From shareholder value creation to purposeful organizations
- The role of purpose for managing business

Helsinki, 22.5.2017
Supervisor: Matti Vartiainen, Professor
Instructor: Aino Tenhiälä, Ph.D., MA
The purpose of companies has been under debate since the emergence of conventional market economy in the 19th century. Although shareholder value creation is the most conventional answer the management academy starting from Peter Drucker (2008) does not fully agree to that. This thesis examines what is founders’ or top management’s interpretation of how their company purpose affects the operations of the company. It narrows the gap between the studies on conventional shareholder value creation focused companies and companies that target on creating social impact. The focus of the study is on a company’s operations towards different stakeholders as purpose always is in relation to a stakeholder group.

Based on literature on general management theory, social enterprises, and stakeholder management, I introduce a framework to study purpose and its approach towards four different stakeholder groups: shareholders, employees, customers and societal stakeholders. Framework is utilized to study interpretations of seven co-founders or CEOs of seven Finnish private companies. The sample was purposefully picked to represent companies that do not purely support the conventional shareholder value creation paradigm based on external examination.

According to the results, the interpretations of a company’s purpose differ widely from each other and in this sense the concept is still vaguely defined. In this sample founders and CEOs see the purpose of companies in much more diverse way than just through shareholder value creation. Furthermore, it seems that purpose of a company is not a static feature of the company but a dynamic principle guiding the prioritization of stakeholders that can change over time.

The findings show that the purpose is not heavily connected to daily decision making but strategy, vision and mission of companies are proxies for purpose to affect the company operations. Thus, if a company desires to challenge the current modus operandi a declaration of elevated purpose is not nearly enough or even necessary as in many of the sample companies the purpose was vague or undefined.

The main limitation of this thesis is its single data point of top management and founders of a company that are suggested to be biased. I suggest that future studies should concentrate on creating more comprehensive and deeper analysis on the interpretation of company purpose through studying different stakeholders’ view.

Keywords: purpose, meaningful work, social enterprises, stakeholder management,
Acknowledgements

This thesis work has been a special project for me to theorise with on a subject that had puzzled me for my whole university time. Special thanks for my colleagues at Demos Helsinki and Demos Effect that have inspired with discussion and reading tips many of which ended up being crucial part of the work. Extra special thanks for Johanna helping me with part of the proof-reading (the part that is correct).

My instructor, Aino, has been a valuable help in all phases of the process starting from interview phase to the ever-supporting late night emails. Furthermore, without the last-mile guidance of my supervisor, Matti, the result would have been significantly more shallow and ambiguous – even more than it is now.

The award for best comment is given to my dad – instructor of several thesis himself – that truly made me confident and calm for the finalization process: “Good and clear opus that is full of ideology. It makes it interesting for me, keep on to that!” However, without the constant pushing of my mother I might not have gone back to school and without the calm nurturing of my dear wife, Mette, I would have been crushed under working full-time and writing on weekends.

Finally, thank you, Jean Sibelius, for the second symphony and especially its final part: it made my finalization weekend not at all pathetic.

In Helsinki, 22.5.2017

Olli Bremer
# Table of contents

Acknowledgements 3
Table of contents 4
1. Introduction 7
   1.1. Motivation for the thesis 7
   1.2. Research problem and the goal of the thesis 10
   1.3. Structure of the thesis 10
2. Theoretical background 12
   2.1 The concept of purpose 12
   2.2 Evolution of profit-driven companies 13
   2.3 Employees and purpose 16
   2.4 Purposeful organizations 17
   2.5 Conventional stakeholder management 23
   2.6 Framework for analysis 25
3. Research Design and Methods 29
   3.1 Research questions 29
   3.2 Methodological approach 30
   3.3 Sample 31
   3.4 Data collection methods 34
   3.5 Data analysis 35
   3.6 Procedure of the whole study 39
4. Findings 40
   4.1 What is the purpose of a company 40
      4.1.1 Changing purpose 41
      4.1.2 The purpose of the company is not always clear 43
      4.1.3 Everyone has their own purpose 45
      4.1.4 Purpose has a direction 47
      4.1.5 Symbiotic relationship between purpose and values, and purpose and mission 48
   4.2 Creating purpose 50
      4.2.1 Four categories of formalizing purpose 51
         4.2.1.1 Founders or other conventional key stakeholders discuss and decide on purpose together. 51
         4.2.1.2 Only strategy or mission created - not formal purpose 52
         4.2.1.3 Purpose is taken as given either from conventional business logic or law 53
         4.2.1.4 Open discussion with all employees to co-create purpose 53
4.2.2 The source of purpose is either endogenous or exogenous 54
4.3 Purpose affecting stakeholders and governance in general 55
  4.3.1 Purpose is not used in daily making 56
  4.3.2 Purpose serves many stakeholder groups 57
  4.3.3 Organizations have different decreases of openness 58
4.4 Cross-case analysis 61
5. Discussion and Conclusion 67
  5.1 Theoretical implications 68
    5.1.1 Stakeholder framework to analyse the purpose of the company 69
    5.1.2 The direction of purpose is not enough to change the conventional business logics 70
    5.1.3 Purpose is statement towards position between company stakeholders 71
  5.2 Managerial implications 73
    5.2.1 Organizing for purpose 73
    5.2.2 Strong purpose doesn’t automatically create perception of meaningful work 74
6. Limitations 76
  6.1 Reliability and validity of the study 76
  6.2 Limitations of research design and methodological approach 77
  6.3 Limitations of data collection 77
  6.4 Limitation of analysis 78
7. Future research 79
References 80
Appendix 1: Interview structure 87
Appendix 2: List of initial thematic codes 89
Appendix 3: Process to create categorization in data analysis 92
Appendix 4: Supporting quotations for thematic and explanatory categories 94
List of tables

Table 1: Different concepts used in academic literature on companies with societal purpose .......... 18
Table 2: Typology for kinds of problems that social enterprises solve (modified Zahra et al., 2009) ................................................................. 19
Table 3: Classification for value social enterprises create for societal stakeholders (modified Mair et al., 2012) ........................................................................................................ 20
Table 4: Explanation of stakeholder typology (modified Mitchell et al., 1997) ........................................... 24
Table 5: Description of imaginary companies on stakeholder approach framework ................................ 28
Table 6: Short description of sample companies .................................................................................. 32
Table 7: How sample companies fulfil criteria for social enterprises ................................................ 33
Table 8: Cross-case analysis based on findings .................................................................................. 62

List of figures

Figure 1: Features of founders of social enterprises (Sullivan Mort et al., 2003, p. 83) .................. 21
Figure 2: Process model for social enterprise emergence from social movement activism (Akemu et al., 2016, p. 61) ......................................................................................................... 21
Figure 3: Social enterprise framework that emphasises role of external stakeholders (Austin et al., 2006, p. 17) .................................................................................................................... 22
Figure 4: Stakeholder typology that challenged traditional approach (Mitchell et al., 1997, p. 874) 23
Figure 5: Framework to analyse the stakeholder approach of the purpose of a company. Stars with capital letters depict imaginary companies ............................................................................. 27
Figure 6: Data analysis process ........................................................................................................ 36
Figure 7: Relationship between three interpretations of purpose ...................................................... 46
Figure 8: Findings for each research question based on cross-case analysis ..................................... 61
Figure 9: Conclusions categorized under each research questions ................................................... 68
Figure 10: Positioning sample companies on the framework to analyse stakeholder approach of the purpose of a company. .............................................................. 69
Figure 11: Visualization of organizations with different stakeholder approaches ......................... 72
1. Introduction

“The purpose of business is to maximize shareholder value.”
“The purpose of business is to maximize profits.”

- Popular sayings still in 2017

“Company’s purpose is to create profits to the shareholders unless otherwise mentioned in the articles of association.”

- 5 § of Finnish law on limited companies (translation by the author)

“Profit is not the explanation, cause or rationale of business behaviour and business decisions, but the test of their validity.”

- Peter Drucker (Drucker, 2008, p.97)

Enterprises and entrepreneurs have been put into a very restrictive box of maximizing value of shareholders for some time now. Controversially corporate activity and entrepreneurship is much more about something else (Sarasvathy, 2001); often it seems that the driving force is coming from a completely different source. Many see that it’s beneficial for shareholders as well to concentrate on maximizing the value of other stakeholders than shareholders (Ghoshal, 2005).

In this thesis, I will look how company purpose affects decision making, organizing and stakeholder relations. I’ll introduce a framework to examine purpose through its approach towards different stakeholders of the company. The framework is created by going through academic research on social enterprises and hybrid organization as well as on stakeholder management and general management theory. I will utilize the framework on data collected by interviewing seven Finnish companies to better understand effects of purpose especially in situations where founders or current management feels somewhat alienated from shareholder value creation purpose. The goal is to understand how the purpose of the company affects its business. Therefore, I didn’t want to concentrate only to companies that seem to have purpose that maximizes the profits of the society in general or in a certain discipline but also see that if other kind of companies have that kind of purpose and what is its effect on their business.

1.1. Motivation for the thesis

The motivation behind this Master’s thesis is three-folded.
1. Large changes in macro-environment such as disruptions of conventional industries suggests that private sector actors must look beyond their current modus operandi to find new paths for growth (Porter & Kramer, 2011).

2. Inside management academia there seems to be growing opposition towards shareholder value maximization paradigm (Ghoshal, 2005).

3. Perceived meaningfulness of work has become prominent factor in job selection for growing part of workforce. (e.g. Garton & Mankins, 2015)

Below I'll introduce these themes in more detail.

Digitalization, urbanization and globalization are linking different parts of the world and cultures together in a more amorphous manner. They seem to make business disciplines and challenges more interconnected (Porter & Heppelmann, 2015). In today’s world, it is hard to find business that are not somehow affected by societal problems like environmental issues, or unequal wealth distribution with its’ social consequences like immigration (Henderson et al., 2017; Porter & Kramer, 2011). Simultaneously these same megatrends are transforming behaviour and technological possibilities faster and faster which means that businesses must be able to renew themselves respectively faster and faster. That said, businesses need a way of navigating in the complexity of the world to be able to focus and justify their existence (Ellsworth, 2002). Tweaking purpose of the company might be one answer.

For companies to be able to anchor themselves in larger societal changes and link their purpose to help in them, they need much wider multi-disciplinary understanding of the world (Baregheh et al., 2009). In many areas of the business new forms of stakeholder collaboration have already taken place. Closer customer engagement in offering development is one good example of this (Baregheh et al., 2009).

Customer oriented design traditions, like service design, are heavily based on constant dialogue with the customers and the whole mind-set of creating products and services from customers starts from the customer interaction and customer needs. Ellsworth in his book Leading with Purpose (2003) argues that the purpose of a company is or should be the maximization of customer value. This view of customer orientation has since become one of the main mantras in business literature and is supported by many academics as well (Drucker, 2008). In this thesis, I argue that in many situations extensive collaboration with external stakeholders is essential for understanding how company can serve in the best way as a social organ, which it indisputably is. Private companies have a good track-record in solving different challenges efficiently, and this ability can indeed be used to societal problems in larger scale as well (Mair & Marti, 2006). Therefore, there is a need for
re-examination of modus operandi to further legitimize other kinds of company purposes than stakeholder value creation.

Secondly, in our current time after the financial crisis of 2008 and the sluggish economy in western countries after that have raised questions for larger audience about the role business enterprises have in our society. One of the most quoted articles about this is Kramer and Porter (2011) publication in Harvard Business Review through which the term shared value became popular. The shared value discourse is grounded on an idea that to be successful companies should proactively plan their business in a way that it creates meaningful value not only to its’ shareholders and customers but to communities around the company (Kramer & Porter, 2011). While shared value thinking has brought new light to this discussion, the topic has been around far longer and there has been debate against the paradigm of profit maximization for as long as there have been arguments for it (Polanyi, 1944; Sennet, 2006). The main concern is that as companies clearly are inseparable parts of a society and their value creation is done in a complex systemic environment why shareholders should be prioritized over other stakeholders like customers, partners, communities - and foremost the employees (Ghoshal, 2005; Ellsworth, 2003; Drucker, 2008). All this comes around to a question which societal problems private companies as an institution are solving in the first place. In other words, what the purpose of the whole social construction of private companies is. When questioning the existence of companies, one can reveal that the purpose of the companies is not that black and white but it is a political question (Ciepley, 2013)

Thirdly, there has been undergoing changes in how work is perceived and organized as social structure almost forever (Arendt, 1958, pp. 16). During the past decade or so one part of the debate has concentrated on meaningfulness of work (Steger et al., 2012). Workforce especially in knowledge work domain seem to have grown to desire different things from work than the generations before them. Work is more and more a tool to express themselves instead of providing means to express oneself outside work. In other words, work is no longer that much of a tool for security and livelihood but for participation and building identity. It seems that demand to make and show impact through one’s work is one way of getting perception on meaning. More clearly communicated and expressed purpose of the company can be seen as one way of answering to this growing need to ensure capable, engaged and motivated employees.

Through these three themes it can be interpreted that there is lack of language to talk about the challenge companies are facing not only as an abstract institution but also as real life actors. I saw that by studying the purpose of the company one could reveal new perspectives.
1.2. Research problem and the goal of the thesis

Often entrepreneurs, founders and CEOs do not have a straightforward answer to what is the purpose of their business. When approached from a conventional shareholder value creation point of view this could create conflict between these organizations and their shareholders. However, as reasoned in the previous chapter there are also other forces than founders’ motivation pushing organizations to rethink their purpose. In this study, I decided to concentrate on founders’ interpretation on the effects to better understand the significance of their role in changing the paradigm. From this point of view, I have formed the following research problem:

To what extent founders or CEOs see their company’s purpose affecting the company’s orientation towards shareholder value creation paradigm.

Although the research problem is concentrated on the interpreted purpose and interpreted orientation for reasons given above, it is important to point out that there is no hypothesis that purpose would necessarily have an important effect. It is just one way of studying the reason behind the existence of companies. As a second notion, I underline that in this study I am using a definition of purpose that is always in relation towards a stakeholder of the company which is why studying the research problem inherently includes studying the company’s approach towards its stakeholders.

The goal of this thesis is to give tools for enterprises to organize their business in a new manner if they see their purpose differently from shareholder value maximization. Based on these results, future research suggestions can be made to develop management theory that tries to fill up the gap between what is now called social enterprises or hybrid organizations and more conventional corporations or companies that in current research are seen to work according to the shareholder value maximization paradigm.

1.3. Structure of the thesis

The thesis started by an introduction to the topic and themes by explaining the background and motivations while also describing the research problem. It will continue by a brief literature review on history of organizational purpose. Starting from industrial revolution and the birth of shareholder value maximization theories it will end with modern research on hybrid organizations and social enterprises. As the second theoretical aspect, the literature review will contain brief introductions to conventional stakeholder theory and concept of meaningful work as often mentioned benefit of company purpose. After these reviews, I will explain the research methodology used to collect
empirical data. Findings of the study form the centre part of the thesis. Due to the inductive nature of the study, findings are gathered around as answers to three research questions that are presented in section 3.1. In the end of the thesis I will discuss the theoretical and managerial implications of the findings as well as describe the limitations of this study and challenges of future research.
2. Theoretical background

The background of this thesis is on academic management studies about the nature of business management in general (e.g. Drucker, 2008; Ellsworth, 2002; Ghoshal, 2005). However, I have used non-management studies, Polanyi (1944) and Sennet (2006), to give outside view on the development of private companies. To study the recent development of other than stakeholder value creation focused companies, I utilize the research on social enterprise domain (e.g. Markman et al., 2016; Mair et al., 2012; Austin et al., 2006). Finally, to understand how stakeholders are seen from the traditional management point of view, I have used seminal works of Freeman (1984) and Mitchell et al. (1997).

This thesis contributes to suggested future research questions of how non-economic goals affect overall management (Ebrahim et al., 2014; Markman et al., 2016) and how decision making process evolves as social enterprises grow (Akemu et al., 2016).

In the following sub-chapters, I will give a short introduction to the themes above that work as building stones for the framework that I use to analyse effects of purpose in my sample companies. The framework is presented at the end of this chapter.

2.1 The concept of purpose

The purpose of the company is something that is more fundamental and stable than mission, vision or strategy of the company (Drucker, 2008). It is something that gives moral response to existence of the company and then defines the boundaries or responsibilities of the company (Bartlett & Ghoshal, 1994). It is the starting point for strategy and values (Ellsworth, 2002). We can say that a company might have purpose that roughly benefits four different stakeholder groups of it: shareholders, customers, employers (Drucker, 2008) or societal stakeholders (Austin et al., 2006). This taxonomy of four target groups of is the backbone of the theoretical framework. In most cases, it might be easy to rationalize each company to each of these four. Probably companies knowingly want to benefit all of them but underlying questions are that which of them has the biggest emphasize, thus, through which of them others are fulfilled as well and which is the most visible in daily decision making. Conventional thinking naturally is that shareholders should be first in line and that makes sure that also other stakeholder’s value is maximized (Ghoshal, 2005).

The purpose of the company cannot be defined only by considering the products or communication of the company but the roots of its existence (Bartlett & Ghoshal, 1994). The company purpose can naturally be profit maximization for shareholders, and at the same time its products can be helping
the whole society but that doesn’t say anything about the purpose of the company (Ebrahim et al., 2014). For example, various examples of green energy technology companies can be seen to have purpose to solve the global energy crisis or then they are just tapping into an interesting niche industry to create profits for shareholders. The point is that it is hard to say.

As a counter movement to shareholder value maximization for many companies nowadays it seems that at least in rhetoric the purpose is to maximize the profits of their customers and that is exactly what Drucker (2008) and Ellsworth (2002) were emphasizing in their seminal works. In their opinion maximization of customer benefits will effectually maximize the benefits of shareholders on longer term as well as employees through a challenging and meaningful job. However, it is important to note that Drucker and Ellsworth do not seem to see society or societal actors as possible targets for the purpose of the company although companies are solving issues of society through their customers and mere existence (Ciepley, 2013). Although it might seem irrelevant, this difference is important for my thesis because in it the data comes from individuals, founders or CEOs. Based on the data it seems relevant who they see themselves serving in the first place.

