

What do we really mean by “purpose-driven businesses”?

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What do we really mean by “purpose-driven businesses”?¹

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Abstract

Frame of the research: *The concept of Purpose-driven Businesses (PDBs) has emerged as a response to pressing global challenges, including climate change, social inequality, and biodiversity loss, which call for a fundamental rethinking of the role of businesses in addressing societal and environmental needs. While the term has gained significant traction, its precise meaning remains ambiguous, often overlapping with existing constructs in management literature, such as Corporate Social Responsibility and Shared Value Creation. This study operates at the intersection of these theoretical perspectives, aiming to provide a structured analytical framework for understanding how PDBs incorporate social and environmental values into their strategies and balance the diverse expectations of stakeholders.*

Purpose of the paper: *This paper is the end product of an extended conversation and debate between a number of business management scholars with a particular interest in the concept of Purpose. This concept has been increasingly used to characterise businesses which do not only have a conventional commercial purpose but also a social one. Despite the popularity of the term, the precise meaning of “purpose” remains somewhat unclear, especially when compared to the wide set of constructs which have already been used in business management literature to refer to similar types of business. A deeper analysis of the differences and similarities with other related concepts is thus needed. This paper summarizes the results of this discussion and provides a detailed definition of PDBs.*

Methodology: *This paper is the result of an open debate on the concept of Purpose, which began with a series of face-to-face and online discussions between management scholars with an interest in this area. Firstly, the group of scholars who participated identified the existing literature on purpose-driven businesses. Next, the theoretical approaches that were most closely aligned with this concept were identified and each one of them was assigned to the person with the most expertise in that area so that they could examine it in more detail for the purposes of this article.*

Finally, an agreed definition of PDBs was produced.

Findings: *This paper sets out the differences between PDBs and other similar concepts. Further, we provide a list of characteristics that PDBs must have, may have, and cannot have.*

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Research limitations: *This article discusses theoretical approaches and is the result of collaboration between a number of scholars who specialize in the field. Our theoretical findings may suggest a way forward for future empirical studies.*

Practical implications: *This paper provides a more nuanced and comprehensive understanding of what is meant by PDBs, with practical implications for managers working at both day-to-day and strategic levels.*

Originality of the paper: *This analysis was the result of a process of discussion between scholars working in the area of PDBs. The checklist of the elements that characterise PDBs is intended to be a useful point of reference for scholars and professionals working in this field.*

Key words: *purpose-driven businesses; social orientation; purpose; social- oriented behaviours and strategies.*

1. Introduction

The current global scenario presents a number of significant societal and environmental challenges for humankind, such as climate change, economic and social inequality, loss of biodiversity, poverty, pandemics and forced migration. At the same time, incredible resources are available that are only partially used to meet these challenges. Examples are advanced technologies, global access to scientific knowledge, international organisations involved in cooperation, and the wonderful talents possessed by individuals of all ages. Nevertheless, despite the prevalence of negative trends and a general reluctance to acknowledge the global crisis, there has been a growing collective reaction within society over recent years. Many businesses have in fact partially changed their strategies, despite tensions arising from the need to invest and the necessary short-term sacrifices, because, amongst other reasons: (i) customers and employees are increasingly rewarding such behaviours, (ii) these companies might be better positioned to identify commercial opportunities linked to environmental and social challenges and (iii) the adoption of pro-social values can lead to better employee attraction, productivity and organisational agility (Henderson, 2021a,b, Gulati, 2022).

Enterprises are increasingly focusing on “solving public problems profitably and avoiding creating new problems” (Mayer, 2018) and have been orienting their activities towards a more sustainable use of natural resources and the adoption of more people-centric approaches in their operations (Asselle and Piccaluga, 2019; Melé, 2003; Mercati, 2020; Rey, Bastons and Sotok, 2019). Such an evolution is definitely worth further study (Mongelli *et al.*, 2019). In fact, while analyses which blame the excesses of capitalism and the extreme financialization of the economy for many of the problems that we face are familiar (Sassen, 2014; Mazzucato, 2018), there has been a recent increase in studies exploring the role that businesses can play to solve those same problems (Henderson, 2021b; Mayer, 2021). However, in this area of research, a variety of different theories, interpretations, and concepts have been proposed and a common and shared definition is missing. To fill this gap, further research is needed

to better clarify and codify concepts which clearly overlap in some respects. Building on a collective intellectual endeavour among scholars interested in the concept of Purpose (Besharov and Mitzinneck, B, 2023; Mayer, 2023), our paper aims to put forward a shared vision of PBSs which paves the way for further research on the topic. Therefore, *the present study aims to address the following research question: “How can we develop a more nuanced and comprehensive understanding of the concept of purpose-driven businesses within the context of the contemporary business landscape?”*

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To achieve this objective, two consecutive stages of research were employed. Firstly, a description of the theories and concepts used in the economic and management literature, together with a consideration of the business practices and policy measures of companies that have been adopting sustainability-oriented behaviours and strategies.

