ESCP BUSINESS SCHOOL

IT ALL STARTS HERE

BERLIN I LONDON I MADRID I PARIS I TURIN I WARSAW


© Tomertu / AdobeStock

LIGHTS - Leadership

Purpose that binds? Why corporate purpose only becomes credible when it is costly

ESCP Impact Paper No.2026-11-ENG

Nicole STELLER
ESCP Business School

Alexander SCHWITTECK
Rheinische Friedrich Wilhelms University of Bonn

ESCP RESEARCH INSTITUTE OF MANAGEMENT (ERIM)

ESCP Impact Paper No.2026-11-ENG

Purpose that binds? Why corporate purpose only becomes credible when it is costly

Nicole Steller*
Alexander Schwitteck**

ESCP Business School

Abstract

Corporate purpose has become a defining concept in management practice. Firms publicly commit to serve stakeholders, protect the environment, and act with integrity. When markets turn, however, many of these commitments quietly dissolve. This paper asks why, and argues that the answer lies not primarily in poor implementation, but in the kind of commitment corporate purpose actually entails. Drawing on Kant's moral philosophy, the paper argues that firms holding similar statements can operate under different logics. Three structural roles emerge: purpose as strategic input, purpose as procedural constraint, and purpose as binding reason for the firm's existence. Only the third form produces the kind of categorical commitment that holds under pressure. The paper shows why most purpose-washing is a predictable consequence of operating under a different logic. We close with practical implications for governance and decision-making.

Keywords: corporate purpose, Kantian ethics, purpose-washing, normative self-binding, decision-making

*Professor, ESCP Business School, Madrid
**Rheinische Friedrich Wilhelms University of Bonn, Germany

Purpose that binds?
Why corporate purpose only becomes credible when it is costly

Corporate purpose and its conceptual issue

Organizations face increasing pressure to act responsibly amid technological change, geopolitical uncertainty, and rising societal expectations (Hollensbe et al., 2014; Steller & Möllering, 2026). Since the Business Roundtable's 2019 statement, firms have increasingly articulated purposes that extend beyond profit maximization. Chief Purpose Officers have entered C-suites (Steller & Björck, 2025), while France's loi PACTE has embedded purpose in the legal form a firm can take through the *société à mission*, extending a principle traditionally associated with non-profit organizations to the domain of for-profit corporations.

However, institutional adoption has outpaced conceptual clarity about what 'purpose' actually means for business conduct. Patagonia, a steward-owned company with a mission-locked charter, and Coca-Cola, which describes its purpose as refreshing the world, share the same label: *purpose-driven*. Treating them as points on a single scale of purpose intensity (Gartenberg et al., 2019) obscures what matters most: their respective commitments differ in kind, not degree, and understanding why requires asking what corporate purpose actually entails as a normative commitment.

Drawing on Kant's moral philosophy, we argue that corporate purpose becomes normatively meaningful when it shapes decisions under pressure and in the face of trade-offs. The real test of purpose arises when honoring a commitment becomes costly. Some firms absorb the cost, whereas others treat the commitment as negotiable. Contemporary discussions often interpret such differences as variations in implementation quality (Steller & Möllering, 2026). We advance a different view. What appears to be a failure of implementation may instead reflect fundamentally different forms of purpose commitment.

To develop this argument, we distinguish three structural roles that purpose can occupy within organizational decision-making. We then show why only one of these roles can sustain the strong normative claims associated with contemporary purpose rhetoric. Finally, we derive implications for leadership and governance design in organizations seeking to align purpose with practice.

What Kant brings to the discussion

German philosopher Immanuel Kant's moral philosophy offers a useful conceptual starting point. The claim is not that a firm itself acts in a Kantian sense. Firms are not rational agents with wills of their own. Rather, the managers, executives, and decision-makers who constitute a firm remain addressable as rational agents, and it is through them that Kantian reasoning enters organizational conduct. This shifts attention from what a firm does to the structure of the reasons behind its actions. Two firms can issue nearly identical purpose statements and, under stable conditions, behave in the exact same way. What sets them apart is the kind of reasoning that underlies their behavior.

Kant famously distinguishes between perfect and imperfect duties in his *Groundwork of the Metaphysics of Morals* (1785). *Perfect duties* govern specific actions and allow no exception. For instance, the duty not to deceive applies in every instance. *Imperfect duties*, by contrast, require the agent to adopt an *end*, a goal that must stay present in their reasoning, but leave room for judgment about how to pursue it. The obligation to adopt the end is not negotiable; the agent is bound to hold it. What is negotiable is *how* the end is acted on in any given moment: when to act, how much, toward whom (Smith, 2013; Ohreen & Petry, 2012). There is room for judgment in the doing. Let us imagine that a person committed to helping others cannot reasonably help everyone at every moment. They exercise judgment about when and how, but the commitment remains.