In this thesis, the purpose is looked from an above defined view of serving certain shareholders and as a tool of a moral compass. However, it is important to acknowledge the more abstract level on which the companies are not taken as a given actor of a society but their existence can be a challenge. Then they should be studied especially through the lenses of political science as they arguably are actors of power (Ciepley, 2013; Bartlett & Ghoshal, 1994; Polanyi, 1944). The following sub-chapter gives a brief glance to this domain as I develop the narrative for purposeful organizations used in this thesis.

2.2 Evolution of profit-driven companies

Economic historian Karl Polanyi (1886-1964) concluded his main ideas into his seminal work “The Great Transformation. The Political and Economic Origins of Our Time”, published in 1944. In this book, he discusses the development of the free market society during 19th century. The work gives a good starting point when trying to understand how easily the economic theory could be mixed with laws of nature during last two centuries. Furthermore, it gives tools to understand why in today’s world there is seemingly strong academic discussion against the logic of shareholder value maximization paradigm of companies.

In Polanyi’s mind the start of the modern day corporate logic based on shareholder value maximization can been seen to relate to industrial revolution and the physical capital intensive industries that it brought to societies. Companies were mainly manufacturing or trade companies.
that needed extensive amounts of scarce physical capital: land, money or factories. These gave power to people with these resources. Although often seen in libertarian economic history the idea of free market didn’t evolve naturally but there were evident political decisions made to separate economics from politics and promote the idea that profit maximization in return for the risk for the capital was the model that would lead to best solutions. Under the logic of shareholder value maximization human capital, or working people, was dehumanized and the concept of free labour market was invented. The same development of shareholder value maximization can also be explained by the logic of scarcer resources. In this narrative financial capital is seen to be a scarcer resource than human capital so it should be optimized (Ghoshal, 2005). Even if this logic held true in 19th century in modern times of abundant capital it does not seem to be that clear anymore (e.g. Mankins et al., 2017; Christensen & Van Bever, 2014).

The ideal of a completely free market society separate from government developed in a fast pace until the Great Depression of 1930s (Polanyi, 1944). After the shock, it can be seen to transform to new kind of capitalism due to social contracts like Truman’s New Deal (Polanyi, 1944). During the decades of Keynesian economics after World War II companies could be seen to grow strong ties to government and be a more integrated part of society at large where common benefits and goals were looked for (Sennet, 2006).

Understanding the emergence of shareholder profit maximization logic is important because it relieves important aspects that affect today’s businesses. First, it shows that it’s not merely actions of one organization that can break this larger institution. Of course, few can try to work against it but there is a real chance of the phenomenon called mission drift (Ebrahim et al., 2014) that can be partly due to pressure from the surrounding business environment (DiMaggio & Powell, 1983). Secondly, and positively, it shows that the business logic can indeed be different than it is today. Sennet (2006) describes how capitalism and the economic landscape transformed during later part of the 20th century. After the New Deal and World War II nations of the western hemisphere landed on a state of cultural and economic stability where bureaucratic organizations thrived. Dissolving Bretton Woods system in 1970 laid ground for a changing landscape as companies started to form multinational corporations and financing became completely international. After this the focus of companies transferred step by step to the current model of quartile economics where the sole common denominator and guiding principle of publicly traded companies has been the stock price. Similar logic is popular amongst notable economist as well (e.g. Krugman, 2009). As the focus of companies became stock price concentrated their former role as guardians of social stability dissolved.
Sennet (2006) continues arguing that it is extremely important to understand that this shift in the role of private enterprises in our society is not restricted to mere logic of how corporations function. The shift is much larger and is in touch with how our current societies prefer all organizations, public, private or third sector, to function. The logic is embedded also to how we, as individuals, see ourselves in respect to others in workplaces. It is the logic of short-term optimization, constant rivalry and return on investments analysis. Organizations are not acting in a vacuum nor completely steered by external actors, and the changing of operational logic to a degree that Sennet, 2006, suggests requires profound means (Binder, 2007).

During the last decades of the 20th century concept of corporate social responsibility (CSR) has emerged to define actions that corporations take beyond legal restrictions and regulation to create social value (Carrol, 1991; McWilliams & Siegel, 2001). However, the discussion has been evolving already much earlier in the first half of the century (Carroll, 1979 & 1991). In CSR, acknowledging social stakeholders is not seen as the purpose of the company but often just as "good business" to a certain point (McWilliams & Siegel, 2001) or it can be seen arising from arguments of moral obligation of private corporation and acts of charity (Carrol, 1991; van Marrewijik, 2003). Focus and investments under the umbrella of CSR has since grown but many critical voices have been pointed out as well (van Marrewijik, 2003). For example, people claim that CSR is mainly a reputation management tool to avoid risk that might emerge if e.g. environmental accidents and contribute only incrementally to social impact (van Marrewijik, 2003). In this thesis, I will not cover the broad research on CSR and I will not use it because of its inflation (van Marrewijik, 2003). It is important to understand the difference between traditional CSR and enterprises that have social responsibility heavily integrated in their core of modus operandi, but this is not to say that CSR discourse could not also transform to that direction (van Marrewijik, 2003).

Current critics against the solely profit-driven companies can be divided in a few parts. First, critics are concerned with hugely grown inequality in our society. Probably the most discussed form of inequality is the accumulation of profits to people with capital (Piketty, 2012). Secondly, it is related to the purely meritocratic model where only certain kind of creativity and intellectual ambitiousness is credited (Newman et al., 2015; Cooper, 2015). Thirdly, it is critic against short-term thinking (Flammer & Bansal, 2017). Governments and corporations alike have been ineffective in solving common global wicked problems like climate change or ubiquitous refugee crises. Moreover, as publicly traded corporations have been strangled with stock price optimization they have been unable to renew themselves which has lately led to paradigm shifts in many traditional industries (Ghoshal, 2005). Finally, it can be seen to affect to the quality of how well different kind of organizations are capable to perform the task they have been founded to fulfil originally.
Enterprises that have been combining societal goals and for-profit logic have been around already from the 19th century (Evers, 2005; Hall, 2013). However, it seems that some kind of paradigm shift might be underway which is seen in growing visibility given for emergence of corporations that have clearly stated that their goal is to solve certain social issues instead of making profits to shareholders (Ebrahim et al., 2014). This development path can be resulted from a few different sources. First, marketization of the public sector has seemingly opened the space for private companies to solve issues that traditionally have been government's responsibility (Ebrahim et al., 2014). Secondly, NGOs have started to operate more like enterprises (Ebrahim et al., 2014; Drucker, 1990). The third movement can be seen arising from the motivation of certain founders and owners or from employees who simply want to do good with their work and see enterprises as good and effective tools for that (Mair et al., 2012). This also changes the purpose of work as told before. One of the most mentioned examples of this third class of enterprises is the microloan operator Grameen Bank founded by Mohammed Yunus to offer loan products to segment that was neglected by other banks due to high risks or low profit expectations (Mair & Morti, 2014). Mair, Battilana and Cardens (2012) offer a typology for different models of creating social value through private companies based on either social, economic, human or political capital. For the classification, they did systematic analysis of 200 public documents of claimed social enterprises. This division is important as it can be used to analyse on what kind of justification is used to combine issues, constituencies and activities that the organizations are using when trying to achieve societal goals.

The evolution of the purpose of companies as an institution is highly researched and this short introduction draws only the broad strokes of the development. The important take away is that there clearly is no definite reason to say that it is some sort of nature of law that companies are for creating stakeholder value. At the same time, it does not mean that companies shouldn’t make profit and pay dividends to financial capital or as a second option to aim to grow valuation. It means that financial capital and shareholders are just one possible stakeholder that companies create value for. There is already lot of research on the topic but the problem is quite fundamental in nature, thus, it is hard to find common ground between different academia.

### 2.3 Employees and purpose

Before continuing with organizational structure and stakeholder management we should examine the human capital side of focusing on financial capital. Human capital has been pushed down but as shortly discussed in Introduction it seems that during last 10 years there is growing demand for some sort of change. Talk about impact and purpose as tools for managing is growing maybe because change in work environment, requirements and perceptions of meaning (Martinez, 2016).
As another approach can be seen that clear misbehaving of corporations and then cynicism and growing distrust to companies push employees to emphasize their desire for impact (Ghoshal, 2005). Hence, the meaningfulness of work and purpose seem to be quite related to each other which is in line also with what Ellsworth, 2002, suggests by saying that through purpose employees can make impact they desire.

In current research literature, meaningful work is most closely referred to the ability of work to create more meaning for the workforce than just getting paid (eg. Bailey et al., 2016). Most often it is interpreted to create entrepreneurial capabilities to the organization and enhancing organization's capabilities innovate and renew (Hashimoto, 2016; Chuang, 2016). It's seen as close companion to concept of dynamic capabilities (Teece et al., 1997 & 2007). In this context meaningfulness does not have to mean a large societal impact or highly ethical work but is more related to a person's ability to fulfil own personal motivations through work. This to say that when an individual has the ability to make her work understandable for herself and to describe the meaning of the work for someone else it makes the individual committed whether she is really content to employer on more general level or not (Sennet, 2006, p. 35). Thus, the experience of meaningfulness can be created when one feels that one matters at least to someone. Although coming from different research field Sennet's, 2006, notion goes well in hand with management academics' view on meaningful work and enhancing with entrepreneurial activity. The ability of meaningfulness to raise the level of entrepreneurialism is related heavily in its' ability to create more commitment (Wrezniewski & Dutton, 2001) as well as related phenomena as job satisfaction (Wrezniewski et al., 1997) and performance (Wrezniewski et al., 2003). To go a bit further Martinez (2016) suggests that companies can enhance the level of meaningfulness and thus commitment by relating to an employee's ideal self.

Purpose and employees, as one internal stakeholder group, are connected. Drucker, 2008, even suggested that it should be the primary focus if it wouldn't make organizations lazy and unambitious. This explanation reveals extremely well the same inconvenience that seems to trouble also other researchers on the topic: while there is eagerness to prioritize one stakeholder group there is also push towards the other.

2.4 Purposeful organizations

In this sub-chapter I concentrate on giving a short introduction on the possible effects of purpose on governance. As organizations that are focused on customers or employees instead of shareholders seem to be studied under the same approach than conventional companies, I concentrate on academic research on organization whose focus is on solving societal problems.
This is to get enough distance and it is convenient as there is quite a long history of research. Social enterprises, Sustainable, Ethical and Entrepreneurial (SEE) enterprises and hybrid organizations are few of the names that are linked to these kinds of organizations. Essentially these are talking about the same kind of organizations but approach or focus of the study is different. As the existence of many concepts reveal the field is still quite broad (Short et al., 2009) although the phenomenon has been studied already 20 years (Mair & Marti, 2004).

As a background, it is important to highlight the differences between different concepts and approaches around the topic. Table 1, shows five different approaches and while it isn’t the complete list it gives wide enough view on the research.

<table>
<thead>
<tr>
<th>Concept</th>
<th>Perspective</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hybrid organizations</td>
<td>Focus on dual accountability towards profitability and social impact or mission of the enterprise</td>
<td>Battilana &amp; Dorado, 2010; Mair et al., 2012</td>
</tr>
<tr>
<td>Social entrepreneurship</td>
<td>Process and behaviour of the enterprise in respect to its goals for societal impact</td>
<td>Mair &amp; Marti, 2004</td>
</tr>
<tr>
<td>Social entrepreneur</td>
<td>Focus on founder’s motivation for societal impact</td>
<td>Mair &amp; Marti, 2004</td>
</tr>
<tr>
<td>Social enterprise</td>
<td>Focus on the result and outcome of entrepreneurial activity</td>
<td>Mair &amp; Marti, 2004</td>
</tr>
<tr>
<td>SEE enterprise</td>
<td>“We defined them as organizations that are often organized as hybrid forms, use novel business models or methods of innovation to advance sustainable practices, and/or rely on governance that incorporates social and environmental stakeholders and operating principles.”</td>
<td>Markman et al., 2016</td>
</tr>
</tbody>
</table>

Concepts differ from each other to some extent but all have the social impact as a common denominator. None of them is extremely exact in nature which would support a more linear approach than a strict taxonomy. What seems to be different is that some of the approaches concentrate solely on the outcome of business which can broaden the amount of companies that could be included in. For this thesis, it is interesting to understand where certain kind of outcomes are emerging so research on hybrid organizations or SEEs seems most relevant.

To further understand the logic of organizations that use economic activity to solve social issues or create societal value, one needs to understand that these hybrid organizations might have very
different means of pursuing their goals (Mair et al., 2012). Based on literature I have categorized different approaches on which the means of emergence can be studied and are relevant for this thesis:

1. What sort of problems are solved? (Mair et al., 2012; Zahra et al., 2009)
2. What is the role of entrepreneur? (Sullivan Mort et al., 2003)
3. What is the role of external stakeholders? (Akemu et al., 2016; Markman et al., 2016)

The problems that social enterprises solve can be divided on at least to levels. First, Zahra et al. (2009) present a typology, Table 1, that combines well the different motivations, outcomes and scales of operations that enterprises pursuing social value seem to have. This typology gives views on how broad or scalable solution or how specific the problems might be.

Table 2: Typology for kinds of problems that social enterprises solve (modified Zahra et al., 2009)

<table>
<thead>
<tr>
<th>Social Bricoleur</th>
<th>Social Constructionist</th>
<th>Social Engineer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acting on local issues. Solving tangible and visible local problems is the main motivation.</td>
<td>Builds business on blind spots of existing structures. Also, companies not identified as social enterprises fill this gap.</td>
<td>Large scale international or national models that aim to form completely new social structures to solve issues. Motivation on big paradigmatic shifts.</td>
</tr>
</tbody>
</table>

On the other hand, Mair, Battilana and Cardens offer in their 2012 published article typology for different models of social entrepreneurship. Typology, Table 3, is based on four levels that describe what sort of content the problem has. For the classification, they did systematic analysis of 200 public documents of claimed social enterprises. This division is important as it can be used to analyse on what kind of justification is used to combine issues, constituencies and activities that the organizations are using when trying to purpose societal goals.
Table 3: Classification for value social enterprises create for societal stakeholders (modified Mair et al., 2012)

| Social capital | “Civic engagement”  
|                | “Networks of relationships through which individuals can mobilize power and resources”  
| Economic capital | “Poverty, poor working conditions, unemployment, or lack of access to markets”  
|                | “Money and other material resources”  
| Human capital | “Issues such as the environment, education, and health”  
|                | “Individuals’ knowledge, skills and acquired expertise”  
| Political capital | “Law and rights issues”  
|                | “Citizens’ endowment, empowerment, and political identity and involves the capacity to mobilize individuals around a common goal, to formulate collective policies, or be actively involved in a political party”  

Role and motivation of the founder or entrepreneur in companies of course is usually quite strong. The relevant question then is that what kind of founders are behind purposeful organizations. Sullivan Mort et al. (2003) presented still usable framework, Figure 1, where the particularly interesting part is its focus on “the dimension of virtue” that social entrepreneurs seem to have (Peredo & McLean, 2006). In their view founders are to be counted as social entrepreneurs only if they have some sort of virtue for social impact and they knowingly act on it. Here, it is important to underline the difference between social entrepreneurship and social enterprises. The former is about the process and the latter about the formation (Mair & Marti, 2004). In any case, with the interpretation that virtue and values of an individual are connected, the suggestion here is that in purposeful organizations founders or entrepreneurs represent values and virtues that are aligned with the purpose of the company.
The third level to understand emergence of purposeful organizations is to study the role of external stakeholders. In the extensive case study by Akemu et al. (2016) on the Amsterdam based company Fairphone, they suggest that social enterprises emerge from a heterogeneous stakeholder group or, like they put it, they are "co-constituted by distributed agency", see Figure 2. This means that although in effectuation based entrepreneurial theory (e.g. Sarasvathy, 2001) founders' means are the central driving force in founding the company, it seems that in social enterprises external actors - like media, government, corporate actors etc. - are pushing towards founding the company to solve pressing social issues (Akemu et al., 2016). However, it is not only external stakeholders that would push organizations to a direction but social entrepreneurs seem to also ask direction from them more actively and in more inclusive manner (York et al., 2016). This gives social enterprises unordinary capability to work over traditional organizational and institutional barriers (Markman et al. 2016).
Especially the stakeholder point of view of purposeful organizations creates challenges that are not similarly obvious for conventional organizations (Mair & Ganly, 2014). Accountability to multiple stakeholders is one of the key features, and it does not come only with benefits as often different stakeholders have different or even contradictory interests (Ebrahim et al., 2014). Of course, conventional business organizations also have multiple stakeholders but alignment of interests is often easier. The conflicting interests of different stakeholders is one phenomenon where purposeful organizations can be seen to be closer to non-profit organizations which often struggle with the same issue (Ebrahim et al., 2014). When companies have strong purpose with underlying logic that pursues foremost a positive impact on societal level they are evidently forced to decide how they work with different stakeholders that do not share or even have significantly different purpose and values (Markman et al., 2016).

Austin et al. (2006) presented a holistic framework of social enterprises to define the difference between “commercial” and social enterprises. The model, Figure 3, supports the same phenomenon very much that is visible when looked at the descriptions of different emergence models and forms of social enterprises. The role of external stakeholders is strong, and it is neither enough to concentrate on emergence of social enterprise nor solely on the outcomes but some sort of integration of these two. One needs to get deeper and the purpose of the company seems to be good level for that. A supporting argument is that one of the key features of thriving purposeful organizations is that they are not only seeing societal goals as lowering emissions or making sure that they are not growing social inequality but really contributing in making broader progress in these matters (Markman et al. 2016). Furthermore because of the amount of shades of grey between social enterprises and conventional companies it is not surprising that it is suggested that this sort of categorization is not even relevant although admitted that research on social enterprise can bring new approaches to study companies with more conventional purposes (Peredo & McLean, 2006; Dacin et al., 2010).
2.5 Conventional stakeholder management

The previous chapters on possible governance features of purposeful organizations paved the way to discuss more closely the conventional methods of stakeholder management - especially how external stakeholders have been seen to affect company decision making. The reason for stakeholder focus is that purpose of the company seems to be giving fundamental direction of whose problems company is mainly serving (Bartlett & Ghoshal, 1994). Companies are not acting in a vacuum and are not existing for themselves so stakeholders are not merely a mean to achieve company goals but are the main beneficiaries of companies. In this chapter I give a short introduction to traditional stakeholder management theories and try to find out which elements should be used to discuss purposeful organizations.