Specifically, we embraced a broader notion of Sustainability, going beyond solely environmental issues, to include “the responsibility of businesses that extends to future generations, who will have the same rights to use and enjoy the earth’s resources” (Hollensbe *et al.*, p. 1232). In this sense, for the purposes of this paper, “Sustainability means seeking to replace what we use and repair what we damage, striving to leave the planet in a better condition than we found it” (Hollensbe *et al.*, p. 1232). Secondly, we provide a clear and comprehensive definition of what is meant by “purpose-driven businesses” and their related characteristics.

We think that such a contribution might be useful since the voluminous literature in this field has the potential to generate confusion and a lack of common understanding about extremely important phenomena which are often the object of specific policy and legislative interventions.

We begin by comprehensively reviewing the literature on purpose-driven businesses. We then discuss related theoretical approaches and managerial challenges. By integrating theoretical insights with practical managerial considerations, we wish to contribute to a more nuanced and comprehensive definition of what it means to be a purpose-driven business in the contemporary landscape. Finally, we conclude by examining key similarities and differences in the current discourse on purpose-driven business, and the characteristics of various theories and the management challenges which emerged from our research.

2. The methodology behind this paper

Nowadays, the concept of Purpose is increasingly popular but still seen through a series of different lenses, with a proliferation of definitions, each magnifying a different aspect of this construct. At the same time, the concept is closely connected to other already existing concepts that partly overlap with it.

To provide a clearer understanding of what Purpose-driven business is, we thus decided to embark on an open discussion involving scholars interested in the concept. This exercise of “collective writing” (Blisset, 2000; 2013; Peters *et al.*, 2022; Peters *et al.*, 2021; Jandrić *et al.*, 2023; Wu Ming, 2000; 2007) was meant to create a debate from which we could (1)

gather together the relevant literature related to Purpose-driven business to form the basis of a comprehensive overview of the landscape of relevant outlets and debates that pertain to the concept (2) leverage the specialized knowledge of each participant in the debate in one of the areas relevant to Purpose (3) arrive at a common understanding of Purpose-driven business which was compatible with the different viewpoints expressed in the open debate.

In the initial phase, we gathered all the scholars interested in the project, organizing first a meeting (in July 2023) and then two workshops (one in LUMSA in November 2023 and one in John Cabot University in December 2023). The idea was to create a sort of “focusing device” to give a point of reference that a community could form around. As the debate progressed during the workshops and other informal meetings, or parallel to other gatherings, we generated a document that could be shared and edited by anyone interested in contributing. We also set up a group chat in a popular messaging app to coordinate our work, but also to share content ideas more directly and easily than by email.

The result is this article, which attempts to leverage not only the power of division of labour but also that of the diversity and multiplicity of contributing viewpoints, in order to offer a vision of what purpose-driven business is - and, in particular, what it could be if it were to be developed in a carefully considered manner. The use of the Collective writing method, thus, was instrumental to our aim of developing a comprehensive, comparative and insightful discussion on the idea of Purpose-driven businesses, capable of facilitating future research on this topic.

3. “Purpose” as a concept: nature and perimeter

Corporate purpose has been defined as the “reason why an organisation exists” (Bartlett and Ghoshal, 1994, p. 81). It therefore characterises organisations as something which members can identify with and are willing to commit to (Barnard, 1968; Bartlett and Ghoshal, 1994; Warriner, 1965). Reconceptualizing corporate purpose is indeed crucial to reimagining capitalism by transforming companies into organisations which aim to make a profit but also to contribute to society (Mayer, 2021).

Business strategies based on a corporate purpose which goes beyond profit became more prominent after the 2008 financial crisis and were also welcomed and promoted by non-profit and religious organisations (Groom, 2012). A keystone event was the letter published in the Financial Times in 2010 by 17 business leaders, who proposed to change the discourse in business from the question “is it legal and profitable?” to the need to “restate and affirm the social purpose of financial institutions”².

As a matter of fact, organisational purpose can be discussed from an “objective” and a “subjective” perspective. According to the former, the primary purpose of the business system is its survival, through a continuous adaptation to changing environmental needs and the generation of sufficient profits in the long term. A subjective perspective, on the other

² Financial Leaders Pledge Excellence and Integrity, 2010.

hand, considers the goals of all stakeholders, such as employees, suppliers, customers, people living in the vicinity, etc. According to this perspective, profits and value maximisation are the preferred objectives of majority shareholders; maximising dividends and shareholder value are the preferred objectives of minority shareholders; dimensional development is often a privileged objective of managers; social success represents the objective of entrepreneurs committed to their local community; secure employment, adequate remuneration, working hours, safety, career and welfare conditions can represent workers' expectations; environmental protection and the creation of social value can be objectives of the communities in which companies are located. This view moves the idea of an organisation as a "nexus of contracts" towards a more holistic and relational approach in which organisations are a "nexus of stakeholder relationships" (Witold, 2023). Furthermore, George *et al.*, (2023) distinguish between goal-based purpose, which is the "traditional" vision/mission related concept, and duty-based purpose, which is linked to the willingness of firms to become involved in societal problems and challenges.

