boss's behavior could influence my motivation at work.	5.75	1.24	84.8%	5.57	1.22	82.4%
A lack of personal growth opportunities could negatively impact my motivation.	5.34	1.53	76.2%	5.31	1.52	72.5%
Corporations today possess too much power.	5.63	1.44	81.9%	5.72	1.42	77.5%
I am generally skeptical of corporations proclaiming to serve the common good.	5.22	1.56	68.3%	5.27	1.58	65.7%
It is important to me to derive a sense of meaning from my work.	5.42	1.37	80.0%	5.40	1.57	77.5%
The company has a bigger "purpose" than merely maximizing shareholder returns.	3.70	1.83	40.0%	4.64	1.56	60.8%
My work has special meaning: this is not just a job.	3.89	1.86	37.1%	4.34	1.81	51.0%
I feel good about the ways we contribute to the community.	3.84	1.84	37.1%	4.75	1.69	59.8%
When I look at what we accomplish, I feel a sense of pride.	4.05	1.88	43.8%	4.81	1.70	60.8%
I am proud to tell others I work here.	4.27	1.79	51.4%	4.81	1.64	62.7%
At my work, I feel bursting with energy.	4.31	1.68	46.7%	4.49	1.57	51.0%
I am enthusiastic about my job.	4.47	1.75	55.2%	4.79	1.64	63.7%
My job inspires me.	4.21	1.87	46.7%	4.72	1.73	58.8%
When I get up in the morning, I feel like going to work.	4.34	1.73	50.5%	4.78	1.65	62.7%
I feel happy when I am working intensely.	4.60	1.77	59.0%	4.91	1.45	62.7%
I am proud of the work that I do.	4.36	1.76	48.6%	4.96	1.67	63.7%

Table A3

Descriptive statistics of all of the statements in Experiment 2 (European observations)

	Business as Usual (BAU)			Purpose		
	Mean	SD	% of responses (score >4)	Mean	SD	% of responses (score >4)
The relationships with my team members influence my motivation to come to work with passion.	5.96	1.02	94.3%	5.69	1.34	84.7%
My boss's behavior could influence my motivation at work.	6.22	1.00	95.3%	6.10	1.10	89.2%
A lack of personal growth opportunities could negatively impact my motivation.	5.58	1.28	82.1%	5.59	1.15	81.1%
Corporations today possess too much power.	5.40	1.31	74.5%	5.55	1.36	78.4%
I am generally skeptical of corporations proclaiming to serve the common good.	5.04	1.33	64.2%	4.98	1.39	60.4%
It is important to me to derive a sense of meaning from my work.	5.75	1.20	86.8%	5.63	1.19	82.9%
The company has a bigger "purpose" than merely maximizing shareholder returns.	3.67	1.61	36.8%	5.35	1.17	82.9%
My work has special meaning: this is not just a job.	3.42	1.65	24.5%	5.20	1.39	68.5%
I feel good about the ways we contribute to the community.	3.58	1.61	30.2%	5.56	1.13	84.7%
When I look at what we accomplish, I feel a sense of pride.	4.04	1.66	47.2%	5.38	1.27	78.4%
I am proud to tell others I work here.	4.14	1.53	45.3%	5.52	1.27	79.3%
At my work, I feel bursting with energy.	3.80	1.56	31.1%	4.52	1.31	49.5%
I am enthusiastic about my job.	4.09	1.48	40.6%	5.08	1.32	67.6%
My job inspires me.	3.76	1.57	34.0%	5.07	1.34	66.7%
When I get up in the morning, I feel like going to work.	3.82	1.57	34.0%	4.78	1.37	60.4%
I feel happy when I am working intensely.	4.23	1.44	52.8%	4.80	1.37	59.5%
I am proud of the work that I do.	4.08	1.57	40.6%	5.38	1.22	80.2%

Table A4

Descriptive statistics of all of the statements in Experiment 2 (US observations)

	Business as usual (BAU)			Purpose		
	Mean	SD	% of responses (score >4)	Mean	SD	% of responses (score >4)
The relationships with my team members influence my motivation to come to work with passion.	5.27	1.30	75.5%	5.56	1.32	80.4%
My boss's behavior could influence my motivation at work.	5.86	1.09	92.2%	6.10	1.00	96.1%
A lack of personal growth opportunities could negatively impact my motivation.	5.44	1.25	80.4%	5.72	1.27	84.3%
Corporations today possess too much power.	5.64	1.47	81.2%	5.68	1.41	80.4%
I am generally skeptical of corporations proclaiming to serve the common good.	5.28	1.59	70.6%	5.39	1.45	73.5%
It is important to me to derive a sense of meaning from my work.	5.50	1.29	82.2%	5.39	1.52	74.5%
The company has a bigger "purpose" than merely maximizing shareholder returns.	3.38	1.72	30.4%	5.44	1.32	83.3%
My work has special meaning: this is not just a job.	3.79	1.87	40.2%	5.43	1.38	81.4%
I feel good about the ways we contribute to the community.	4.13	1.79	47.1%	5.75	1.22	88.2%
When I look at what we accomplish, I feel a sense of pride.	4.17	1.72	46.1%	5.73	1.24	86.3%
I am proud to tell others I work here.	4.30	1.68	45.1%	5.82	1.25	86.3%
At my work, I feel bursting with energy.	4.10	1.77	46.1%	5.11	1.33	69.6%
I am enthusiastic about my job.	4.22	1.76	46.1%	5.59	1.30	81.4%
My job inspires me.	4.14	1.88	45.1%	5.58	1.40	80.4%
When I get up in the morning, I feel like going to work.	4.31	1.88	51.0%	5.46	1.47	75.5%
I feel happy when I am working intensely.	4.46	1.74	53.9%	5.50	1.36	78.4%
I am proud of the work that I do.	4.46	1.81	52.0%	5.88	1.16	88.2%

Curriculum Vitae

Personal details

Name	Robert Ruttmann
Nationality	South African / German

Education

01/1999 – 05/2002	B.A. in Economics at Bates College, USA
10/2003 – 02/2005	M.A. in International Affairs and Governance, University of St. Gallen, Switzerland
10/2005 – 01/2007	M.A. in Banking and Finance, University of St. Gallen, Switzerland
01/2016 – 09/2021	Ph.D. programme in Organisation Studies and Cultural Theory

Professional experience

01/2020 – present	Founder and CEO of Redesigning Financial Services AG
10/2013 – present	Co-Founder and President of Board of Urban Connect AG
05/2016 – 12/2019	Head of Redesigning Financial Services Innovation Lab, Institute of Customer Insight, University of St. Gallen
08/2012 – 12/2015	Head of Investment Communications, Investment Office, Julius Baer
12/2006 – 11/2012	Global Research and Investment Products and Strategy, Credit Suisse