The concept of stakeholders was properly introduced in 1984 by Freeman in his book “Strategic Management: A Stakeholder Approaches” (Mitchell et al., 1997). Freeman defined stakeholders as "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984 p.46). Since then managing and researching stakeholders have become an important part of management studies and corporate strategies, although it is merely a heuristic device that gives direction since the dynamic nature of stakeholders makes the creation of one-size fits all theories hard (Mitchell et al., 1997). It is natural that stakeholder theory has critical role when studying organizations that pursue societal impact as their dual accountability to at least shareholders and customer, and beneficiaries (Ebrahim et al., 2014). At the same time, most of the social enterprise research is influenced by and contribute to organizational governance and stakeholder theories (Mair & Marti, 2006; Ebrahim et al., 2014; Mair et al., 2014; York et al., 2014).

Mitchell et al. (1997) contributes to identification of who are an organization’s stakeholders. Stakeholders can be looked through the lenses of primary and secondary stakeholders in different perspectives. You have for example owners and non-owners, owners of capital and owners of other assets, actors and those who are acted upon, voluntary and involuntary stakeholders, resource providers or those for whom company produces resources, risk-takers and influencers as well as moral claimants and rights-holders (Mitchell et al., 1997). This challenged the traditional approaches of mainly
concentrating on shareholders as the most important stakeholder group and has been used based on many corporate social responsibility researches (McWilliams & Siegel, 2001).

Traditional stakeholder theory suggest that value is maximized when interests of different stakeholder groups are aligned (Freeman, 1984). Furthermore, businesses should assess stakeholders’ power, legitimacy and urgency and prioritize based on these decisions (Dunfee, 2008; Mitchell et al, 1997). Based on this later identification Mitchell et al. classifies different stakeholders in eight groups that are seen in Figure 4 and described more closely in Table 4. Mitchell et al., 1997, analyse that successful managers pay attention to several classes of stakeholders and that their own perception affects which stakeholders are prioritized. However, all aspects of stakeholder theory might not be applicable in a situation where there is double- or triple-bottom line (Ebrahim et al., 2014).

Table 4: Explanation of stakeholder typology (modified Mitchell et al., 1997)

<table>
<thead>
<tr>
<th>Stakeholder class</th>
<th>Description</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dormant</td>
<td>Have power but no straight legitimacy or urgency towards a company</td>
<td>Former employees, big institutional investors</td>
</tr>
<tr>
<td>Discretionary</td>
<td>Have legitimacy but lack power or urgency to use it</td>
<td>Some of the beneficiaries of direct corporate philanthropy</td>
</tr>
<tr>
<td>Demanding</td>
<td>Have urgent claims on company but are small and don’t have direct contact to the company</td>
<td>Individuals affected by externalities</td>
</tr>
<tr>
<td>Dominant</td>
<td>Conventionally defined as the main stakeholder group. Have power and legitimacy but not urgency. Are likely to move to Definitive class if needed.</td>
<td>Governmental agencies, current institutional investors</td>
</tr>
<tr>
<td>Dangerous</td>
<td>Can use extreme power on their urgent claims. Might be hazardous and often CSR is used to cover from these.</td>
<td>Big NGOs, employee groups</td>
</tr>
<tr>
<td>Dependant</td>
<td>Have legitimacy and urgency but lack power. Often collaborate with stakeholders with power (e.g. dormant stakeholder) to get their</td>
<td>Group of individuals affected by externalities</td>
</tr>
</tbody>
</table>
Purposeful organizations often are accountable by their own choice to groups that might not be extremely important stakeholders from a traditional perspective (Austin et al. 2006; Dunfee, 2008). Hence, two interesting question emerge. First, how these organizations manage their stakeholders not from a reactive point of view but proactively and how different stakeholder groups might be utilized against or with other more traditional stakeholder groups. Secondly, as Mitchell's (1997) taxonomy shows that stakeholders’ role is not stable but is changing over time, what is the relationship of this change and possible change in purpose.

The conventional stakeholder management view is used in this study as a basis for the framework of analysis. Furthermore, it is used as a stepping stone to think about the next evolutionary phase of stakeholder management. It seems crucial to use existing stakeholder theory when building a bridge between the conventional management approach and studies of social enterprises especially when using purpose as a link. If purpose always gives guidance for company on how to think about their stakeholders, stakeholder management should be thought about by definition.

2.6 Framework for analysis

In this concluding subchapter of theoretical background, I present the framework that I will use to analyse the purpose of the sample companies. Regarding the research problem and based on the existing research introduced in sub-chapters 2.1-2.5 it seems that there are few missing pieces that would be beneficial to understand better. I'll use these as a basis for the research questions. Firstly, the purpose as a concept seems still quite undefined and I could only find theoretical studies on the purpose of the companies. From this point of view there are still requirements for both empirical evidence for fortifying theoretical frameworks and for explorative examination of the nature of purpose. Secondly, although Akemu et al. (2016) had studied the emergence of social enterprises through a single comprehensive case study, there is still vagueness on what is the role of different stakeholders in forming the purpose. The motivation of the founders to found a company have been studied a lot but not the actual creation or birth process of the purpose.
Thirdly and similarly to the first observation, the implications of the purpose to the way company acts are mainly only discussed theoretically (e.g. Drucker, 2008; Ellsworth, 2002; Austin et al., 2006), hence, they should be empirically tested as well; especially vague are the implications towards stakeholder management.

Based on the literature review one can conclude four features that purpose seems to have. I have used these as the founding attributes of the definition of purpose used in this thesis:

1. Purpose is not strict but more linear in nature.
2. Purpose gives direction for strategy and acts as a basis for moral restrictions.
3. A stakeholder group is always as a beneficiary of the purpose but it is not necessarily or always shareholders. Other possible stakeholders are customers, employees or societal stakeholders more generally.
4. Purposeful organizations require a new or at least more elaborate approach to stakeholder management.

Based on these features I have created a framework, Figure 5, that can be used to study the approach that the purpose of the organization has on different stakeholders. It divides stakeholder groups on two levels. Firstly, conventionally purpose of the company has been seen to serve either customers or shareholders (Drucker, 2008; Ellsworth, 2002; Ghoshal, 2005). It can be generalized that still in many modern societies at companies either shareholders or customers have the biggest power to shift the direction of the company. At the same time, societal stakeholders and employees can be seen more as externalities or minority stakeholders for different reasons. On the other axis, stakeholders are divided to internal and external on the basis that the internal ones are acting as means of production and the external ones are experiencing the products willingly or unwillingly. On this framework one should be able to analyse where the purpose of a company is located on the axis.
Figure 5: Framework to analyse the stakeholder approach of the purpose of a company. Stars with capital letters depict imaginary companies.

To give examples of how the framework can be used to analyse different companies I have listed different features of companies that appear in different positions on the axis on Table 5.
<table>
<thead>
<tr>
<th>Features</th>
<th>Company A</th>
<th>Company B</th>
<th>Company C</th>
<th>Company D</th>
<th>Company E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Features</td>
<td>Company as understood through conventional management theory.</td>
<td>Basic model of customer-centric company that still acts heavily based on conventional market logic.</td>
<td>Companies seen as a way of serving society through market logic.</td>
<td>Companies seen as the only tool to solve societal issues.</td>
<td>Companies seen mainly as a tool to create meaningful activity for its employees.</td>
</tr>
<tr>
<td>In decision making shareholder value is always put first.</td>
<td>Customer insights are used in decision making.</td>
<td>Multiple stakeholders heard on decision making.</td>
<td>In decision making societal stakeholder value is always put first.</td>
<td>Customers seen as a tool to achieve benefits for society.</td>
<td>Completely inclusive decision making for all employees. Entirely flat organization.</td>
</tr>
<tr>
<td>Customer seen as consumers.</td>
<td>Chosen customers seen as strategic partners.</td>
<td>Majority of customers seen as partners and beneficiaries of company activity.</td>
<td>Customers seen as a tool to achieve benefits for society.</td>
<td>Employees working for the cause.</td>
<td>Customers chosen based on desirability for the work needed to create meaningfulness.</td>
</tr>
<tr>
<td>Employees seen as workers.</td>
<td>Employees seen mainly as workers.</td>
<td>Employees seen as important shareholders.</td>
<td>Societal shareholders as one tool to increase meaningfulness.</td>
<td>Shareholders as seen as enablers.</td>
<td>Societal shareholders as enablers.</td>
</tr>
<tr>
<td>Societal shareholders as externalities.</td>
<td>Societal shareholders as externalities.</td>
<td>Impact or purpose driven approach to the chosen societal stakeholders.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

I understand that the framework is not complete and has structural bias towards shareholder purposes as they are internal and have high power but based on the literature review the whole society might have that bias in it. The framework is put on the axis to point out that purpose of the company is linear. At the same time, it visualizes the possibility for purpose to move over time on the axis. Especially on social enterprises there is a phenomenon called *mission drift* where the companies happen to slide towards shareholder value creation purpose when time goes on (Ebrahim et al., 2014).
3. Research Design and Methods

3.1 Research questions

As a reminder, the goal of the thesis is to study following research problem:

To what extent founders or CEOs see their company’s purpose affecting company’s orientation towards shareholder value creation paradigm.

Based on the theoretical background, section 2.6, I identified certain less explored aspects of my research problem. Below can be found the research questions formed based on them. Additionally, I created a framework, section 2.6, to analyse how the purpose of the company approaches different stakeholders of the company. This is used to frame the analyses of the collected data but also the research questions are chosen to be in align with the restrictions it sets.

1. What kind of purposes there are and how they are defined?
2. How purpose of a company is formed or how it is transformed?
3. How purpose is affecting company’s governance and relations to different stakeholders?

Three different research questions are also basis for three different approaches to analyse the collected data. For the first question, I concentrated on narratives that interviewees gave for their company especially focusing on significant turning points and analysing if they redefined the purpose in those moments. Additionally, I analysed their own motivations and their prioritization of different stakeholder groups. For the second questions, I analysed the actors that where included in different kind of the decision-making processes especially the pivotal ones. For the last one, I had separate questions to reveal the company’s approach towards the stakeholders and then I crosschecked with the answers with the answers on the purpose or guiding narrative of the company. Additionally, for the last one, I once again used the turning points of the company’s journey to analyse if what where the reasons behind the decision “big” decisions.

Based on the answers for the research questions and by using the theoretical background I’m able to analyse the research problem and give preliminary suggestions for future research on both the nature of purposeful leading but especially to even more open collaborative dialogue between all different stakeholders of business enterprises.
3.2 Methodological approach

The research is an explorative in nature as it tries to answer for need to fortify the new research streams between social enterprises and conventional companies. The research design for this study is based on grounded theory approach originally introduced by Glaser and Strauss (1968) and on case study approach by Eisenhardt (1989). While my method was extremely inductive and most of the findings are probable in nature my approach is more based on the development of grounded theory approach by Strauss and Corbin (1998) than Glaser’s later additions to the method (Heath & Cowley, 2004). Grounded theory is suitable for inductive studies aiming to create new theory base and while it is often criticised among other things for its demanding nature for unexperienced researchers (Heath & Cowley, 2004) if found it only suitable solution to build emergent theory in my thesis. Furthermore, the case study approach was chosen as an additional methodological approach as I knew already beforehand that it is hard to saturate my data collection process for this sort of topic.

Two different methodological approaches were combined in following way. The case study approach was used in sampling process that was not based on prior theory nor hypothesis and in analysis phase where concluding findings where made based on a cross-case analysis (Eisenhardt, 1989). My research approach differed from case study research by not using multiple data collection methods nor did interviews contain both qualitative and quantitative questions (Eisenhardt, 1989). The grounded theory approach was especially visible besides non-hypothetical starting point but in analysis phases where open coding, axial coding and selective coding where used to create what I call thematic categories – this process is like the inductive and deductive process designed by Strauss & Corbin (1998). The data was collected through semi-structured interviews that where focused on certain theme with pre-prepared question (Kvale and Brinkmann, 2009). Then by systematically analysing interview transcripts new theory was expected to be built based on concepts and categories emerging from the data (Guest et al, 2013). After the data analysis, emerging theory is compared with combination of existing literature and theory to analysis the possible conflicting points as Eisenhardt (1989) suggests.

While recommended (Strauss & Corbin, 1998) I did not aim for saturation but for as wide variation of answers as possible as I was studying a subject where strong inductive approach was needed to make interpretations of data. This was necessary as the research topic was new and I didn’t resource to aim for a saturation point.
3.3 Sample

Thompson and Doherty introduce in their 2006 article list of features that social enterprises have. Although more recent studies have been made on the subject and in this study broader frame than social enterprise is used the list well define different aspects that should be taken into consideration when studying these organizations.

- Social enterprises have social purpose
- Assets and wealth are used to create community benefit
- These are pursued (at least partly) trade in marketplace
- Profits and surpluses are not distributed to shareholders
- "Members" or employees have some role in decision making and/or governance
- The enterprise is seen accountable to both its members and a wider community
- There is either double- or triple-line paradigm. The assumption is that the most effective social enterprises demonstrate healthy financial and social returns – rather than high returns in one and lower returns in the other.

In comparison to existing literature around social enterprises this thesis is not only using empirical data from companies that are trying to solve social issues through their products but also data from organizations that are in fact just answering to opportunities seen in different markets. The benefit of this is to get broader understanding of how purpose is affecting different kind of organizations if one would concentrate to only predefined social enterprises comprehensive unifying theory framework would be harder to create. The underlying assumption is that almost every organization can be seen as social enterprise whether their product is seen to solve social issues or not. Likewise, even if the products solve social issues the company might have purely economic goals and then might not been defined as social enterprises. Based on this argument the sample companies don’t completely fulfil characteristics by Thompson and Doherty (2006). However, all of them fulfil at least some of them.

The sample size for this study was one interview in seven different companies. The sample size is limited based on case study approach and resource limitations, although it goes in the normal suggested frame of 5 to 25 interviews for one interview frame (Kvale & Brinkmann, 2009). Furthermore, while the goal was not to reach complete saturation of the data towards the end of the interview process for some categories the variation significantly decrease like they should (Strauss & Corbin, 2008).
The sample companies and individuals for this study, Table 6, are selected purposively but the focus is on Finnish enterprises that are somehow defining them as a separate from traditional companies either with explicit societal purpose, mission driven owner or leadership approach and employee involvement.

Table 6: Short description of sample companies

<table>
<thead>
<tr>
<th>Company</th>
<th>Interviewee</th>
<th>Industry</th>
<th>Turnover (€)</th>
<th>Employee</th>
<th>Ownership</th>
<th>Founded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alpha</td>
<td>Co-founder &amp; CEO</td>
<td>Medical software</td>
<td>&lt; 1 million</td>
<td>&lt; 50</td>
<td>Executive ownership and angel investors</td>
<td>Less than 2 years ago</td>
</tr>
<tr>
<td>Beta</td>
<td>Co-founder &amp; CEO</td>
<td>Software product</td>
<td>&lt; 1 million</td>
<td>&lt; 50</td>
<td>Executive ownership and venture capital</td>
<td>Less than 10 years ago</td>
</tr>
<tr>
<td>Gamma</td>
<td>Co-founder &amp; President</td>
<td>Software service</td>
<td>&lt; 50 million</td>
<td>&lt; 500</td>
<td>Executive ownership with few employee owners. Had plans to go public.</td>
<td>Less than 10 years ago</td>
</tr>
<tr>
<td>Delta</td>
<td>Co-founder &amp; CTO</td>
<td>Software service</td>
<td>&lt; 50 million</td>
<td>&lt; 500</td>
<td>Executive ownership</td>
<td>Less than 20 years ago</td>
</tr>
<tr>
<td>Epsilon</td>
<td>CEO</td>
<td>Health services</td>
<td>&lt; 100 million</td>
<td>&gt; 500</td>
<td>Owned by a foundation and institutional investors</td>
<td>Over 20 years ago</td>
</tr>
<tr>
<td>Zeta</td>
<td>Co-founder &amp; Director</td>
<td>Software service</td>
<td>&lt; 50 million</td>
<td>&lt; 500</td>
<td>Executive, few employees and two institutional investors</td>
<td>Less than 20 years ago</td>
</tr>
<tr>
<td>Eta</td>
<td>Co-founder &amp; Director</td>
<td>Software product</td>
<td>&lt; 50 million</td>
<td>&lt; 500</td>
<td>Executive ownership and venture capital investors</td>
<td>Less than 20 years ago</td>
</tr>
</tbody>
</table>

To get better understanding of the differences and selection criteria of the companies I have a created a concluding table, Table 7, of how each of the companies fulfil the criteria of Thompson and Doherty (2006).
Table 7: How sample companies fulfil criteria for social enterprises

<table>
<thead>
<tr>
<th>Company</th>
<th>Social purpose</th>
<th>Assets and wealth used to community benefit</th>
<th>Act on marketplace</th>
<th>Profits are not distributed to shareholders</th>
<th>Employees have a role in governance</th>
<th>Accountability to employees and wider community</th>
<th>Double or triple bottom line</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alpha</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>-</td>
<td>X</td>
<td>(X)</td>
<td></td>
</tr>
<tr>
<td>Beta</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>-</td>
<td>X</td>
<td>(X)</td>
<td></td>
</tr>
<tr>
<td>Gamma</td>
<td>(X)</td>
<td>X</td>
<td>-</td>
<td>X</td>
<td>(X)</td>
<td>(X)</td>
<td></td>
</tr>
<tr>
<td>Delta</td>
<td>(X)</td>
<td>X</td>
<td>-</td>
<td>X</td>
<td>(X)</td>
<td>(X)</td>
<td></td>
</tr>
<tr>
<td>Epsilon</td>
<td>(X)*</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>(X)*</td>
<td></td>
</tr>
<tr>
<td>Zeta</td>
<td>(X)</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>(X)</td>
<td>(X)</td>
<td></td>
</tr>
<tr>
<td>Eta</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>(X)</td>
<td></td>
</tr>
</tbody>
</table>

X – means that criterion is fulfilled
(X) – means that criterion is partly fulfilled
- – means that I don’t have the information
(X)* – means that the criterion is fulfilled through a majority shareholder
empty – means that the criterion isn’t fulfilled

To further explain the starting point and decision for the selection I have summarized the separating features of each sample company. In grounded theory approach, the sample is suggested to be representative through different concepts (Corbin & Strauss, 1990). Through these descriptions, I show how the sample aims for comprehensive conceptual sample.