As a matter of fact, conversation in the business world about purpose has grown in the last decade (see "The Future of Corporation" promoted by British Academy, 2017 and the "Statement on the Purpose of a Corporation" signed by US Business Roundtable, 2019), and further exploration and research is needed into its defining characteristics (Ocasio *et al.*, 2023). This includes investigating how companies define and operationalize their purpose, how this influences their decision-making processes, and how it affects their relationships with employees, customers, investors, other stakeholders (Mayer, 2021), as well as the community at large (Cucino *et al.*, 2023a; Hertel and Belz, 2017; Hertel *et al.*, 2019; Gartenberg, 2022).

Many different theories, concepts and labels are used to define and describe the nature of socially oriented, responsible businesses. Some of them are indeed not recent, although they have probably gained in strength and popularity in the last few years. We will try here to provide a definition and description of those which seem to us to be the most important.

4. Theoretical approaches

4.1 Corporate social responsibility

The concepts of corporate purpose and Corporate Social Responsibility (CSR) often overlap and encompass both stakeholder pressure on companies to make a positive contribution to society (Dhanesh, 2020) and spontaneous decisions by companies to contribute to society by paying more attention to stakeholders (Westphal, 2023; Collevicchio and Gionfriddo, 2023). CSR typically involves companies taking voluntary actions to mitigate harm and promote Sustainability, whereas corporate purpose focuses on the fundamental reasons for a company's existence, with an emphasis on creating positive social and environmental outcomes (Waddock and McIntosh, 2011). Although CSR may be viewed as an optional and/or marginal enterprise, increasingly decoupled from companies (Velte, 2023),

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or a set of strategies and actions meant to increase the sustainability of a business run by a corporation, corporate purpose seeks to make the typical CSR an integral part of a company's identity and strategy by setting "actionable pathways and an aspirational outcome for the firm's actions" (George *et al.*, 2023). From this perspective the concept of CSR can be seen as the responsibility a company has to all stakeholders (i. e. Company Stakeholder Responsibility), thus going beyond the traditional idea of CSR, which instead conceived of the business as separate from ethical considerations (Freeman and Velamuri, 2021; Collevocchio and Gionfriddo, 2023; Pencarelli *et al.*, 2023).

4.2 Shared value creation

The concept of Shared Value Creation (SVC) suggests that companies should pursue opportunities that are both profitable and a source of value for society (Porter and Kramer, 2011). A growing number of firms have adopted this concept and have been paying increasing attention to more sustainable uses of natural resources and to a more people-oriented approach in their activities (Asselle and Piccaluga, 2019; Melé, 2003; Mercati, 2020; *et al.*, 2019).

Porter and Kramer (2006) put forward the idea of SVC as a "corporate framework" which promoted understanding of the relationship between business and society. and drove companies to engage with CSR. Some years later, they further clarified the concept, proposing it as an extension of CSR and defining SVC as "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 and Kramer, 2011, p. 66) According to this definition, SVC involves corporate activities related to three different areas: (1) reconceiving products and markets; (2) redefining productivity in the value chain; and (3) enabling local cluster development (Porter and Kramer, 2011).

However, since its introduction, the concept of SVC has been considered controversial and has been criticised by some, who argue that it is just another term to describe existing models, and that it oversimplifies issues related to the relationship between business and society (Aakhus and Bzbak, 2012; Bosch-Badia *et al.*, 2013; Brown and Knudsen, 2012; Crane *et al.*, 2014; Moon *et al.*, 2011; Pfitzer *et al.*, 2013). Nonetheless, several theoretical and empirical studies now exist which explore SVC in depth from the perspective of its micro-foundations (Gionfriddo and Piccaluga, 2023; Menghwar and Daood, 2021).

4.3 Social innovation

Social innovation involves creating and implementing new solutions to social issues that benefit the community and not just the innovators (Caroli *et al.*, 2018; Cucino *et al.*, 2023a; Beckman *et al.*, 2023; Tracey and Stott, 2017). Social innovation, unlike technological innovation, is profoundly rooted in society (Fayard, 2023; Ferrigno and Cucino, 2021). Lawrence, Dover and Gallagher, (2014) argue that the current academic debate on

social innovation is focused on how to characterise a social problem and how to evaluate the impact of a social innovation. Logue (2019) claims that social innovation consists of several factors, including its principal purpose of providing social value, its potential to make major changes, and its reliance on the cooperation and active participation of different actors in driving social change (Tracey and Stott, 2017). Social innovations can be developed and implemented through “extrapreneurial” projects that require collaboration between organisations, social entrepreneurial ventures, and “intrapreneurial” projects within existing organisations (Beckman *et al.*, 2023; Tracey and Stott, 2017). Social innovation also challenges social norms and conventions, and influences institutional structures to create social change, improve quality of life, and find solutions to various problems (Michelini, 2012). Vaccaro and Palazzo (2015) and Voorberg, Bekkers and Tummers, (2015) argue that social innovations can overthrow power structures and promote equality and justice.