Alpha company is the youngest of the sample but is founders have worked before on a company that one of the founded 10 years ago. Company is in explorative phase and had already done a pivotal change on business model which they announced soon after the interview. Company has strong purposeful ethos in their communication.

Beta is the second smallest and the second youngest of the companies. By many features, it is like company Alpha. It's main difference from the study point of view is that its founders don't have prior entrepreneurial experience.

Gamma’s external image is heavily built on one of the founders and his manifestation of certain kind of governance and leading of companies. Externally they seem to have strong mission to change the governance logics of companies in general.
Delta and Zeta are from their external image extremely similar and often talked about in pairs. However, based on a closer look they are different in what sort of achievements and things they underline in their external communication. Delta is concentrating on great projects while Zeta more on the logics of how they are done. Both are branded themselves as companies that are built for the employees. I wanted to take both companies in as I wanted to research how big effect differences that might seem small nuances have after all.

Epsilon was the most different from each of the other companies by industry, size, age and ownership structure. In the sample, it represents the most conventional company paradigm but with interesting distinction that its majority shareholder is a foundation with strong societal impact purpose and mission. Through Epsilon I could study how this sort of non-executive shareholder’s purpose might affect the company operations.

Eta was chosen in as it is sort of middleman between conventional companies and companies with other kind of purpose. Through them I could study companies that would intuitively represented big share of Finnish companies – the companies that haven’t that much thought about their purpose.

3.4 Data collection methods

As typical for qualitative inductive research data was collected with semi-structured interviews (Kvale & Brinkmann, 2009). The questions of the interview where prepared to reflect the research problem and research questions. Although research questions reflect also the theoretical background in this study I tried to alienate the data collection from existing academic studies as the topic already is so loaded with presumptions. This follows the one of the suggested process for grounded theory approach as it tries to catch the emerging theories (Starks & Brown Trinidad, 2007). Furthermore, although suggested by Eisenhardt (1989) to further validate the data and hypothesis created based on it, I didn’t use quantitative questions in the interview. The final interview structure can be from Appendix 1.

I used secondary data in two different phases. First, in the sample selection phase is used the websites of the companies to analyse which companies should be included in the sample. Secondly, I used any material that the interviewees suggested to use: annual report or explanatory product descriptions. These where used to give additional fortification to arguments or to examine the exact wordings of values or mission.

List of interview questions were pre-prepared but in each interview focus was on questions and follow-up questions that seemed relevant from research questions’ point of view in those cases.
and based on the experiences and analysis of previous interviews. This follows the process of grounded theory approach (Corbin & Strauss, 1990; Strauss & Corbin, 1998). However, I failed to do this completely since only preliminary notes were created based on previous interviews not the coding and category creation itself.

After the first interview with Alpha company few questions were added to the interview structure but after that it remained the same during the rest of the interviews. During the first interview, it seemed that to reveal how purpose really affects company operation it would be good to focus on key events and decisions that the company had made during its lifespan or at least during recent years. In this way, I could study the logic of decisions making and what kind of things were considered and how important role purpose had had.

Process for all interviews was following. I contacted the interviewees either by phone or by email and explained extremely briefly that my thesis is about the purpose of the company and how it affects company operations. Then I settled for 1 hour face-to-face interview with the interviews. All but 1 interview was held at the office of the company; one was held at interviewees home as the persons was on a parental leave. One interview was held by my instructor due to a scheduling error. Before starting the interview, I again shortly explained that the goal of the study is to understand the linkage between purpose and the way their business is managed. Then I asked permission to record the interview for transliteration. Then I followed the interview structure to collect the data.

The data is extremely descriptive in nature, as suggested for grounded theory (Starks & Brown Trinidad, 2007). Questions were built so that interviewees were made to build narratives from different angles for their company’s development journey. Therefore, some of the information is loaded in the way how interviewees told the story and how consistent they were when they had to re-tell the development story from different angles. Although the data from different interviews are for majority of the parts similar in form, there is clear differences of how different interviewees interpreted the question and so how they answered. This further increases the complexity of the data layers. To increase comparability needed for cross-case analysis that is typical for case study approach (Eisenhardt, 1989), I reframed some of the questions to get comparable answers.

3.5 Data analysis

Data analysis was based on grounded theory data analysis model (Strauss & Corbin, 1998; Corbin & Strauss, 1990; Starks & Brown Trinidad, 2007). The outline of the process is described in Figure 6 that includes also the comparison to the process suggested by Corbin and Strauss (1990) for
grounded theory approach. Below you can find more detailed step-by-step explanation of the analysis process.

The process started with thorough transliteration of interview data immediately after each interview. First analysis on central ideas or hypothesis was made after that as notes and bullet points. They were used to tweak the interview process before the next interview.
When all interviews were transliterated and notes made the whole textual data was gone through and initial open codes where created. The coding process is not based on pre-settled codes or existing theory but on incidents that can been seen happening and then naming those with an open code that in my mind resembled the incident. At this stage, all incidents that could be seen to relate broadly to the research problem and theme were coded. The coding happened simultaneously with the reading process not after relevant sections of the data would be chosen. The reason behind this was that I wanted open codes to be as intuitively created as possible. Below, you can find an example of open coding process and full list of open codes can be found in Appendix 2.

**Section in textual data:** “Because companies are supposed to develop overtime, there is sort of sub-purposes and such. Then everybody just finds their own one of them.”

**Related open code:** purpose is not common to everybody

Open codes were processed through abstraction groups I created based on the similar features initial open codes had with each other. The process is similar but not as comprehensive as the process that is referred as axil coding (Corbin & Strauss, 1990; Strauss & Corbin, 1998). The list of these abstractions can be found below.

- Features of hybrids, Benefits of hybrids, Stakeholder relations, Founder & management, Accountability to stakeholders, Types of hybrids, Economical history, Business models, Differentiated hybrids, Governance, Integrated hybrids, Innovation, Hybrid organizations, Mission drift, Purpose vs profit and Recruitment

Abstraction acted as tool to understand what sort of data I have managed to collect. Then I could dive in a bit deeper and understand from where I could find interesting information regarding my research questions. In other words which open codes are interesting for my research. For example:

**Research question:** What kind of purposes there are and how they are defined?
**Related abstraction groups:** Types of hybrids, Benefits of hybrids, Purpose vs profit, Differentiated hybrids, Integrated hybrids and Hybrid organizations

Although most of the used open codes for this research question were found under these groups it wasn’t limited to them. The same logic was used for each research question individually after which I started creating explanatory categories that are abstractive features of phenomena relating
to theme set by the research question. Example of this process can be found in Appendix 3 were the open codes and explanatory groups of one thematic category is presented. Not all open codes were linked to some explanatory category and some could be related to several groups. Explanatory categories weren’t necessarily yet categories that could be used to create theory but made the open codes understandable and more abstract. However, some of them later in the analysis process were elevated to be one of the thematic categories. All explanatory categories can be found in Appendix 4 along with thematic categories and supportive quotations from the textual data.

In the last coding phase I took the explanatory categories under each research question and tried to summarize them into thematic categories that present a phenomenon or phenomena, that are answering each research question. The goal in grounded theory approach in general would be to get as comprehensive categories as possible (Corbin & Strauss, 1990). In my study, each research question finally was answered with 3 to 6 different thematic categories. Each thematic category should be representing its own approach of answering the research question. For example:

**Research question**: What kind of purposes there are and how they are defined?

**Thematic groups**: Changing purpose, The purpose of the company is not always clear, Everyone has their own purpose, Purpose has a direction, Symbiotic relationship towards values and mission

These thematic groups shouldn’t be overlapping each other and they should be on the same level of abstraction preventing them of being sub-categories of each other. In that sense, they should be the final and inseparable parts of answering the research question. It is important to underline that in grounded theory approach the number of open codes linked to a thematic category is not a relevant number but the validity of the open codes themselves as the theories a built with conceptualizations of the data and the open codes are still rather close to the data itself (Corbin & Strauss, 1990). Especially in this study, where the open codes are created through a process in which there is variation of their argumentative strength.

As a recap, each thematic category is constructed through explanatory categories which are constructed based on some of the open codes, hence, there is a linkage from one thematic category to varied amount of open codes but from each open code there isn’t necessarily a linkage to a thematic category. The leftover open codes weren’t used to make conclusion; thus, they aren’t present in the findings. The open codes that were left behind were related to the broad theme of the study, the purpose of the company, but weren’t closely enough related to chosen research questions.
In the final phase of the analysis process I used cross-case analysis to validate the thematic categories and the concluding findings of the study. Cross-case analysis reveals how many of each thematic category were linked to a sample company. Most of the thematic categories were linked to four sample companies and one was linked to as many as six sample companies. In cross-case analysis I also elaborate how each of the thematic categories are visible in the sample companies and based on that analysis I could conclude the main differences the companies have.

3.6 Procedure of the whole study

My thesis work begun during the summer 2016 after deciding on general topic around the purpose of companies. I started reading how one of the most influential modern management academics, Peter Drucker, had thought about the purpose of the company and I was surprised how strongly he opposed talks about stakeholder value creation as the purpose of the company. After that I continued reading quite broadly around the topic from different sources until I decided on the initial research problem of how purpose affects the company operations.

To put the data collection forward, I discussed with my instructor and we decided to work together so that she could utilize my data on her own work. She arranged half of the interviews and arranged the other half. She was also present in three of the interviews. One interview, Gamma, was done by her and I used her transliteration of the interview. Simultaneously I collected literature and started forming the basis for the theoretical background. I was working during the whole thesis project either half-time or full time in a consultancy arm of Nordic think tank Demos Helsinki and as subjects of their work has touching points with the topic of this thesis.

After data collection, transliteration and creating the backbone for theoretical background I had a full 3 months break from the thesis work. After which I started analysing the data which took unexpectedly long. I was also surprise on the vast amount of implications arising based on the data. After concluding the findings, I had to return to my initial research problem to reframe it to finalized formation as I realized that the findings were heavily infected by the interviewees interpretations. Then I could move on to discussion and conclusion parts. The finalization process and especially the research design and method part was again surprisingly time consuming as in inductive and qualitative research like this it takes a lot of time to convince the reader on the validity of the study.
4. Findings

I have presented the results as answers to my three research questions. Each section has a collection of thematic categories that arise from the interview data. They cannot be directly explained by a sample company as they are infusions of all data. However, I have used examples of interviews and direct quotes to explain and simplify these abstractions. As an example of the code structure behind a thematic category see Appendix 3. The whole list of thematic categories, explanatory categories with supporting quotations can be found from Appendix 4.

4.1 What is the purpose of a company

The first research question was: What kind of purposes there are and how they are defined?
In the following chapter I have collected the aggregated results regarding this question and present five thematic categories from which to look at purpose of the company:

1. Changing purpose (linked to 4 sample cases)
2. The purpose of the company is not always clear (linked to 4 sample cases)
3. Everyone has their own purpose (linked to 4 sample cases)
4. Purpose has a direction (linked to 6 sample cases)
5. Symbiotic relationship towards values and mission (linked to all sample cases)

When considering the transcription of these interviews even in a sample of this size with companies that have multiple similarities the purpose of the company is defined in many ways and its level of abstraction can be hugely different. It is notable that in most of the cases the purpose of the company has changed somewhat notably during the lifespan of the company. Quite a few of the companies told their story through perceived changes in their company purpose. Each change representing certain kind of phase that had own focus and methods of leading. However, the differences between the purpose of the company and the mission of the company overlapped in many instances making it at times hard for interviewees see the difference. Many of the interviewees saw company values and even mission of the company on the same level with purpose and both affecting the other. Hence, clear classification of purpose, mission, vision and strategy wasn’t in many cases as clear as Ellsworth, 2002, suggests in his work.

Company Eta works as a general example that touches all these dimension. Their purpose might seem either trivial or too mundane. Their co-founder told that in the beginning their purpose was truly just to see if any good business could be built around their idea. Although this purpose might
seem unfocused it is extremely focused and at the same time liberating. In their case the metrics for good business were defined through customers. If there were demand for their product it would be enough. This leaves space for employees and maybe the founders themselves to make different kind of perceptions of their purpose. For some it might be the impact of their changes, for many it seems to be get feeling of fulfilment when systematically solving extremely complex industry problems with their product. Co-founder told that during the years, purpose could be seen to shift to being the best in the world and the one company that is solving the most interesting problems in their field. This shows the shift towards mission centric leading in their company, which was brought in when need for unified corporate culture arose. It seemed that the purpose of the company had only changed a bit although there had been several major pivots and changes of focus. Further on in this case it is safe to say that the purpose was extremely internally targeted although liberty or level of subjectivity that individuals have when perceiving the purpose opens possibilities of having hints of external targets. This example shows very well the obscurity of studying concepts like purpose: one should look behind the words and explanation while being careful not to rationalize and give meaning to uncertain things.

Below I discuss more deeply the results regarding the purpose through each of the five dimensions.

4.1.1 Changing purpose

“Then it happened that we realized that we are experts and have skills. The question arose what we are going to do with them?”

- Co-founder, Company Delta

Changing purpose categorization says that based on interview data it seems that the purpose of a company can different in different points of life-cycle of the company.

In many academic references purpose is seen to be a static concept (Ellsworth, 2003; Schein, 1999; Drucker, 2008). It is the foundations of a company but on the other hand it’s complex relations to company strategy and different stakeholders seem to create dynamic effects that might make at least the communicated purpose to be changing over time. Following drivers of change could be picked up from the data:

- Current or former purpose becomes obsolete or at least less valuable to some of the key stakeholders
Company Gamma had an interesting story as their founding reason and sole communicated purpose for a long time was only focused on value creation to employees. This seems to hold true even today but elements of customer centric or even societal purpose have risen next to it. Interesting here is that the founder and former CEO told that this transformation folded from his own specific desire to get something more meaningful for him underway in the company.

As another example company Delta showed how purpose can truly change during the years although externally the company might seem similar. They could define multiple phase of purpose that according to the co-founder resembled natural progression of individuals as well. They started with a purpose to build the best possible working place for them. Then change to desiring to be top expert company in the world and as a part of this they wanted to build the best workplace for others as well. Then they moved direction aside from internal matters and thrived from being the best for their customers. Finally, they are now in a position where more external or societal purpose is needed. The co-founder stated that demand for this recently arisen need became both from the founders and the employees. There is demand for impact in common causes, desire to make things better at large. However, this need wasn’t in place at least for the most parts before the recent years and interviewee figured that it was because the company had become more mature and established as well as the founders and many long-term employees have grown older and desiring more meaning than just being the best and succeeding. Although in Delta’s situation one could say that purpose clearly changed during the years they still clearly could define their purpose in different part. Purpose clearly affected how mission, vision and strategy were built in all evolution phases.

- Company finds out the limits of their capabilities or can expand them

Company Eta founder felt that their purpose changes based on what they understood they are capable of. After the initial validation of their capabilities and ideas the possibilities for them to exists became much larger. Although it can be argued that their initial purpose never was just to test the initial idea this still shows how purpose might have limitations due to the limited competences of the founders or the company.

Few companies only thought they had had static purpose for their whole lifespan. Company Epsilon that had the clear purpose of shareholder value creation probably had the most static purpose. Also, Company Zeta that probably had some of the vaguer purposes can’t either been
seen to change the purpose during the lifetime. In either case reasons above haven’t grown so effective that they would’ve forced to change the purpose.

It can’t be said that clear change of purpose would be necessary or beneficial or harmful but it seems that there is some level of continuing tensions towards changing the purpose. Even in the cases that had more static purposes this sort of ongoing thinking or small turbulence could be recognize.

4.1.2 The purpose of the company is not always clear

“We didn’t have a grand plan what we are going to do with the company”
- Co-founder, Company Eta

This categorization says that purposes for different companies are not comparable in that sense that they are not similarly clear or understandable or measured. The categorization structure of this thematic category is used as an example in Appendix 3.

It would be easy to categorizes purpose in different companies by stating that for some purpose is more important than for others. This could then be mirrored in the level of clarity or vagueness the purpose has. The more vague or unclear purpose, the less important it would be for the company. However, this kind of linkage between clarity and importance can be challenged from different angles:

- Purpose can be hidden. This also seems to hold true for companies that have stated, vague or clear, purpose which end up not being the ‘true’ purpose but more like a mission, vision or values.

When straight asking whether the companies have purpose or not the answers differed quite a lot. For some it seemed to be a little uneasy subject in a sense that they didn’t feel that the purpose of their company was that meaningful. For some the subject was extremely straight forward: either in a way that the purpose was trivial for them or that they had been thinking about the subject a lot. However, it seemed that in many cases the underlying motivations of the founders or management affected the company so much that they could even be a purpose for the company. In the sample, there were two companies that said to have or having had a purpose of being the best workplace for employees. Then when asked about the history of these purposes it seemed that the purpose was to have as
good workplace for the founders as possible. This creates a couple of questions, e.g. why they had grown as much as they had grown: why was it needed to fulfil that purpose the purpose of best workplace as possible? Answer seems to be that the growth made the company meaningful for the founders, thus, challenging communicated purpose of being best workplace for employees.