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4.4 Sustainable business models

Business models are characterised by four main elements: value creation, value proposition, value delivery and value capture (Osterwalder *et al.*, 2005; Osterwalder and Pigneur, 2010). Some researchers and practitioners have started to add elements related to social and environmental values (Snihur and Bocken, 2022) leading to the idea of Sustainable Business Models (SBM) (Dentchev *et al.*, 2018), which have been defined as a business models that “create competitive advantage through superior customer value and contribute to a sustainable development of the company and society” (Lüdeke-Freund, 2010; Boons and Lüdeke-Freund, 2013). In their list of eight sustainable business model archetypes, Bocken, Short and Evans (2014) also include the idea of “re-purposing the business for society/environment”, which could contribute to changing the fundamental purpose of businesses to deliver environmental and societal benefits.

4.5 Hybrid organizations

Hybrid Organisations (HO) embody several organisational forms in different sectors (Battilana and Lee, 2014) and exhibit a unique blend of attributes borrowed from both for-profit and non-profit enterprises. They are usually found at the intersection of different institutional fields (Furnari, 2014; Villani and Phillips, 2020) and blend diverse institutional forms governed by competing institutional logics (Besharov and Smith, 2014; Thornton and Ocasio, 2008). This amalgamation, as elucidated by Battilana and Dorado (2010), underscores their dual orientation: being driven by a fundamental commitment towards societal/environmental issues and adhering to commercial principles aimed at generating revenue and ensuring economic viability. However, due to internal complexities caused by competing logics (Greenwood *et al.*, 2011) HOs often face challenges in achieving institutional pluralism (Pache and Santos, 2013). Pache and Santos (2013) suggest that their operational model should be adjusted to balance the complex dynamics of organisational intricacy and

the delicate equilibrium between social and financial considerations. HOs, as highlighted by Battilana *et al.*, (2022) and Besharov and Smith (2014), possess notable expertise in effectively addressing the pressing social needs of local communities without forfeiting their imperative mandate for financial viability (Doherty *et al.*, 2014; Hestad *et al.*, 2020).

4.6 Humane entrepreneurship

Humane Entrepreneurship (HumEnt) is a theoretical framework addressing new forms of entrepreneurial strategic posture (Cucino *et al.*, 2023b; Parente and Kim, 2021; Parente *et al.*, 2018; Parente *et al.*, 2021; Kim *et al.*, 2018; Vesce *et al.*, 2022), which begin with entrepreneurial orientation theory (Covin and Lumpkin, 2011; Covin and Slevin, 1989, 1991), and integrate the environmental, social, and human-resource strategic decisions that entrepreneurs have to take HumEnt has been conceived as a way to identify firms that aim to address the human side of business in entrepreneurial strategic posture and show a clear orientation towards sustainability and employee engagement and enablement, as well as the enhancement of the local community (Covin and Slevin, 1989). According to Vesce *et al.*, (2022, p. 3), “HumEnt represents a behavioural and attitudinal theory of entrepreneurship that posits people as the key drivers of job and wealth creation, and also takes into account social responsibility and protection of the environment”.

To date, two distinct HumEnt frameworks of analysis exist. The first was suggested by Kim, El Tarabishy and Bae (2018), and emphasises the role of human resources and maintaining the requirement to integrate EO within a specific human-centred logic (Kim *et al.*, 2021). Parente *et al.*, (2018, 2021) proposed the second, and defined the Humane Entrepreneurial Orientation (HEO) dimension as an expanded entrepreneurial strategic posture that represents “the extent to which entrepreneurs and top managers are inclined to take care of a firm’s competitiveness, to take care of their human resources and to take care of relevant social values and concerns, including those regarding environmental sustainability” (Parente *et al.*, 2021, p. 4). They therefore expanded the model by Kim, El Tarabishy and Bae (2018), adding the strategic attention paid to the environment and society at large.

4.7 Humanistic management

The humanistic management (HM) framework challenges the prevailing anthropological foundations of homo economicus, which primarily endorse an individualistic vision (Melé, 2003, 2016; Pirson, 2017; Budini, 2023). HM seeks to complement the essence of homo economicus rather than deny it, striving to counteract reductionist logic with a more comprehensive, multidimensional perspective.

Earlier discussions by authors like Barnard (1968) highlighted the impossibility of divorcing the human and ethical facets of management from its operational mechanisms. Psychological studies by Maslow (1970) emphasized the need for a broader perspective on human nature to

elucidate the guiding mechanisms behind the actions of economic actors. Studies on organizational culture (Deal and Kennedy 1982; Goffee and Jones, 1998; Waterman and Peters 1982) recognized that organizations are shaped by visible and invisible cultural traits, implying a shift from viewing individuals as solely self-interested to understanding them as interdependent members of a community. This transforms the vision of homo economicus from one of self-interest towards a “being-with” perspective.

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A significant leap forward is seen in the HM approach introduced by Melé (2003), who emphasized the need to establish a community rooted in an organizational culture founded on the dignity of the individual. The key concept is the Latin word *communitas*, which refers to the free participation of individuals in shared responsibilities for the collective good. This approach considers human needs and motivations and recognizes in the common good the ethical dimension of the need for self-realization.

Pirson (2017) further extends this perspective, arguing that reducing homo economicus to self-interest fails to grasp the complexity of human beings. Pirson contends that individualist reductionism, especially in its pessimistic form, denies the freedom of human beings, limiting them to the pursuit of personal profit. Pirson, instead, suggests that this behaviour is only a possibility rather than a necessity. In keeping with a humanistic view of free will, he posits that an individual is a social being naturally oriented to the good (the Aristotelian *zoon politikon*), although always drawn to selfish behaviour.

This concept of “being-for”, in addition to the “being-with”, contributes to a sense of purpose, a crucial aspect of homo economicus even within a business organization (Budini, 2023). These organizations, which exist within a broader societal and environmental context, represent a community that transcends its individual members. Thus, recognizing an individual’s purpose means recognizing being part of this community, and contributing to its common good. This humanistic vision of the corporate purpose implies that business organizations derive their moral legitimacy from their contributions to society, which are made for the common good (Melé, 2016).

5. Organizational forms

In the previous section we laid the conceptual groundwork for understanding the convergence between business goals and societal orientation, as well as the corresponding organisational and managerial forms. Such forms represent the implementation of the theoretical constructs and will be the focus of this chapter.

5.1 Social enterprises

Over time, the concept of social enterprises has evolved to reflect changes in societal requirements, economic systems, and organizational paradigms. The debate about social enterprises at first revolved around

the establishment of their organizational identity and objectives (Borzaga and Defounry, 2004). The emergence of social enterprise as a distinct organizational form was marked by efforts to classify and understand their unique characteristics (Okpara and Halkias, 2011). Their mission, integrating financial viability with social impact, demands innovative models that satisfy social needs and involve beneficiaries directly. This approach, diverging from traditional business or philanthropy, promotes sustainable solutions by engaging in depth with and understanding community needs, fostering inclusive social entrepreneurship through “multi-dimensional processes” (Mongelli *et al.*, 2018) that empower its participants. Given the relatively recent emergence of social entrepreneurship as a field of academic study, we suggest adopting the definition provided by Austin, Stevenson, and Wei-Skillern (2006), which aims to encapsulate the primary attributes of social enterprises, serving as a starting point for this discussion.

“Social entrepreneurship is innovative, social value creating activity that can occur within or across the nonprofit, business, and public sectors” (Austin, Stevenson and Wei-Skillern, 2006).

Subsequent studies explored the hybrid characteristics of social enterprises, highlighting their dual nature and the difficulties of managing a hybrid organisation in various contexts (Doherty *et al.*, 2014), or when companies deal with environmental turbulence (Ramus *et al.*, 2017). This argument highlights the dynamic and progressive characteristics of social enterprises, as they strive to balance economic and social objectives while meeting the demands of society (Eiselein and Dentchev, 2020) through processes of hybridization (Battilana and Lee, 2014).

5.2 Benefit corporations

Benefit corporations are committed to creating shared value for all their stakeholders while generating profit for shareholders (Bauer and Umlas, 2017). They strive to harmonise both economic and non-economic missions, setting higher standards of purpose, accountability, and transparency to enhance common benefits (Galli *et al.*, 2021).

Specific legislation for benefit corporations started in the US, specifically in Maryland in 2010, and subsequently expanded globally (Bandini *et al.*, 2023). Italy became the first European country to adopt this new legal form, introducing the Società Benefit at the end of 2015 in the Italian Civic Code (Italian Civil Code, 2015). Following this path, similar laws emerged in British Columbia, Colombia, Scotland, and France.

The key components of a benefit corporation are a mandatory corporate purpose seeking a significant positive social and environmental impact, and managerial obligations which include assessing the interests of non-financial stakeholders alongside the financial interests of shareholders (Italian Civil Code, 2015). Moreover, firms must publish a comprehensive and unbiased account of their sustainable performance using independent measurement criteria like Benefit Impact Assessment (BIA) or Global Reporting Initiative (GPI) (Clark *et al.*, 2013).

In managerial research, benefit corporations have been studied as an organisational phenomenon from both sustainable entrepreneurship (Hemphill and Cullari, 2014; Stubbs, 2017) and hybrid business model

perspectives (Battilana and Lee, 2014, Rawhouser *et al.*, 2015; Stubbs, 2017). Initially, the literature analyses the reasons behind the adoption of this status, the definition of dual mission and mission drift, the organisational design process (Del Baldo, 2019, Le Grand and Roberts, 2021, Rawhouser *et al.*, 2015, Villela *et al.*, 2021) and governance (Bandini *et al.*, 2023; Cummings, 2012).