In one case the founder seemed to think about whether unintentionally their purpose after all was to create profit for the shareholders although they meant to do that. In another case, it seemed that the purpose of the company was to be able solve interesting and ambitious problems on longer run and they had just almost randomly chosen their field. Thirdly, in several cases one could say that the purpose was to succeed against competition. They want as a company as well as individually to be looked up to, regarded as thought leaders and experts and generally be successful against their own values. Company is just a medium of choice to make that happen effectively.

- Purpose is always perceived differently and there is always some level of uncleanness, whether purposefully or not, which might make purposes that seem to be clear lose clarity.

As an example, Company Epsilon’s CEO stated that the only purpose of the company is to create as much profits to the shareholders as they desire. This naturally doesn’t make a company less purposeful. Even contrarily due to its clarity in this case the purpose seems to affect the company at least in a similar way than in other cases. This case was the most well defined purpose by the interviewee which of course doesn’t mean that it is like that throughout the company. As their mission, brand and values suggests other kind of targets as well it seemed that for some employees it is hard to understand the difference between guidelines, as in mission and values, and goal, as in purpose and vision.

As an example, from the other end of the spectrum, although Company Beta doesn’t have quite as well defined purpose than Company Epsilon their purpose creation method and update cycle seems to make sure that all the employees have similar perception of the purpose. In their case, naturally the small size of the company affects hugely on the intensity that purpose related matters can be discussed. One could even say that the purpose is much clearer than others from this point of view

- Vagueness can be a sign of importance. It might show that the company is researching something unknown which makes it hard to define.
First example of this is Company Eta and their undefined purpose. It could only be interpreted as it hasn’t been communicated that well. Company had only vague goal of just trying to see if things work out with their idea. The purpose in a way was to make a living but in an intellectually challenging way. It gave them lot of freedom of pivoting and finding right path. Vagueness lowers the restrictive nature of the purpose which isn’t necessarily bad thing.

As a second example, Company Beta’s CEO reflected that it is common to rationalize purpose or development path afterwards to a logical narrative. Many companies start and develop without a ready-made plan, out of curiosity or passion towards something. A clearly defined purpose is formed later – if at all.

As we can see purposes can have different levels of clarity. What we can say based on this study is that the clarity shouldn’t be measured by the externally or even internally stated purpose. Purpose should be dig up and then it could be measured to some extent. Furthermore, the clarity is not only about the clear definition but about company stakeholder wide understanding and perception of it.

4.1.3 Everyone has their own purpose

“What if we didn’t think that there is a way to lead for a leader but that every individual could define how they should be led.”

- Co-founder, Company Gamma

This categorization says that company’s established purpose is different for individual purposes which are always at least slightly different from each other.

When discussing purpose on individual level even when they are founders and top management one can’t miss the dissonance on interpretation of the purpose. It seems that all the time individual motivation and purpose is challenging, or challenged by, the established company purpose and further on there is always hints of their own interpretations of established purpose. The tensions between these three concepts are present all the time, see Figure 6. This makes the analysis quite hard at times as the definition are not clear especially when talking about companies that are small and young and there aren’t many employees outside the founder group. Although the difference is clear on conceptual level.
The dissonance naturally doesn’t stop at top management or founder level but would logically thinking widen when going further away from them. Individuals’ interpretations of the purpose would be significantly different from each other. One employee sees company’s purpose irrelevant. One sees it in value provided to customers. One to employees and so on. Again, here is important to remember that this difference doesn’t mean that the interpretation would be equal to their motivation to work. Even though I can’t draw such a conclusion based on my sample focusing on founders and top management, one could make a hypothesis that on employee level it is easier make the distinction between their own motivation and their interpretation of company purpose than on founder level that I studied.

As an example, company Beta has quite well defined three-part purpose but when asked the CEO could, although grudgingly, pinpoint the one that resonates most with his own personal motivations with the company. The interpretation of founder was well in line with what they have established but he admitted that although they talk about the purpose a lot and all current employees have been involved in the process of clarifying the purpose he still knows that everyone has their own interpretation of the situation.

The point here is that although purpose could be stated clearly it never is interpreted100 % like that and while individual interpretation can easily be mixed with individual motivation they should be separated.
4.1.4 Purpose has a direction

“The most important thing is that there is a purpose for journey to get to the target.”
- CEO, Epsilon

It seems that all the sample companies see purpose heavily as a concept that has a direction and a target group. In a way, it is not meaningful as itself but by giving guidelines for vision, mission and strategy it makes grounds for companies to exist over time.

Here, it is extremely important to keep in mind the taxonomy of previous chapter between individual motivation and purpose. Otherwise the direction discussion easily goes into argument whether the company purpose and founders’ purposes can be different. As a general example company Zeta co-founder wondered that their founders would like to individually emphasize more shareholder value creation purpose but this won’t happen as the company has other structures to prevent that kind of drift. It is good to remember that many of these sample founders don’t see their company as sole representation of their life but as one tool, hence, company purpose doesn’t necessarily represent the founders’ motivations entirely. Thus, the direction of the purpose can be different from founder’s motivation. Two different scales to measure direction of purpose could be recognized:

- Internal vs. external

The question is whether the purpose is mainly directed to benefit the founders, employees or other immediate stakeholders of the company like major shareholders or is the direction towards external stakeholders like customers or more abstractly societal problems. As described above Delta’s purpose can been seen changed multiple times during the lifespan of the company. As you follow their story you can notice that their direction turns from founders to employees to customers and finally towards more abstract societal goals.

- Level of restriction

There are also other scales you can measure the direction, e.g the level of restriction it gives. In company Alpha’s case the purpose is directed towards larger societal stakeholder group which they in deed would like to have as their customers as well but the purpose still is to solve the societal problem at large. In their case the problem is quite specific and gives extremely strong restrictions for mission, vision and strategy. On the other hand, in
Epsilon’s case, as the purpose is to create value for the shareholders, the purpose itself doesn’t restrict their actions almost at all. Restrictive choices are made with other tools.

That purposes have direction tells a lot about the nature of purpose. As it shows that purpose is indeed something that can be used as a tool of power. It is the foundation of affecting governance and overall decision making in the company. However, I later argue that it doesn’t do this straight but through intermediaries.

4.1.5 Symbiotic relationship between purpose and values, and purpose and mission

“We have all come for different directions to the point where we share the values but at the same time we want to make impact on world. It is hard to say which comes before.”
- CEO, Co-founder, Company Alpha

This categorization reveals that purpose and values seem to complex relationship that is hard to define on other ways than that they affect each other. Additionally, there seems to be close relationship with mission of the company that seems more causal.

The symbiotic relation between values and the purpose of the company seems the strongest connection that purpose has with other concepts guiding company’s direction. In many cases when asked about the purpose of the company interviewees started telling about company values. Interestingly values were often seen more stable or profound than the purpose of the company. Almost in all interviews interviewee brought up their values also when asking about their decision making. Purpose and values seemed especially connected for organizations whose purpose was either externally directed or while internally directed it was focusing on employees and workplace. The relationship between values and purpose can roughly be divided following groups:

- Purpose is affected by individual values of key personnel but company values reflect the purpose

This phenomenon is closely related to situations where purpose is mainly created or formed exclusively by key personnel. Company founders or key personnel have a strong view on specific issues they want the company to represent so the purpose is heavily based on their individual values or shared values. Then the company values represent the purpose and for some parts the shared values of key personnel. These companies seem to have clearly
stated purpose which is more visible than in other kind of relationships between purpose and values

- Company values are fixed based on key personnel values and purpose reflects company values

The second notable group is companies that didn't seem to have that clearly stated purpose. In this case founders or key personnel heavily felt whatever is to be done it should be done according to some principles. In their case, it doesn't seem to be so important what is done. In these companies shared values are collected together to form the company values and then the purpose starts to represent those.

- Values and purpose are knowingly separated from each other but there is continuous tension

Third group is the one that probably is in a way the oddest. Here either the values and purpose are separated because also mission and purpose are somewhat separated or the purpose is hidden so values are not in touch with them knowingly. However, in both situation values seemed to still be in connection the purpose and other way around. For example, company Eta with hidden purpose didn't have stated values before the company had notable number of employees but the co-founder told that founder team had written down the values for themselves already years before. The values then represented something that could be recognized as tools to achieve the purpose that seemingly was under there - in their case first to succeed in making business out their idea and the to be thought leader in it.

Hypothesis could be that values or changing values of either founders or the key personnel in organizations create basis for purpose if the purpose is directed toward create societal stakeholders. It is important to understand that the values of founders or key personnel is different than the values of the company. This hypothesis isn't restrictive in nature. While holding true also other than societal purposes can be built on founders or key personnel's values or the values of the company can be based on the purpose.

When thinking about relationship with mission or vision and purpose it seems that the it is more symbiotic with mission than vision. In sample cases vision is much more dictated by values or purpose but not the other way around. Mission on the other hand gets easily mixed with purpose in common language and as concept. Good example of this is with company Beta and Alpha and
how easily they tried to bring into their established company purpose restrictive methods of fulfilling their own initial purpose. That is clearly something more common with mission or strategy. It is easy to understand how mission and purpose get interconnected as mission states the means and measurable focus areas of purpose. In that sense purpose seems to be a bit irrelevant for many of the companies. It is something that should be thought about time to time but not all the time as the benefit of that sort of thinking is unknown.

All in all, it seems that there is a lack of need to define purpose for some companies and in that case, it gets interconnected with other concepts. Other probable cause can be that when companies think they are doing something differently it requires major reflective capabilities to be able define their purpose to exist. Furthermore, the answer might be something they would not individually like.

4.2 Creating purpose

The second research question was: How purpose of a company is formed or how it is transformed?

I made synthesis out of interview data concerning how each company had come to be as they and especially concentrating on the decision-making process in each phases or pivotal moments of the journey of the company. Based on these I formed 6 thematic categories. As a difference to the thematic categories under two other research questions, these thematic categories were first recognized as explanatory categories and then elevated to thematic categories as I couldn't summarize them under a broader category and as they were already extremely descriptive in nature.

1. Founders or other conventional key stakeholders discuss and decide on purpose together (linked to all sample companies)
2. Only strategy or mission created - not formal purpose (linked to 3 sample companies)
3. Purpose is taken as given either from conventional business logic or law (linked to 1 sample company)
4. Open discussion with all employees to co-create purpose (linked to 3 sample company)
5. The source of purpose can be endogenous (linked to 5 sample companies)
6. The source of purpose can be exogenous (linked to 1 sample company)
The first four thematic categories are linked to the process of formalizing the purpose. Furthermore, the latter two, 5 and 6, are a dichotomy explaining the source of the purpose creation process. The dichotomy works as a bridge to answer that last research question.

4.2.1 Four categories of formalizing purpose

All in all, as can be seen from the previous chapter companies have different type of purposes and their purpose have different amount of visible or conscious significance. Thus, it is not surprising to see that purposes are also created in different manors. Below is concluded different creation methods of purposes that could be found from the sample.

4.2.1.1 Founders or other conventional key stakeholders discuss and decide on purpose together.

“When I look back it has been good that we have kept decision making power on founders’ hands so we can make quick and radical decisions.”

- Co-founder, Company Eta

This category means that there is a group of persons that make the decisions on company purpose and it is exclusive for majority of the company employees or other stakeholders.

This doesn’t necessarily mean that founders would be unaffected by external sources but that they clearly have the main decision making power. One twist from this is a discussion with all shareholders and possible with some key employees. They aren’t separated as the elements of discussion and the exclusive nature of it is similar. Here it is often seen that purpose should be unified and similarly interpreted by all employees or that it useful for founders and management alone. Whichever is the case it is seen crucial that the founders or other decided key stakeholders have open discussion and common understanding of each other's individual values and motivations that undeniably affect what kind of purpose they would like the company to have. In this variation, the problems arise if general impression is that there is common understanding of the purpose but there is still some undiscussed matters or when employees or other stakeholders start to feel that they should also be able to contribute.

Company Alpha founder told that in previous ventures there had been problems because there was no unified view between the founders and key stakeholders. That is why this time, in their new venture, he wanted to make sure to start with that kind of discussion. Company Gamma purpose,
at least at first, was heavily concentrated on employees but the creation of the purpose was and is exclusive process of founders and other key shareholders. This example also shows that the method itself doesn’t necessarily tell about the direction of purpose.

4.2.1.2 Only strategy or mission created - not formal purpose

This category reveals that not all companies think about purpose knowingly but it is formed thorough strategy or mission.

In this variation purpose naturally exists but it is hidden, unconscious or unformed. Strategy and mission are adequate management tools to drive the company. However, purpose is revealed through the decision-making process companies have. One could easily state that in this case purpose is poorly exploited but I think that it is too straight-forward answer. Issue with these kind of hidden purposes is that they can’t be purposefully controlled or used but one could also argue that it is hard also for clearly stated and systematically manufactured purposes. These purposes are extremely easily mixed with values and culture of the company as discussed in previous section. At the same time, it seems that that is the benefit of these kind of purposes as in a way they can’t be misunderstood or misinterpreted.

In company Eta’s situation purpose has never been discussed formally not even with founders themselves. They have had changing mission and quite fixed values but purpose hasn’t been in discussion. Still there is a purpose like told before. It seems that the company can concentrate on fulfilling their purpose better when they don’t name it or keep talking about it.

Although company Eta was the clearest example of this sort of creation method some of the companies admitted that they have a habit to rationalize their story to understand how things have evolved. Furthermore, many of the co-founders told that it is quite hard to tell the true story of how chaotic or unpurposeful the start or development of the company was or has been. This shows that although something else would be said this variation of creating purpose might be more common than admitted.
4.2.1.3 Purpose is taken as given either from conventional business logic or law

This category says that for some companies there is no formal discussion to decide on the purpose but

Purpose might not be created by the company stakeholders at all but it can be infused. The most common example is the stakeholder value creation purpose but similarly other kind of purposes can represent this creation process. For example, it seems that in certain industries it might become a standard to have strong focus on employee value maximization. The benefits of this kind of purpose is that it gives extremely clear targets and metrics for management of the company: it doesn’t have to be discussed and it probably is quite fixed. At the same time, it restricts the company, and depending on the source of infusion, it might exclude other stakeholder groups.

This creation method is probably the most common and isn’t so visible in this sample only because the selection was knowingly made so. Company Epsilon was the clearest example of this but also other can be seen to have elements of this creation method

4.2.1.4 Open discussion with all employees to co-create purpose

Decentralized decision making has become popular on larger contexts and it seems to reach also to creation of purpose. The point is to engage, empower and increase mental ownership towards common goal. In this variation, the purpose has a quality to be subjective or there are parts of purpose that are separated from each other.

Most of the sample companies did have open discussion channels with the whole employee group and purpose was as well one of the topics frequently discussed but only two had had formal purpose discussion where every employee was invited and encouraged to participate and contribute. Company Beta has almost institutionalized bi-yearly strategy weekend with all the employees and time to time the purpose of the company is opened and discussed. This has then been the guiding line for next sessions in which more common strategic issues like target groups or product strategies have been discussed. Somewhat differentially company Delta only lately organized formal and open purpose discussion as they started to realize that some sort of clearly stated purpose is required for them to be able to transform once again. In this case, the clearly stated purpose hasn’t been an imperative before. Their purpose before has been formed more through founder and key stakeholder discussion and then stated in the form of mission.
4.2.2 The source of purpose is either endogenous or exogenous

“The law for limited companies requires limited companies to create profit for shareholders.”

- CEO, Company Epsilon

These separate but connected categories say that purposes are either endogenous or exogenous. Either they are mainly born from internal stimuli or external messages.

It seems that creating purpose is not done in a vacuum and there are factors affecting the creation of purpose or changing purpose. Some kinds of signals or experiences drive purpose to different kind of directions (Section 4.1.4). It would also be rational to think that some companies would have open discussion also with broader societal stakeholder group than just shareholders or employees. Research literature suggested that this could happen especially with hybrid organizations but that kind of results were not visible in this sample (Ebrahim et al., 2014). Only direct external discussion channel that was found from this sample was with customers that might complain or give suggestions that affect besides strategy also purpose. However, external stakeholders have effect in most of the situations. The most visible creation variation that showed external influence was with company Epsilon and their shareholder value creation purpose. That clearly comes from outside although there is no discussion - it is just what the company management believes to be the right thing to do. In more subtle manner many of the sample companies had high level of education or awareness of what kind of ideas are “around there”, which undeniably affects their thinking.

The source for the impulse for the purpose, is it exogenous or endogenous, might or might not effect on how the purpose is created. Liked said the simplest example is when companies have a purpose of creating shareholder value taken granted as a law. On the other hand, it might as well be that similar purpose would be arisen from the discussions between founders despite the environment. This is would of course be natural as first shareholders are often the founders who are likely to want also financial compensation for their risk taking and work. One shouldn’t mix this exogenous-endogenous dimension with the direction that the purpose itself has. It would easily be that endogenous purpose would have external direction or other way around. General example of this would be companies that have seemingly altruistic purpose towards some societal values (here again it is important to remember the division between individual motivation and company purpose). Then again it could be argued that model where founders see company as a tool to create wealth purpose is exogenous, as it is taken from conventional company paradigm, but it’s direction is internal.
As said the division between exogenous and endogenous purposes is crude simplification and I would suggest the scale is linear not binary. All companies have input from many different sources and in some cases because of unconscious elements it might be quite hard to tip the scale towards one direction or another. That said the dichotomy can be used to research how the company see itself towards different stakeholder groups.