In addition, Burger-Helmchen and Siegel (2020) outlined the potential for using benefit corporations as a tool to acquire external legitimacy, leading to increased consumer trust, funding opportunities, and access to skilled human resources (Wilburn and Wilburn, 2015).

These for-profit firms often seek and obtain B Corp certification. This is administered by B-Lab, a non-profit organisation that promotes socially oriented business practices by providing opportunities for businesses to voluntarily adopt responsible standards (Ebrahim *et al.*, 2014; Galli *et al.*, 2021). The certification process consists of a survey based on the B-Impact Assessment. It includes 215 questions grouped into five impact areas: governance, employees, community, customers, and environment. A standardised check on the data received is then performed (Patel and Chan, 2022).

5.3 Community enterprises

Community enterprises have emerged, particularly in recent years, to tackle the complex social challenges in marginalised and underdeveloped areas, both in remote rural and suburban/urban settings (Hertel *et al.*, 2019). They address issues like limited economic opportunities, social isolation, erosion of local culture and history, and lack of access to quality education, social welfare, and healthcare (Bacq *et al.*, 2022; Haugh, 2007). Unlike traditional social enterprises focused on the needs of a single stakeholder group, community enterprises use market-oriented strategies to meet the diverse needs of multiple stakeholders within a specific marginalised community (Maiolini and Ramus, 2024).

Community-based enterprises can adopt many legal structures, but their fundamental characteristic is that they are established by communities, explicitly for the benefit of the communities themselves. In this sense communities have a dual role in entrepreneurial activities, serving as both the beneficiaries and the agents of such endeavours (Bacq *et al.*, 2022; Haugh, 2007). According to Hertel and Belz (2017), community enterprises have five essential components: (i) they are situated within a specific geographic community; (ii) they are financially self-sustaining; (iii) they pursue a variety of objectives; (iv) the value generated by these enterprises is allocated to the local community; (v) they are established, owned, and controlled by the community itself. The importance of a shared organisational identity, embraced by community members, is crucial. This identity validates community initiatives and helps secure resources through stakeholder mobilisation (Bacq *et al.*, 2022; Hertel *et al.*, 2019). Murphy, Danis and Mack (2020) highlight the role of a community's historical values, culture, and expertise in recognizing entrepreneurial opportunities, which depend on the alignment between organisational initiatives and community values and needs (Read *et al.*, 2016).

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6. New wine may require new bottles: is this the case for purpose-driven business?

In the following paragraph we provide a summary of the main contributions made on the subject corporate purpose, which leads to a comprehensive overview of purpose-driven businesses.

We have classified the main contributions in three categories according to the related internal and/or external stakeholder groups: (1) mission and vision; (2) internal relationships and organisations; and (3) impact on society beyond profit. The first category, “mission and vision”, relates to shaping and defining the overarching purpose, mission, and vision of corporations. It involves efforts to align a company’s core values with its long-term objectives.

The second category, “internal relationships and organisations”, focuses on the internal dynamics of the corporation, emphasising the relationships between different organisational components and stakeholders within the company. This includes employee engagement, workplace culture, diversity and inclusion and overall organisational structure.

The third category, “impact on society beyond profit”, relates to the broader societal impact of corporations beyond financial gain. It includes contributions to the community, environment, and social well-being. Stakeholders in this case include the wider community, environmental groups, regulators, and other entities affected by the corporation’s activities. Initiatives may include CSR programs, sustainability practices, and ethical business conduct.

Brosch (2023) categorises the definitions of corporate purpose into three main clusters. The first defines corporate purpose as the “reason for being”, emphasising a company’s fundamental rationale for existence. The second portrays corporate purpose as an “objective beyond profit maximisation”, highlighting a company’s aspirations and goals that extend beyond financial gains. The third defines corporate purpose as a pro-social contribution, emphasising a company’s responsibility to make a positive impact on society.

Since our aim is to connect the multifaceted nature of the meanings and definitions of corporate purpose with the stakeholder group most impacted by it, we have compiled the main definitions of Corporate Purpose in Appendix I. In the following section, we will present some concluding remarks to characterise purpose-driven businesses in detail.

7. Concluding remarks about purpose-driven business

Purpose is indeed an interesting and peculiar word. It is commonly used to refer to *an aim or end, or to that which a person or an organisation intends to do*. In Spanish, the word *propósito* can be used, and in Italian *proposito*, as well as *obiettivo* or *scopo*. In fact, in Italian, *proposito* or *obiettivo* can refer to both “good” and “bad” objectives, and it is arguable that, in some contexts, the English word purpose has a more positive connotation than the Italian version.

Notwithstanding the difficulties in translation, recently this word has very often been used to talk about purpose-driven businesses, i. e. companies which are not driven solely by a general commercial purpose, but more specifically by a mission with a strong social component.

For example, Henderson (2021b) writes about the need to transform the purpose of firms, and for her, purpose-driven firms are those driven by a new kind of purpose. She argues that “Purpose-driven firms could be catalysts in the drive for systemic change by supporting transformation within their own industries, supporting cooperation in the public interest and modelling public/private partnerships, and supporting the strengthening of global democracy” (Henderson 2021b, 838).

Returning to the metaphor of wine and bottles, we argue that a concept as important as purpose-driven businesses requires careful analysis and illustration of the differences and similarities with other related concepts. In other words, purpose-driven businesses do represent wine which is at least partly new, and which requires some kind of new bottle.

According to our interpretation, purpose-driven businesses (PDBs):

- integrate a strong social orientation, which is not considered a sacrifice or a source of costs but is fully integrated in the overall business activity. It is not something that is done “with two hands separately”;
- are driven by a humanistic management approach, based on the dignity of the individual, who must be at the centre of business activity;
- are a model and a source for inspiration for other businesses and appreciate being recognised for their social orientation; PDBs are proud and eager to be ambassadors of their mission, which is an aspect which is not so much highlighted in the literature. Further, PDBs are not particularly concerned about meeting standards, obtaining certifications, etc.
- are set up for a specific purpose (profit for purpose) or may identify and grow a purpose “on their way”.

Overall, we argue that *purpose-driven businesses are driven by a desire to make a positive impact beyond just financial gains and operate with a human-centred approach, serving as beacons of inspiration for other organizations.*

Given this definition and based on the main theoretical approaches and organisational forms considered by the literature on purpose-driven businesses, we also present a classification of the characteristics (i) that a PDB must have, (ii) that they can have, but which are not necessarily a distinctive characteristic, and (iii) that PDBs cannot have (Figure 1).

Firstly, to be considered purpose-driven, businesses must:

- be driven by strong social values, although focus on a specific geographical area is not a condition³;
- be proud ambassadors of a strong social orientation, without being too concerned about meeting standards, obtaining certifications, etc.⁴;
- consider the individual at the core of their activities, both as a worker and as the buyer of products and services;

³ From this perspective they are different from community enterprises, although we would expect most community enterprises to be PDBs.

⁴ From this perspective they are different from B-corps. Of course, some companies can be B-Corp and at the same time be considered as PDB.

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- either operate with a strong social purpose or be set up for a social purpose.
- Secondly, PDBs may:
- be certified regarding their social orientation;
 - have a focus on a specific geographical area;
 - offer products/services which clearly make a positive contribution to social issues.
- Thirdly, businesses which cannot in any case be considered as purpose-driven are those which:
- offer harmful products/services, such as gambling and weapons, and all those which cannot demonstrate a net benefit to society;
 - ignore one or more issues related to overall quality, care of the environment and the welfare of employees. In other words, companies which do not have excellent performance in all these areas are not purpose-driven (Fig. 1).

Fig. 1: Purpose-Driven Businesses



Source: our elaboration

Finally, it is important to emphasise that the phenomenon of purpose-driven organisations may be shaped by an interaction between contextual and institutional factors, which together influence the way they evolve. For example, regulation can act as a catalyst which strengthens them, by establishing an environment that aligns profit aims with social and environmental objectives (i. e. Ning and Shen, 2024; Redondo Alamillos and de Mariz, 2022; Shao *et al.*, 2020). Regulation can incentivize firms to integrate corporate social responsibility into their business model, adopt more sustainable production practices, change their mission, promote transparency, and encourage the development of standards. However, although some studies have hypothesized that to encourage sustainability it might be useful to require, through the use of regulation, that all new

SMEs have a broader impact (Muñozet *et al.*, 2018), purpose-driven organizations go beyond the regulatory requirements and are driven by their values (Peter *et al.*, 2023). Moreover, the demand for meaningful work and ethical job practices (Pfister, 2020), the financial interest of investors in prioritizing companies with strong ESG practices (Park and Jang, 2021), and the preference of consumers for businesses that are socially and environmentally conscious (Amoako *et al.*, 2021) could influence companies to adopt a purpose-driven approach. The influence of these factors on the growth of purpose-driven organisations represents a promising avenue for future research, which could also make use of quantitative methodologies. Indeed, this study may serve as a reference point for future empirical analyses of PDBs. Further research could explore various factors influencing the presence of purpose-driven trends within companies. These investigations could examine specific industries, comparing the probability of PDB orientation as between traditional and high-tech industries, or examining the influence of entrepreneur demographics such as age, educational background, and cultural orientation on the adoption of purpose-driven approaches. Furthermore, research could investigate the influence of organisational characteristics, including company size, ownership structure (public vs. private), and the extent of employee ownership on PDB adoption, and analyse the effect of purpose-driven initiatives on financial performance, brand reputation, and consumer perception.