Company Zeta co-founder, as mentioned in previous chapter, felt that during the years of growth and success the founders would have grown greedier than the institutional investors they have. This is a sign of why more collectively created purpose and values also protect the individuals of the organization of not making opportunistic decisions which they would not like to make. This could suggest that the source of company purpose would show company’s position towards stakeholder groups: if exogenous it is more open if endogenous it is more closed. Still the direction of purpose could be either internal or external in both cases. As a specific example would work a company with clearly stated endogenous societal purpose which would suggest that the company would see their target groups more like victims to be helped not equals to work with.

4.3 Purpose affecting stakeholders and governance in general

Third research question was: How purpose is affecting company’s governance and relations to different stakeholders?

In the research problem, the focus of this thesis was defined more towards external stakeholders than internal stakeholders but these can’t be completely separated so both sides are discussed here. As I have shown above in answers to the previous research questions purpose seems to always have direction towards some target group and it is also grown for some stakeholders group. In results for the third research question it seems that purpose has always certain kind of relationship towards the four-different stakeholder and this taxonomy is also basis for this chapter. In the interviews this question was approached mainly by describing decision making process and what is the role of different stakeholders in it. The findings based on this data could be divided in three thematic categories:

1. Purpose is not used in daily decision making (linked to all sample cases)
2. Purpose serves many stakeholder groups (linked to all sample companies)
3. Organizations have different decreases of openness (linked to all sample companies)
Although it might seem that there is lot of variation between the companies in this research questions the three perspectives were quite clearly seen in every sample company.

4.3.1 Purpose is not used in daily making

“We make sure that everyone understands the mission and purpose. After that self-steering organizations takes care of themselves.”
- Co-founder, Company Zeta

Based on interview data it seems that purpose is more a tool for broad and longer-term guidelines - values and strategy are for daily decision making.

When talking about more grandiose mission the co-founder of Eta said that in their mind strong mission or purpose often seems banal and they haven’t felt a need to create one. She said that one could find strong arguments stating that their company is trying towards more resource efficient society with their product and maybe some of the employees find motivation from that. However, they don’t see point on leading with that sort of mission statement nor saying that the purpose of the company is solving that sort of issues. After all they are just making business and trying to solve as interesting problems as possible.

The example above is a good example of how many companies seem to think about purposes role in daily decision making. Although findings of this thesis challenge the idea of static purpose the instability doesn’t diminish the role purpose has as the foundation of the company. People can’t be challenging the foundation consciously all the time so purpose is not under discussion all the time. Thus, it is logical that it seems that daily decision making is not based on purpose so much. Governance of the company is so much about other things than purpose of the company.

It was clear based on the interviews that values are much more closely attached to daily decision making process than purpose itself. Values are more easy guidelines for it and naturally company values resemble individual values as a concept - and later are the ones guiding individual decision making. This seem to be the case whether company had strongly stated established purpose or not. However, the phenomenon is highlighted in companies that have hidden purpose and decentralized decision. Values are seen in these companies as only way of making sure that there is major drifting to separate the company from inside.

Purpose is the foundation for direction and existence, and not to be touched every day. Furthermore, success of purpose seems to be evaluated only after quite a long time.
4.3.2 Purpose serves many stakeholder groups

“In our shareholder agreement [with our investors] it says that our company’s target is not only to create profit for shareholders but to make positive impact [on society] as well.”
- CEO and Co-founder, Company Beta

Often it seems that purpose can be seen serving all the time multiple or even all stakeholder groups even though only one is on focus. Based on the data there is three different arguments that make sustain the constant rivalry on mastery over company purpose.

● Employees are always looking for meaning

Whatever and no matter how hidden the purpose is it still affects employees and their sense of belonging. Meaningful work came up many times during the interviews. Many of the sample organizations relied heavily on values that promoted life-work balance, non-hierarchical organizational forms as well as individual or decentralized decision-making power and liberty. Most of them concentrated to provide as much liberty as possible to employees and at the same time provided them the liberty and responsibility to create meaningful work for themselves. Most often this liberty and respect for other employees was stated in the values of the company of which many seemed to be quite proud of. Although values were the main tool to offer meaningfulness in daily work life purpose was seen something that gave long-term meaningfulness for employees craving for impact.

Employees need for meaningfulness could be seen for example in recruiting process in sample companies. It clearly was understood by many companies that to serve their purpose they needed workforce that are motivated by it. Interestingly this was also seen in cases where there was no communicated purpose. For example, company Eta gathered homogenous employees that seemed all be experiencing meaning through solving extremely hard problems which was key feature of the company purpose. Then again Company Delta works as an example where employees search for meaningfulness pushed organization to search for a new purpose.

● Shareholders have always their say

Especially in small companies, shareholders influence is strong as shareholding founders are also in executive roles in these companies. Whatever founders say they still have
extremely decisive role with the purpose also. Shareholders are also natural direction for the purpose because besides employees, shareholders are the stakeholder group that are giving in tangible input in form of capital but do not immediately get something back.

- Revenge of jealous stakeholders

Example of company Delta in employees need of meaningfulness show also the dynamics of purpose shift in situations where company purpose seems to favour one stakeholder groups more than acceptable for the others. Other example can be seen in company Gamma’s shift from employees, to customers and back to shareholders. If one group feels or seems neglected it creates counter effect through company operations and pushes for shift to one direction or another. One could ask why this doesn’t seem to happen more often in case of shareholder value creation focus. I would argue that the answer lies in what other stakeholder groups feel acceptable. The more conventional purpose the more accepting other stakeholders are.

These sort examples show that it is natural that some of the sample companies felt that they should have multiple purposes serving different stakeholder groups, like Alpha and Beta, or the necessity of continuing search for new purpose, like Eta. Relatively high abstraction level of purpose slightly covers companies by not noticing the tensions between different stakeholder groups. Although it seems that the more conscious stakeholders the more tension there is in all situations. This would suggest that neither binary nor linear model to replace pure stakeholder value creation model isn’t enough but at least two-dimensional model where purpose covers different sectors would be needed.

4.3.3 Organizations have different decreases of openness

“We are the ones that throw parties where there are our customers, stakeholders and competitors. [...] If the things disrupt faster because of it that is just good we can do something else [...] During the years we have invested a lot for sharing without telling anybody about it.”

- Co-founder, Company Zeta

These categorizations reveal that based on purpose organizations have different approach to external stakeholders. In most simplistic way, they can be either open and inclusive or closed and exclusive.
Openness or closeness of organizations could have been seen in discussions between the lines. There were situations in interviews where it seemed that companies would like to have different kind of relationship between stakeholders than they had or they were clear dissonance between their way of acting and way of thinking. Despite this in clarity I could recognize three different approach to external stakeholders that could be traced back to company purpose.

- **Seen as externalities**

  In conventional thinking, there is quite strict or at least clear borders between different organizations. This also creates clear borders between company’s internal stakeholders (employees and key shareholders) and their external stakeholders (customers and societal groups). This is the talk about ‘us and them’. Even though in recent decades customers are often seen as partners the talk about us and them as customers could been seen in all interviews. Further on, when talking about societal stakeholders the border is much stricter and many companies can see organizations outside their customers or value-chain almost irrelevant. They see that they might affect them slightly but there is no need for dialogue or it is not worth to invest in impacting them. All companies in the interviews also showed some elements of this kind of thinking.

  Especially in situation where the purpose of the company was endogenous with internal direction external stakeholders where seen more as externalities. This would seem natural and logical.

- **Seen as targets**

  The second approach was the most visible one. In this one the relationship towards external stakeholders is kind of like one way street. Companies want stakeholders to open their borders but not so much that they would have to open themselves. This is also quite traditional approach in customer relationship for which in many companies it has been seen to be too restrictive. However, according to this data in societal stakeholder dimension this approach can even be seen to be progressive.

  This approach seemed most prominent in situation where purpose was endogenous but with external direction. Interesting example of this where companies Alpha and Beta that had clearly stated purpose with direction towards societal stakeholders. However, as their purpose was heavily created by key personnel it seemed that those societal stakeholders, or even customers whenever they are the same thing, were targets or victims that should
One could even see that they couldn’t be trusted to discuss the method of how they would be helped. One understandable reason for this was the fact that Alpha and Beta are so small companies that they can’t bear a risk of alienating some customers because of their societal targets.

- **Seen as partners**

The third approach is the most democratic towards external stakeholders. They are not targets to be measured or externalities posing risks of which are to be avoided but as voluntarily partners. Voluntarily hear means that the relationship is not forceful and partners means that is mutually open and impactful. This is not say that other forms wouldn’t be beneficial for each party at least on incremental level but that when organizations are partners then they can affect more strategic levels of companies. Ubiquitous number of companies state that for them customers are partners but often that feeling doesn’t go both ways as not common strategic ground is found. This phenomenon could be seen also in this sample of companies and it is the main problem of this approach: other parties don’t trust or don’t get enough from the company talking about partnerships.

Partner approach seems to be especially a quality of exogenous organization with external direction. In this case, the whole foundation of existence and the foundation of the mission is rooted on external stakeholders. These companies don’t have natural requirement of thinking with conventional terms of competition, beneficiary or risk.

Elements of this approach could be seen with few of the companies but for many it was more like a facade. However, for example company Zeta stated that for them the whole point of being many times is just to be impactful and if there is tightening competition from companies that share their thinking it is more than welcome and in a way, they don’t feel these companies their competitors but partners on a mission.

Open and closed organization dichotomy can feel a bit simplistic, and rightfully so but it is important to be able to show the difference between visible or communicated relationships and the real relationships between different organizations and stakeholders. All three approaches above can be returned to qualities of the company purpose but as purposes also these approaches are linearly linked to each other and different companies have different parts of each.
### 4.4 Cross-case analysis

To conclude the findings, I have made a cross-case analysis of each of the sample companies and how different categorizations are seen in them, Table 9. Based on the analysis I have concluded main findings on each of the research questions, Figure 8. In the end of the chapter I collected a brief description of findings from each sample companies.

<table>
<thead>
<tr>
<th>What kind of purposes there are and how they are defined?</th>
<th>How purpose of a company is formed or how it is transformed?</th>
<th>How purpose is affecting company’s governance and relations to different stakeholders?</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The strongest argument for defining purpose is that the purpose are not static elements of a company but changing over time</td>
<td>• Most of the companies had a purpose which was grounded endogenoues sources, e.g. the values of the founders. This is interesting as shareholder value creation paradigm suggest that purpose should be taken as given.</td>
<td>• Values were much more visible factor in daily decision making than purpose in all cases</td>
</tr>
<tr>
<td>• The most mentioned finding however was that the purpose of the company has a directive and guiding role in the companies</td>
<td>• Although there was inclusive process as well, most of the companies had rather exclusive process for creating the purpose</td>
<td>• In all cases where purpose was definable it affected the stakeholder management in two ways: (1) it positioned and define the stakeholder approach, and (2) it created counter reactions in stakeholders if they were neglected.</td>
</tr>
</tbody>
</table>

*Figure 8: Findings for each research question based on cross-case analysis*
<table>
<thead>
<tr>
<th>Changing purpose</th>
<th>Alpha</th>
<th>Beta</th>
<th>Gamma</th>
<th>Delta</th>
<th>Epsilon</th>
<th>Zeta</th>
<th>Eta</th>
<th><strong>Σ</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Changing purpose</td>
<td>Although having made a major pivot the purpose has stayed quite the same</td>
<td>Purpose has expanded during the life-cycle of the company</td>
<td>Purpose has broadened from strict employee (and shareholder focus) in include customers as well</td>
<td>Purpose has shifted at least 4 times during the life-cycle. Focus has been on different stakeholders.</td>
<td>Purpose has been unchanged during the current CEO working period</td>
<td>Purpose can’t be said to be changing as it is ill defined</td>
<td>Purpose has changed during the lifespan of the company at least once although it is harder to say as it is vaguely defined</td>
<td>In 4 cases the purpose has changed or broaden. In 3 cases, it hasn’t although one of them is founded only 1 year ago.</td>
</tr>
<tr>
<td>Unclear purpose</td>
<td>Extremely clear and openly communicated purpose that is probably interpreted quite similarly due to the small number of employees</td>
<td>Internally openly communicated purpose which is divided in 3 parts that vulnerable for in clarity.</td>
<td>Extremely clear and openly communicated purpose.</td>
<td>Uncertainty how clear the purpose of the company has been during the lifespan of the company. This is shown in recent demand to clarify it.</td>
<td>Although the purpose might seem extremely clear there is dissonance in the workforce to understand how mission and purpose can be different which creates in clarity.</td>
<td>Expected high in clarity of the purpose although as the company is heavily value-led which through which the vague purpose is seen.</td>
<td>Unclear purpose. Hasn’t seen need to make clear purpose for the company. Strategy and targets are enough.</td>
<td>In 3 cases (2 are small) have extremely clear purposes. 4 have experienced feelings of unclarity.</td>
</tr>
<tr>
<td>Everyone has their own purpose</td>
<td>All the founders share the purpose but likely based on different motivations.</td>
<td>All employees have been making the decision on current purpose but at least one late member of the team didn’t share them.</td>
<td>Philosophy of the company is to recognize that all employees have different purposes that can’t be integrated with the company purpose.</td>
<td>At least during the recent years as the company has grown there is evidence that employees see the purpose of the company differently.</td>
<td>In their industry employees, often have extremely strong inner motivation for the work and might feel that the company should obey those too.</td>
<td>Due to the vagueness of the purpose it is hard to say how different employees’ interpretation of the purpose is.</td>
<td>Some employees might feel stronger appeal to societal purpose on the issues that the company is solving. Although due to the homogeneity of the workforce the individual perception</td>
<td>There is a clear experience of different interpretations of the purposes at 4 sample companies. In other 3 it the level of difference is unclear.</td>
</tr>
<tr>
<td>Purpose has a direction</td>
<td>Quite restrictive purpose towards societal stakeholders</td>
<td>Partly restrictive purpose towards societal stakeholders</td>
<td>Unrestrictive purpose towards employees and partly towards customers</td>
<td>Currently emerging purpose has a direction towards societal stakeholders and former purposes have been towards other three stakeholder groups</td>
<td>Communicated purpose is clearly towards shareholders. However, shareholders mission is heavily towards societal stakeholders which makes it a bit uneven.</td>
<td>Unnamed purpose is towards societal stakeholder through benefiting other stakeholder groups</td>
<td>The direction of the purpose based on the 4 stakeholder groups is unclear.</td>
<td>6 sample companies have clear direction for their purpose.</td>
</tr>
<tr>
<td>-------------------------</td>
<td>------------------------------------------------------</td>
<td>------------------------------------------------------</td>
<td>------------------------------------------------------------</td>
<td>-------------------------------------------------</td>
<td>-------------------------------------------------</td>
<td>-------------------------------------------------</td>
<td>-------------------------------------------------</td>
<td>-------------------------------------------------</td>
</tr>
<tr>
<td>Symbiotic relationship towards values and mission</td>
<td>Purpose is affected by the shared values of the founders. Company mission is based on the purpose</td>
<td>Company purpose and values are co-created and values help to achieve 1 of the purposes. Mission is based on purpose.</td>
<td>Company values and mission reflect purpose.</td>
<td>Company values are based on founders’ values and mission is separately created. Purpose reflects mission.</td>
<td>Communicated purpose is separated from values and mission. Values reflect shareholder’s values and mission is created based on that with restrictions of purpose.</td>
<td>Values are based on founders’ values and drive whole organization. Purpose is based on values. Mission is unclear.</td>
<td>Values and purpose were knowingly separated.</td>
<td>There is big diversity between sample companies. 2 cases founder’s values clearly drive purpose in other cases the relationship is more complicated.</td>
</tr>
<tr>
<td>Creation of purpose (section 4.2 thematic categories 1 to 4 analysed together)</td>
<td>Purpose has been created through joint discussion of the founders.</td>
<td>Open discussion with all the employees together.</td>
<td>Purpose is based on founders’ discussion.</td>
<td>Different creation methods. Unknowingly, founder’s discussion, joint discussion with employees that are interested to join.</td>
<td>Taken as granted from external sources.</td>
<td>Unformal, open-ended and continuous discussion with employees</td>
<td>No formal purpose.</td>
<td>5 companies’ purpose had at least some point been created by founder’s exclusive discussion. 3 have used some sort of inclusive</td>
</tr>
<tr>
<td>Exogenous or endogenous purpose</td>
<td>Endogenous</td>
<td>Endogenous</td>
<td>Endogenous</td>
<td>Exogenous</td>
<td>Endogenous</td>
<td>Unable to say</td>
<td>Only 1 company has clearly exogenous purpose.</td>
<td></td>
</tr>
<tr>
<td>---------------------------------</td>
<td>------------</td>
<td>------------</td>
<td>------------</td>
<td>-----------</td>
<td>------------</td>
<td>--------------</td>
<td>---------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Purpose is not used in daily decision making</td>
<td>Purpose affects mission and strategy but daily decision making is more about values</td>
<td>Is constantly seen in leadership situation but in daily decision making only through autonomous decision making.</td>
<td>Not knowingly</td>
<td>Through the directive decision making framework that purpose gives for the company.</td>
<td>Not knowingly</td>
<td>Not knowingly</td>
<td>Purposes role in decision making is always through its effects on strategy or unknowingly.</td>
<td></td>
</tr>
<tr>
<td>Purpose serves many stakeholder groups</td>
<td>Purpose serves shareholders, employees and societal stakeholders through its customers. Focus on societal stakeholders.</td>
<td>Purpose serves shareholders, employees and societal stakeholders.</td>
<td>Serves mainly employees but also shareholders and customers. Societal stakeholders are served through setting an example</td>
<td>All four stakeholder groups are served with changing focus over time. Currently focus turning to societal stakeholders.</td>
<td>Mainly shareholders. Societal stakeholders are served through customers. Employees as focus group unmentioned.</td>
<td>Mainly employees but also shareholders and societal stakeholders.</td>
<td>Mainly customers and employees.</td>
<td>All companies can be clearly seen to serve at least 2 stakeholder groups.</td>
</tr>
<tr>
<td>Organizations have different decreases of openness</td>
<td>External stakeholders as targets</td>
<td>External stakeholders as targets</td>
<td>External stakeholders as targets</td>
<td>Customers as targets, others as externalities</td>
<td>Some external stakeholders seen as partners, others as targets</td>
<td>Customers as targets, others as externalities</td>
<td>All are mainly seen customers as targets. Bigger variance how other relevant societal stakeholders are seen.</td>
<td></td>
</tr>
</tbody>
</table>
As one can see there is quite a lot of differences between the sample companies. Below I shortly go through the distinctive features of each company that could be seen affecting the results.

Company Alpha is the youngest of the sample and at the same time the founder group had previous experience on founding and growing a company. This is relevant because it clearly gave the CEO strong vision of a company that he wanted to build this time that gave stability to the purpose. Naturally, the age of the company also contributed to this. Purpose and the idea for the company was heavily rising from personal values and motivation which gave the company distinctive nature.

Company Beta is quite small company although they have been around already for a while. Their most distinctive feature was a clear ideology of how society should work in more inclusive and democratic way but they had been struggling to understand how to make business out of it. They are constantly thinking about how similar they should or shouldn’t be with other start-ups, e.g. is the growth backed up by heavy investment rounds the right model as they are trying to above all make a desirable impact on society. Their purpose creation method is by far the most inclusive of the sample company. It seemed that it had brought stability and increased capability make hard decision.

Company Gamma’s purpose is focused on employees more exclusively then in other sample companies. The similar guiding principle was with two other companies but it was more strongly stated by the founder of Gamma which could also been seen in their external materials. The interesting part of employee focused purpose is that it is not at all restrictive as it gives opportunity to do whatever is seen best by the employees. Additionally, there is the strongest knowingly made division between individual purpose and the company purpose.

Company Delta is the clearest example of a company whose purpose was changing overtime. The co-founder explicitly said that the purpose had to be looked from somewhere else so the change was also not linear but more discrete in nature. Furthermore, they had been testing or thinking about the reasons for having communicated purpose a lot. One reason for this probably is that the company’s only other guiding principle has been the working method – they are a consultancy so no single product either.

Company Epsilon was also the only company that had majority shareholders who weren’t in executive roles. Epsilon is also the only company in the sample that had extremely focused shareholder value creation purpose. This naturally is extremely important fact regarding the other findings. That was the only communicated purpose they had. Instead their leading model based
heavily on inspirational or even meaningful mission and values. This gave opportunity to study the different relationships of these concepts.

Company Zeta’s distinctive feature was its approach to creating greater societal values. They per se don’t seem to have communicated purpose but have made autonomy and shared values their only visible guiding principle. However, they feel that they have important role in creating certain kind of society and it have resulted in openness of organizational boundaries to external stakeholders and competitors that is not seen in such a measure in other companies.

Company Eta draws a difference to other sample companies in that it doesn’t have established purpose at all. Naturally the purpose could be stated to be something based on interpretation of the interview but even then, it is at best extremely vague. This gave tools to discuss the possible benefits of established purpose and what are the motivations of especially founders to start a company.

All in all, the sample companies had quite a bit of differences but still there where surprisingly many common thematic similarities at least in majority of the cases. One can of course easily challenge many of the abstractions as the data was collected only in one interview but the goal of the study was to broaden existing perspectives and that was achieved.
5. Discussion and Conclusion

As a starting point for discussion I go through the findings, Table 8, in respect to research problem. Research problem of the thesis is:

To what extent founders or CEOs see their company’s purpose affecting company’s orientation towards shareholder value creation paradigm.

Purposes role in this change is evident but as its nature is much more volatile than conventionally thought the dynamics of how purpose pushes the organization in different direction is still unclear based on these findings. When dig out the real purpose of the company seems to give hints of on what phase the company is on changing from conventional logics to something else. Based on diversity of phenomena concluded on Figure 9 the transformation from shareholder value maximization paradigm to prioritizing some of the other stakeholders must happen on several levels.

1. On the most abstract level as the profit maximization paradigm is rooted in deeply cultural level it’s not only about founder’s decision to work towards social (or other) goals. The risk of mission drift is eminent:
   - Individual human behaviour has that sort of elements
   - Institutional and cultural expectations on corporate behaviour demand it
   - Economic theory promotes policies that encourage it.

2. Transformation is extremely hard because organization has accountability to many different parties. This means that more than before corporations need to align different stakeholder needs and work as converging actor in between.

3. Social issues that organizations should and could solve are those that are left behind from conventional actors which could mean that they are not solvable in conventional methods.

Companies need to change the operational model radically: think about their employees differentially, think about their stakeholders differentially, think about competitors differentially, think about measurements differentially, think about industries differentially. Essentially the methods, learnings and culture of working need to change when turning out from conventional purpose logics.
The first thing to remember when thinking about generalize the findings of this thesis is that the context was small and quite independent Finnish companies not publicly traded multi-national corporations. However, I would argue that there are still possibilities to discuss both theoretical and managerial implications as well as future research topics also in big corporation contexts. The same problem occurs in academic papers concerning hybrid organizations especially when concerning social enterprises: there is limited number of big multinational companies that could be seen to work against conventional market economy logic. However, there is large number of companies, one could even argue that majority of the companies around the world, that are partly separated from conventional shareholder value creation paradigm. One of the smallest hints of this is claiming a mission or even purpose of some other sort. This was also evident in this thesis. The main argument and implications that I believe can be generalized quite broadly is that claiming or communicating something is merely a start if wanting to change the paradigm.

5.1 Theoretical implications

As this study was inductive in nature there is not any hypothesis or theory that could be fortified based on it. However, there is some implications that can be used to drift some theories to a
direction or another. One of the goals in this thesis was to narrow the gap between research on conventional companies and studies on social enterprises. Main tool for this was to contribute on studies on hybrid organizations as a middle ground between these. More specifically I studied critically effects of purpose on company position towards the paradigm shift and below I have concluded theoretical implications into two statements that work as starting point for future studies.

5.1.1 Stakeholder framework to analyse the purpose of the company

In section 2.6 I presented framework to analyse what kind of approach the purpose of the company has towards different stakeholder groups. I used this framework to analyse the data and I used it to diversify each sample company from each other, Figure 8. As one can see it quite reveals on one glance the differences that the companies have which were presented in section 4.4. It works as useful heuristic to compare the fundamental differences and similarities the companies have. For example, from outside one might think that Zeta, Delta and Gamma are quite like each other but in the end, they had clear difference in emphasis of their purpose. Thus, the framework could be used well. Although, when using the framework one needs to remember to think about the location of the company on the axis’ first and not let the name of the quarter disturb.

Despite its benefits the framework requires significant development. Firstly, the definitions for the axis are not nearly clear enough so if different researches use it, it would give at least slightly different kind results. Secondly, if there is major shift in the corporate paradigm the division between conventionally high and low power will naturally be poor. Thirdly, it is still unclear how deep interpretations one can make based on these axes are or would it be beneficial make different kind

![Figure 10: Positioning sample companies on the framework to analyse stakeholder approach of the purpose of a company.](image-url)
of categorization. However, there are strong arguments backing up linear at least two-dimensional model against simplistic single truth paradigm.

5.1.2 The direction of purpose is not enough to change the conventional business logics

Grameer Bank founder Mohammed Yunus have said that he believes that ultimately every social enterprise, like Grameer Bank, would drift to focus on shareholder value maximization (Yunus, 2007). The statement is based on idea that if profit creation is on target list it will eventually make its way to a dominant goal, hence purpose, because the individual directors of the company are more likely to find common ground on motivation from money than from other sources. The same phenomenon was introduced in this thesis as mission drift (e.g. Ebrahim et al., 2014). Similarly, I found that shareholders extremely easily have power to put their interests above others. This was even more obvious in situations where the value created for shareholders wasn't counted on coins. I seemed quite evident that purpose easily serves multiple stakeholders all the time and various phenomena push purpose of the company into dynamic states where static moments of clarity are rare. These examples show that although Yunus’ example is logical and easy to believe it just one of the reasons why organizations pushing towards other than stakeholder value creation purpose is in turmoil. Based on this thesis one could suggest that even with stakeholder value creation purpose there is turmoil although it is not that visible. One could even go as far as to suggest that this dynamic feature of purpose is one element behind many common managerial problems in organizations.

If organization communicate clear purpose to some direction and create company values based on that purpose that does not seem to mean that the company would work based on that communicated purpose. The findings in this thesis are aligned with previous research on mission drift and accountability problems but it seems that there is other more fundamental than operational elements of company purpose that makes that sort of established purposes only first step towards changing conventional business logics. Purpose is only one tool for this change and as such more complex than would be intuitive. However, it seems that if profound changes are wanted future studies should concentrate on researching the creation methods of purposes (exogenous vs. endogenous) not the direction it has (external vs. internal). Purpose created by key personnel seems to make company closed surrounded by whatever means key personnel and everything outside that is always thought as the others even if they would be the direction of the purpose of the company. The hypothesis in theoretical sense that companies would need to have much more open process for purpose creation to be able to truly serve other stakeholders.
5.1.3 Purpose is statement towards position between company stakeholders

As already seen previous hypothesis one of the more general findings of this thesis is that purpose, on its different abstraction levels, can be researched be studying the borders company has between different stakeholders, especially the ones that can be called internal and external stakeholders. I would form a hypothesis that by studying the purpose of the company one could reveal with kind of position the company has towards company stakeholders. Findings back this up on three level of abstraction:

- On definition level: Is the direction of the purpose towards external or internal stakeholders? Who is the primary beneficiary group in mind?
- On origin level: Is purpose exogenous or endogenous? Are the foundations of the purpose on inputs from external sources or from within the company?
- On operational level: How open the company is? How much external stakeholders are involved in the different decision making processes?

Combining these aspects with the suggestion based on the findings that purpose would always have many masters, one could ask that is all organizations one form of hybrid organizations? To be specific all organizations seem to have elements of different kind of purposes and they seem to have different kind of role in different abstraction levels so straight black and white approach could be said to be overly simplistic and even harmfully as it forces organizations to work certain ways although their industry, products or capital input (financial or human) would require other kind of approach.

Below, Figure 9, you can find visualizations of different kind of organizational models that bring up the tensions purposeful organizations might have. These visualizations can work as a starting point when trying to build more generalist theory on hybrid organizations. Thinking about the sample companies as simplification could be said that e.g. company Zeta is moving closer to “Organizations with equal attention to different stakeholders”, company Epsilon is like “Modern customer centric organizations recognizing employees as stakeholders” and company resembles “Employee focused organizations".
Figure 11: Visualization of organizations with different stakeholder approaches
5.2 Managerial implications

The main managerial implication of this thesis is that purpose is mostly seen through action not statements or declarations of purpose. It is not static and universal but ever changing and subjective. Naturally it can and probably should be cohesive but to achieve and hold on to that understanding purpose as an ongoing process is necessary to lead and organize based on it.

5.2.1 Organizing for purpose

As both the research literature and empirical evidence of this thesis suggest purpose is affecting or should be affecting the mission, vision and thus strategy of the organization (Ellsworth, 2002, Schein, 1999, Drucker, 2008) it should as well affect how companies are governed and organized. However, it seems that it is not that simple since organizing is so heavily based on values and cultural aspects. In the data, this was extremely visible. Naturally, in sample cases where purpose was internally directed - especially if it focuses on employee value maximization or in plain words in being the best possible workplace - the effects of purpose were clearly visible on how companies were organized as high indecency and low hierarchy organizations. However, many of the interviewees admit that models are not fit for everybody. This means that either unconsciously or as unstated these companies purpose restricts certain kind of personalities and the purpose could be formed more like “being the best workplace for us” or “being the best workplace for our kind of people”.

Other extremely visible phenomena arising from the sample data and backed by existing research literature (Ebrahim, 2014) is drifting. Although, conventionally the concept refers to mission of the company drifting from societal impact to conventional shareholder value maximization based on the empirical data thesis broader definition could be suggested. At least one company’s purpose, Delta, clearly had drifted towards broader and more inclusive purpose during last few years. This supports the hypothesis that if organization wants to stay true to chosen purpose it must be prepared to fight against drifting to another direction.

Based on the empirical evidence it seems rather clear that company’s leadership and management models reflect the purpose of the companies. However, it is quite hard to make a statement that those management models are created because of the purpose. For example, if the company focuses mainly on solving certain kind of problems the managerial model and leading model seems to closely follow that purpose but the manager herself doesn’t see the connection as a choice but as a natural state of things. Both the managerial mode and the purpose seem to be inevitable in a way and changes made are sort of deterministic. This seems to be the case especially when the purpose was exogenous. This phenomenon should be kept in mind at least
when new managers with a mission to change leadership and management models are hired. The change might prove to be even impossible if the purpose of the company pushed the management model to another direction.

In complex world organizations should not only understand how their industry and the industries of the same value chain are working but the cross-sector megatrends that shape the society at large, thus, the immediate business landscape of individual companies. Key to understanding changes is to be active in all different levels of society. Through opening the organization and co-creating with not only customers but with the society companies might be able understand hidden signals affecting their business. This can’t be done if company doesn’t give back to the societal stakeholders that it wants to be benefiting from and this is hard without opening your own organization (York et al., 2016). By changing or formalizing strong purpose towards these other stakeholder groups can be one way of starting the journey towards this more co-creative model of stakeholder management. Based on the research conventional stakeholder management models by Mitchell et al., (1997) can be used as a basis for this sort of change. However, companies should take much more proactive role in creating trusting and equal relationships.

5.2.2 Strong purpose doesn’t automatically create perception of meaningful work

It seems that most common dominator of companies that have clear structure in their doing is that they have clear purpose. This doesn’t mean that they would be more successful in conventional terms but with clear purpose the purpose has the most effect also on other things. This is extremely logical but underlines that the purpose of company cannot be just being the best company or the most helpful company for the society as it doesn’t mean anything to anyone and the governance of the company is then done by some other means either based on some conventional logics or by some founders’ or other powerful stakeholders’ decision. Based on the findings it seems that purpose of the company is more related to direction and strategy of the company than the way company is governed with an exceptions of stakeholder management. If one assumes that purpose and values are separate the separation of purpose and governance can be seen to widen the gap between meaningful work and purpose. Hypothesis could even be that meaningfulness of work is not closely linked to the purpose of the company whilst they are connected through the values and culture of the company (Schein, 1999).

Separation of purpose and meaningful work would mean that giving highflying purposes would not necessarily create commitment and increase meaningfulness of work although it would set
interesting direction and goals. This is also backed up by theoretical implications that the direction of the purpose is not enough change company business logics. Furthermore, it is also seen in popularized research on millennials, where it ubiquitous assumptions that millennials would be somehow exceptionally purpose-driven are toned down – meaningfulness can and is even likely to be created in other ways (Deloitte, 2017; Vesty, 2016).

Findings for the relation of meaningful work, meaningful purpose and values can be seen controversial as companies clearly link increased meaningfulness of work as main benefit from other than shareholder value creation purpose but at the same time it seems that it is values not the purpose that defines how work is done and from where that meaningfulness of work is emerged. This controversy should be studied more while there is already linkage to existing research which support rather individual approach to meaningfulness then comprehensive company purposes might not be ideal solution for creating experienced meaningfulness (e.g. Martinex, 2016; Wrezniewski, 1997).
6. Limitations

6.1 Reliability and validity of the study

Validity and reliability of qualitative study should be evaluated by looking at credibility, transferability, dependability and confirmability of the study (Lincoln & Guba, 1985; Golafshani, 2003). They are meant to reveal how trustworthy, relevant and applicable are the results of the study.

Credibility, or internal validity, of study can be quite easily challenged from two direction. First, the chosen methodological approach is challenging for unexperienced researchers and especially in a study where the goal is to create theory base for relatively new research area, it makes the research process tricky. In this situation, it could be possible to challenges the credibility just because of this although any visible offenses couldn't be pointed out. Secondly, I failed to follow the research process in few phases: one of the interviews was held by my instructor and not me and I didn’t do the comprehensive data analysis process simultaneously with data collection. In other ways, the study was carried out in a proper manner. What comes to the challenging methodological approach, I find the credibility challenges somewhat believable as I struggled a bit along the process to fully follow the guidelines of grounded theory approach.

Transferability, or external validity, of study is respectively good when reviewing the highest abstraction level of analysis. There the results are all probable in nature not definite and concern the foundation of theory on private companies. Based on this they should be applicable also to all corporations in general in all industries keeping mind the tiny scope of the study. However, even then one should keep in mind that the data was heavily affected by interviewees’ own cultural background and Finnish society in general. There is no guarantee that similar results would emerge from a sample from significantly different background but the results still play part when more comprehensive theory would be built – while negligibly small. When moving on to managerial implications the limitations of the sample become even more influential. The sample was extremely limited to certain kind of Finnish companies and it is hard to show that these same effects would concern big corporations. The strongest transferability is to other knowledge intensive business that are known to have unconventional founders.

Dependability, or reliability, of the study refers to ability to maintain relevance over time and under different conditions. I find that the dependability of study is rather good when thinking about the main findings, Figure 8, and main theoretical and managerial implications. Although the data
analysis was a complex process central findings are backed by several data points and went through a rigorous synthesis process. If the study would be done again, the results would most likely show similar results.

In the confirmability of the study there is the most serious reservations. First, although there is no set hypothesis on the background there is a quite significant ideological ethos in the motivation for the thesis which then lays its effects for the whole study. In that sense, it’s is probable a research coming from a different background might chose different kind of sample and different kind of methodological approach. The same problem concerns the data collection process where the way questions were asked and underlined might have affected the manner interviewee answered the questions. Both these issues were tried to fade by separating the theoretical background and empirical part strictly from each other. Also, the interview structure was verified with the instructor of the thesis and were followed quite closely during the study. Furthermore, I had acknowledged the issue when starting the study process and continuously reflected my line of thought and tried to dissolve conclusions that would not be supported enough. During the interviews, I also was careful not to reveal my own possible position on the subject at hand.