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Appendix - Definitions of “purpose”

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Year	Journal	Title	Authors	Definitions	Category	Stakeholder
1991	California Management Review	Organizational vision and visionary organizations	Collins and Porras	"A statement of purpose should quickly and clearly convey how the organization fills basic human needs"	Mission and Vision	Company leaders
1994	Harvard Business Review	Changing the role of top management: Beyond strategy to purpose	Bartlett and Ghoshal	"But strategies can engender strong, enduring emotional attachments only when they are embedded in a broader organizational purpose. This means creating an organization with which members can identify, in which they share a sense of pride, and to which they are willing to commit"	Mission and Vision	Company leaders
1996	Harvard Business Review	Building your company's vision	Collins and Porras	"Core purpose is the organization's reason for being. An effective purpose reflects people's idealistic motivations for doing the company's work. It doesn't just describe the organization's outputs or target customers; it captures the soul of the organization"	Mission and Vision	Company leaders
1997	Journal of Business Ethics	The Why's of Business Revisited	Duska	"We conceive of the purpose of something as the "what for" of that thing. Such a "what for" is crucial for defining the nature of the thing or activity, because we do not fully understand what some things or activities are unless we understand what they are for"	Impact on society beyond profit	Society
1998	Journal of Management Studies	The relationship between mission statements and firm performance: an exploratory study	Bart and Baetz	"Organizational purpose describes why an organization exists and/or what higher-order aims it is trying to meet or serve"	Mission and Vision	Company leaders
1999	Taylor & Francis, New Yo	Corporate purpose: why it matters more than strategy	Basu	"The ultimate priority of the organization, its reason for their existence or raison d'être. It represents the highest priority within an organization. It is the end and not the means through which the end is attained"	Internal relationships and organizations	Company leaders, employees
2011	Harvard Business Review	Creating shared value: Redefining capitalism and the role of the corporation in society	Porter and Kramer	"The purpose of the corporation must be redefined as creating shared value, not just profit per se... Perhaps most important of all, learning how to create shared value is our best chance to legitimize business again... But that purpose should arise not out of charity but out of a deeper understanding of competition and economic value creation"	Impact on society beyond profit	Society
2014	Academy of Management Journal	Organizations with purpose	Hollensbe, Wookey, Hickey, George and Nichols	"The reason for which business is created or exists, its meaning and direction. Purpose ... would also include broader goals such as "making a difference" or "improving lives" or "reducing harm"	Impact on society beyond profit	Society
2015	American Economic Review	Why do firms have purpose? The firm's role as a carrier of identity and reputation	Henderson and van den Steen	"We define "purpose" as a concrete goal or objective for the firm that reaches beyond profit maximization"	Impact on society beyond profit	Society
2018	Academy of Management Journal	How can leaders overcome the blurry vision bias? Identifying an antidote to the paradox of vision communication	Carton and Lucas	"Propose that vision can be regarded as "rhetorical tactics that a leader uses to establish a common purpose"	Mission and Vision	Company leaders
2018	Journal of the British Academy	The social purpose of corporations	Hsieh et al.	"Define corporate purpose as "overarching management objectives of a corporation that go beyond narrow financial metrics"	Impact on society beyond profit	Society
2019	Voluntas	Purpose, commitment and coordination around small wins: a proactive approach to governance in integrated hybrid organizations	Wolf and Mair	"The reason for which an organization is created or exists"	Mission and Vision	Company leaders
2021	Management Science	Innovation in the 21st century: Architectural change, purpose, and the challenges of our time.	Henderson	"A company is purpose-driven if it is publicly committed to an objective beyond profit maximization and if it routinely sacrifices short-term profits end to the pursuit of this purpose. This does not mean that achieving a goal necessarily implies accepting lower levels of profitability in the long run"	Internal relationships and organizations	Company leaders, employees
2021	Business & Society	Corporate social responsibility: perspectives on the CSR construct's development and future	Carroll	"Considers purpose as "an attempt to employ new language to" CSR"	Impact on society beyond profit	Employees, Society
2023	Journal of Management	Purpose in the for-profit firm: A review and framework for management research.	George, Haas, McGahan, Schillebeeckx, Tracey	"Purpose in the for-profit firm captures the essence of an organization's existence by explaining what value it seeks to create for its stakeholders. In doing so, purpose provides a clear definition of the firm's intent, creates the ability for stakeholders to identify with, and be inspired by, the firm's mission, vision, and values, and establishes actionable pathways and an aspirational outcome for the firm's actions"	Internal relationships and organizations	Company leaders, employees
2023	Journal of Business Economics	Corporate purpose: from a "Tower of Babel" phenomenon towards construct clarity	Brosch	"Corporate purpose is an organization's reason for being in terms of an objective beyond profit maximization to create value by contributing to the welfare of society and planet"	Impact of society beyond profit	Society

Source: our elaboration

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