6.2 Limitations of research design and methodological approach

The limitations of research design were revealed especially during the analysis process where I noticed that secondary data would have strength the data considerably. I could have done comparisons between the interview data and for example the data on company website. This resulted in reframing the research problem slightly to concentrate on interpretations of the founder or CEO. Also, the applicability of the managerial implications would have been better if I would not have had such an ambitious sample but would have made narrower scope of study by concentrating on companies of same development phase, size, age and industry. On the other hand, I think the grounded theory approach in general is well suitable for this sort of new theory building goals. As mentioned above I still wasn’t completely capable of following the methodological approach completely although it the insufficiencies were averted by adding the elements of case study approach to the sampling and analysis phase.

6.3 Limitations of data collection

The main limitations of data collection concern the general topic of the thesis. Although the research topic was only briefly explained in few sentences before the interview it clearly affected their thinking. This was especially notable when talking about different kind of purposes. Purpose as a concept is heavily focused towards societal purpose leaving other kind of meaning on lesser
focus. It might be that the interviewees were affected by the general topic they thought was in my mind. As usual in semi-structured interview the interviewee is easily lead to certain kind of thinking and certain kind of answers. In this thesis, the risk was even higher as the topic was a bit unconventional for interviewee and has ethical aspects around it which could easily make interviewees to gloss over their answers and thinking. In practical sense the data collection was made in a proper manner apart from one interview that was held by the instructor not by me.

6.4 Limitation of analysis

As the analysis process is as clearly and transparently disclosed as possible, it shows that the complexity of it creates limitations of analysis. It is not hard to argue that similar results would not emerge if another researcher would replicate the same research process. In addition, there is a few concrete examples where that creates limitations as well. First, it is evident that as purpose as a concept is not well defined and different interviewees had different interpretations of it creates challenge for the analysis and research of it. Therefore, I had created own framework to study it but that demanded me to look behind the words used to interpret what each interviewee meant by their sayings.

Second big limitation of analysis emerged due to the sampling. Only one company that hadn’t majority shareholders in executive roles. It makes the data easily biased, although, in this situation towards other than shareholder value creation. One might argue that this is because the interviewees were not “forced” to think about the shareholder value as they were them and could resemble themselves for example to employees.

As explained in section regarding the confirmability of the study, there is a danger of confirmation bias during the analysis phase. It is extremely hard not to unknowingly strengthen beliefs that I hold before the study. I could only try to reflect my line of thought and alienate myself from drawing premature conclusion that might expose the analysis for bias.

As last limitation of the analysis is the shallowness of the theoretical background. The topic of the study is broad and within the resource restrictions of Master’s Thesis it forced the literature review be only a glance to the most important topics at hand. When concluding the analysis and theoretical background the lightness made it hard to make profound conclusion that would survive the scrutiny of thorough academic debate.
7. Future research

This thesis’s main theoretical and managerial implications open interesting new research suggestions. Most importantly I suggest that future studies would still aim of creating more comprehensive and inclusive thinking on what is thought about the existence and definition of private companies. The research should go deeper into analysing what is the profound purpose of companies e.g. through ethnographic methods. It should be broadened to include all kinds of companies and it should focus on different stakeholder groups and their interpretation of different company purposes. One research stream could also go deeper into thinking about the societal, philosophical and ideological structures that make companies as there are.

Besides studying the definition of a company one research stream could study the purpose of a company as more deeply. This thesis reveals a need need for new definition of companies that have purpose of solving social issues. This would be more precise definition of social entrepreneurship than e.g. Austin et al (2006) has and would be in contradiction to definition that are inherently solution centred, like Santos (2012). I suggest that future studies should concentrate on researching the creation methods of purposes (exogenous vs. endogenous) not the direction it has (external vs. internal).

Furthermore, this thesis suggests development for stakeholder management to be much more inclusive as it is now. If the private company as a concept gets more inclusive meaning it means that stakeholder thinking, that conventionally draws a line between different actors, would need to become softer in deciding how strict that line is if there is any.

Lastly, this thesis shows that there is close symbiotic relation between values and purpose and this should be elaborated more. One research approach would be to study this relationships through meaningful work discourse that is suggest in section 5.2.2.
References


Appendix 1: Interview structure

The interview structure was similar for all the interviews but it was used so that the research motivation of each questions would be filled. It didn’t matter if I didn’t make the exactly same questions for everybody.

1. **How are you? What have been the major business events of last 6 months or so?**
   a. **Research motivation:** To find out good touch points in future discussion?

2. **Can you tell about your role in the company?**
   a. **Research motivation:** Easy first question and to get understand how the person positions herself in respect to others?
   b. **Helping questions:**
      i. What is the long list of activities you are involved with?

3. **What are the most interesting parts of the job? (What are least interesting parts?)**
   a. **Research motivation:** How comparable are key personnel’s personal motivation and the company purpose?
   b. **Helping questions:**
      i. What motivates you in life?

4. **Can you tell me about how and why the company was founded?**
   a. **Research motivation:** What is the purpose of the company and how static it is? What are the vision, mission and key strategies of the company?
   b. **Helping questions:**
      i. Who were involved?
      ii. What were hardest sub-decisions?
      iii. What kind of compromises were made?
      iv. What are the key activities that are used purposefully?

5. **What have been the major decisions of your company been during last year? Describe the decision-making process in them.**
   a. **Research motivation:** What themes or people have a say in decision making on subliminal or visible level? How open organization is? How these qualities vary in different situations? How well unconscious decisions are recognised?
   b. **Helping questions:**
      i. Who were involved?
      ii. What were hardest sub-decisions?
      iii. What kind of compromises were made?

6. **Think about your leadership model. What are the key issues you are thinking about when making all kind of decisions?**
   a. **Research motivation:** What are the fundamental confrontations and which way they are normally leaning?
   b. **Helping question:**
      i. Think about recruiting, think about incentives? Think about management models?
      ii. If you think about profits vs. customer benefits?
iii. If you think about people vs. control?
iv. If you think about shareholders or general good?

7. **(If you think about certain recent changes) How do you see your purpose affecting your company?**
   a. **Research motivation:** How the fundamental confrontations are affecting company operations? How well different subliminal and visible aspects of a company are understood?
   b. **Helping questions:**
      i. How is the purpose effecting organizational structures, strategy and formal processes?
      ii. What kind of informal structures there are because of it?
      iii. How would you describe it affecting the culture of company?
      iv. How would you see it affecting your own leadership behaviour?

8. **Describe the relationship that your company have with different kind of shareholders.**
   a. (Working founders, VCs, investors, employees with shares)

9. **What kind of dialogue you have with different kind of customers you have?**
   a. (most profitable ones, the biggest, most innovative, most promising, smallest,)

10. **What things affect the selection of different kind of partners?**
    a. (sales agents/channel partners, providers of key products, supporting services, alliances, consultancies)

11. **How would you describe the role your company has in surrounding society?**
    a. **Helping questions:**
      i. How the relationship is taken care of?
      ii. How it is seen in daily activities?
Appendix 2: List of initial thematic codes

There were altogether 110 codes arising from the data that were used as basis for categorization for common denominator.

- basics of a purposeful company are the same although might not seems so
- perceived purpose changes but underlying stays the same
- purpose of building example of a company
- power and responsibility to make own decisions
- business logic is the first check point when changing
- profit is tool for validation
- CEO's "favourite" purposes as starting point
- purpose affects customers
- changing purpose is good
- purpose affects employees
- customers affect purpose if they are shareholders
- Purpose affects external stakeholders
- customers affect products
- purpose affects governance
- customers' problem might not be clear if it is not the starting point
- purpose affects governance through structures and through working methods
- decision on purpose made in discussion between all founders
- purpose affects mission
- decision making always thought by thinking what is the relationship to the board
- purpose affects strategy
- doing meaningful stuff means disrupting organizational boundaries
- purpose and mission can be underlying or unmentioned
- double purpose
- purpose and mission interconnected
- educating customers (not just serving)
- purpose changes as people understand their capabilities and limitations
- employee focus not purpose but goal or target
- purpose DOESN'T affect daily decision making
- employee focus purpose
- Purpose affects everything
- endemic purpose
- purpose affects managerial model and organizational form
- enough power to affect how world is
- purpose affects products
<table>
<thead>
<tr>
<th>Text</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>entrepreneurship is way to have an impact</td>
<td>purpose affects shareholders</td>
</tr>
<tr>
<td>evolving purposes</td>
<td>purpose feels easily dull or meaningless</td>
</tr>
<tr>
<td>external effects effect strategy but not the purpose (which is fixed</td>
<td>purpose gives strategy a frame</td>
</tr>
<tr>
<td>and static)</td>
<td></td>
</tr>
<tr>
<td>external effects on purpose of the company</td>
<td>purpose guides customer portfolio</td>
</tr>
<tr>
<td>external effects on strategy</td>
<td>purpose is based on founder's view on world</td>
</tr>
<tr>
<td>external stakeholders effect on purpose</td>
<td>purpose is built inside</td>
</tr>
<tr>
<td>founder's motivation</td>
<td>purpose is created together</td>
</tr>
<tr>
<td>founder's values are company values</td>
<td>purpose is different from mission and meaning</td>
</tr>
<tr>
<td>founders have last call on which business are morally good and which</td>
<td>purpose is like climbing steps</td>
</tr>
<tr>
<td>are not</td>
<td></td>
</tr>
<tr>
<td>founders individual safe net is important when making transformation</td>
<td>purpose is marketing tool also</td>
</tr>
<tr>
<td>founders' shared values are extremely important</td>
<td>purpose is modified from time to time</td>
</tr>
<tr>
<td>governance models effected by external pushing</td>
<td>purpose is not common to everybody</td>
</tr>
<tr>
<td>growth dilemma</td>
<td>purpose might be highly separable from company operations</td>
</tr>
<tr>
<td>hard to define as no clear product</td>
<td>rationalizing purpose afterwards</td>
</tr>
<tr>
<td>hard to grow without clear purpose</td>
<td>sales figures pushing towards changing focus (and purpose)</td>
</tr>
<tr>
<td>having purpose don't require strong vision</td>
<td>seeing impact (not necessarily societal) on own work</td>
</tr>
<tr>
<td>having unconventional purpose is a trend</td>
<td>shared values affect creation of purpose</td>
</tr>
<tr>
<td>high purpose poor business plan</td>
<td>shareholders don't need to share the purpose</td>
</tr>
<tr>
<td>homogenous recruiting</td>
<td>shareholders are affected by individual &quot;greed&quot;</td>
</tr>
<tr>
<td>homogenous workforce</td>
<td>shareholders chosen on certain criterion</td>
</tr>
</tbody>
</table>
individual purposes solving challenging problems

initial strategy shifts don't necessarily mean purpose drift stakeholders affect the creation

integrating customer needs and purpose: is it in line? starts feeling dumb to yourself

internally grown culture strategy shifts are based on market logic and customer focus

internally grown purpose turn from internally grown to externally grown purpose

law and regulation define the purpose underlying push for transforming

laziness when things go well values affect daily decision making

low bureaucracy and few processes values and culture are separate from purpose

meaningful purpose is good business on long term values and culture restricts strategy

meaningful purpose is good for employees' motivation values affect investor choosing

meaningful purpose is tangible change in world values affect management and leading

mission affects governance values effect on employees

mission affects strategy Values affect recruiting and HRM

mission and purpose are closely interconnected values' effects on governance

mission and purpose are separate values guide governance and purpose what the company is doing and what kind of mission, strategy it has

mission gives meaning to employees not purpose values reflect purpose

founders notice that one has skills to educate well defined values and purpose as a starting point for business

own capabilities want to be used for good when purpose opens, workforce becomes more heterogeneous
Appendix 3: Process to create categorization in data analysis

As an example of data analysis process, I show how the thematic categories are structured. As an example, I will use “the purpose of the company is not always clear” and its explanatory categories: “purpose can be hidden”, “purpose is always perceived differently” and “vagueness can be a sign of importance”. Each code is created based on initial open codes as described in section 3.5.

<table>
<thead>
<tr>
<th>Initial open codes</th>
<th>Explanatory categorization</th>
<th>Thematic category</th>
</tr>
</thead>
<tbody>
<tr>
<td>purpose DOESN’T affect daily decision making,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>purpose feels easily dull or meaningless,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>purpose is based on founder's view on world,</td>
<td>Purpose can be hidden</td>
<td></td>
</tr>
<tr>
<td>shareholders don’t need to share the purpose,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>purpose might be highly separable from company operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>rationalizing purpose afterwards</td>
<td></td>
<td></td>
</tr>
<tr>
<td>employee focus not purpose but goal or target</td>
<td></td>
<td></td>
</tr>
<tr>
<td>double purpose</td>
<td></td>
<td></td>
</tr>
<tr>
<td>law and regulation define the purpose</td>
<td>Purpose is always perceived differently</td>
<td></td>
</tr>
<tr>
<td>purpose and mission can be underlying or unmentioned</td>
<td></td>
<td>Purpose is not always clear</td>
</tr>
<tr>
<td>power and responsibility to make own decisions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>evolving purposes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>individual purposes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>perceived purpose changes but underlying stays the same</td>
<td>Vagueness can be a sign of importance</td>
<td></td>
</tr>
<tr>
<td>purpose is not common to everybody</td>
<td></td>
<td></td>
</tr>
<tr>
<td>starts feeling dumb to yourself</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# Appendix 4: Supporting quotations for thematic and explanatory categories

<table>
<thead>
<tr>
<th>Thematic category</th>
<th>Explanatory category</th>
<th>Supporting quotation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changing purpose</td>
<td>Purpose becomes obsolete</td>
<td>“It [old purpose] started to feel dull and we realized that no, we don’t want to do this, we just want to do cool things for our customers.”</td>
</tr>
<tr>
<td></td>
<td>Company finds out the limits of their capabilities</td>
<td>[Drive for changes] came when we realized that we have killer technology and we know how to sell it.</td>
</tr>
<tr>
<td>The purpose of the company is not always clear</td>
<td>Purpose can be hidden</td>
<td>“How we are supposed to communicate our purpose as a consultancy so that it won’t seem banal”</td>
</tr>
<tr>
<td></td>
<td>Purpose is always perceived differently</td>
<td>“We want to show an example that one can build companies in different ways. In a way that you have strong values and purpose behind it.”</td>
</tr>
<tr>
<td></td>
<td>Vagueness can be a sign of importance</td>
<td>“Maybe vaguely [defined purpose], like ‘let’s just see what can do’. Something cool.”</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“I think that it is always much better to create the narrative afterwards.”</td>
</tr>
<tr>
<td>Everyone has their own purpose</td>
<td></td>
<td>“Leadership in always about the individual”</td>
</tr>
<tr>
<td>Purpose has a direction</td>
<td>Internal vs. external purpose</td>
<td>“We decided to establish a company where we can be leaders of ourselves and to make sure that it is always great to work in our company”</td>
</tr>
<tr>
<td></td>
<td>Level of restriction</td>
<td>“We want to help people with mental health issues or even be partly curing them”</td>
</tr>
<tr>
<td>Symbiotic relationship towards values and mission</td>
<td>Symbiotic relationship to values</td>
<td>“[Values] rule everything that we do. […] at our company values lead.”</td>
</tr>
<tr>
<td></td>
<td>Mission and purpose get mixed</td>
<td>“The purpose of limited company is to create profit of shareholders […] The purpose or the mission gives meaning […] Our mission is to create wellbeing”</td>
</tr>
<tr>
<td>Founders or other conventional key stakeholders discuss and decide on purpose together.</td>
<td></td>
<td>“We founded this to be something that people would do even if they wouldn’t get paid for it […] and it still is that.”</td>
</tr>
<tr>
<td>Only strategy or mission created -</td>
<td></td>
<td>“We didn’t have ready vision that what we are”</td>
</tr>
<tr>
<td>not formal purpose</td>
<td>doing with this company [only idea of how we can start executing].”</td>
<td></td>
</tr>
<tr>
<td>-------------------</td>
<td>---------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Purpose is taken as given either from conventional business logic or law</td>
<td>“The law for limited companies requires limited companies to create profit for shareholders.”</td>
<td></td>
</tr>
<tr>
<td>Open discussion with all employees to co-create purpose</td>
<td>“Last November we had that sort of trip [for the whole company]. The main theme was to create mission or purpose for the company.”</td>
<td></td>
</tr>
<tr>
<td>The source of purpose can be endogenous</td>
<td>“This time I wanted to make sure that founders share values and through that strong common purpose for our work and what we are doing”</td>
<td></td>
</tr>
<tr>
<td>The source of purpose can be exogenous</td>
<td>“[Customers] could be involved to decision making e.g. through crowdfunding.”</td>
<td></td>
</tr>
<tr>
<td>Purpose is not used in daily decision making</td>
<td>“Our bottom-line purpose, it isn’t really visible in our daily decision making.”</td>
<td></td>
</tr>
<tr>
<td>Purpose serves many stakeholder groups</td>
<td>Employees are always looking for meaning</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“It is so important for many people to work in a company that does good. […] it is even enough the just be on the ‘good side’.”</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Shareholders have always their say</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“Of course, CEO responsibility is to find shareholders intention.”</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“We take employees who create [most] value for shareholders.”</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Revenge of jealous stakeholders</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“Then we wanted to concentrate on customer not turn inside. We had gotten several bad feedbacks on arrogance.”</td>
<td></td>
</tr>
<tr>
<td>Organizations have different decreases of openness</td>
<td>External stakeholders seen as externalities</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“Maybe I have become cynical as in the end there is so few jobs that really somehow change the world”</td>
<td></td>
</tr>
<tr>
<td></td>
<td>External stakeholders seen as targets</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“Ideal vision for us starts from a situation where the logics of society have changed”</td>
<td></td>
</tr>
<tr>
<td></td>
<td>External stakeholders seen as partners</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“We are the ones that throw parties where there are our customers, stakeholders and competitors. […] if the things disrupt faster because of it that is just good we can do something else […] During the years we have invested a lot for sharing without telling anybody about it.”</td>
<td></td>
</tr>
</tbody>
</table>