One might argue that Kantian ethics is too abstract and demanding to guide managers' decision-making. That is true, but we do not apply Kantian ethics directly to firms. Instead, we borrow a simple distinction that is largely absent from contemporary purpose debates. Some commitments hold only when they produce favorable outcomes, while others remain relevant when circumstances become difficult. Purpose should not be either a lofty ideal floating above the business or a goal that shifts with circumstances. It is something the firm has chosen: an end that must stay present, while leaving room for judgment in how it is pursued. The real test is whether the purpose commitment keeps showing up in the reasons the firm gives for its decisions, especially when following the commitment entails costly decisions. Reading through this Kantian lens, three distinct logics for decision-making emerge:

First logic: purpose as a strategic input

A review of the corporate purpose literature identifies numerous positive effects, including stronger innovation, resilience, and financial performance, suggesting that the dominant mode of corporate purpose implementation today is instrumental (Steller & Möllering, 2026). Following this, purpose is something the firm adopts because it pays off. Purpose commitments function as inputs into a calculation aimed at other goals. The decision is shaped by the outcomes the commitments are meant to deliver, not by the commitments themselves.

What defines the logic is not sincerity but *conditionality*. In Kant's terms, the imperative at work is hypothetical: the commitment holds only as long as it serves some further goal (Bowie, 1999). Kant's own formulation is exact on this point: a hypothetical imperative "represents the practical necessity of a possible action as means to something else that is willed" (Kant, 1785/1997, 4:414). This captures precisely the structure of instrumentally justified purpose. When the strategic calculation reverses, so does the commitment. For instance, Unilever's retreat from its previous purpose-led strategy is instructive. The CEO remarked that not every product (e.g., mayonnaise) needs a purpose, and the firm quietly reoriented. The underlying decision-making logic did not change; only its output did.

The structural issue is that a strategic commitment is valid only as long as its consequences are favorable. When ethical behavior becomes genuinely expensive, instrumental purpose has no independent footing; it simply loses the calculation. As Korsgaard (1996) argues, a genuine categorical commitment cannot itself be an output of the reasoning it is meant to govern — it must precede and constrain that reasoning. A purpose justified by strategic returns can never meet this condition. It inevitably signals its own contingency. A firm that says, "we act ethically because it improves brand equity," communicates, at the same time, "*we will stop when it no longer improves brand equity.*" The way the commitment is justified undermines the legitimacy it is meant to produce. Under the first logic, purpose serves as strategic input; the commitment serves the firm's objectives rather than constituting an independent reason for action. Implication for leaders: Be transparent about conditionality. Do not overclaim.

Second logic: purpose as procedural constraint

The second logic starts from a different place. Here, purpose commitments are constraints on what the firm will allow itself to do. The firm still has objectives (e.g., growth, margin), but certain commitments set limits on the breadth and scope of acceptable actions. A firm will under no circumstances use, for instance, child labor or pollute beyond a threshold because of procedural commitments. Such firms have internalized their commitments as part of their identity. This logic is substantially more serious than the first: preferences become constraints.

However, procedural purpose remains insufficient as a ground of full legitimacy. Hill's (2002) analysis shows how principles work in practice. Any principle leaves the agent with three kinds of latitude: whether the principle applies to this case, how to satisfy it when it does apply, and whether the principle is what drives the decision. However, the third latitude remains open. The firm can follow the entire procedure and, in the end, let something other than the commitment determine the outcome.

This is why procedural purpose is vulnerable under pressure. Without a stable hierarchy of commitments, the firm can construct a deliberative narrative that technically honors the procedure while quietly letting, for instance, financial considerations do the decisive work. Observers often cannot distinguish genuine deliberation from rationalization. Ohreen and Petry (2012) describe this pattern as *moral laxity*: treating an imperfect duty as permission to pick one's moments rather than as an end that must retain priority at all times. What has shifted is invisible: the reason that actually drove the decision. Implication for boards: Ask whether purpose is constraining the *how* or genuinely determining the *what*, and design governance accordingly.

Third logic: purpose as the reason for the firm's existence

In line with the main definition of corporate purpose, the raison d'être, the why a firm exists in the first place (Hollensbe et al., 2014), offers a third logic that inverts the relation entirely. Here, the commitment is what the firm exists to realize, and profit is what must be generated in service of it. When a genuine conflict arises in which honoring the commitment entails a financial loss, the firm accepts that loss because relinquishing the commitment would negate the basis of its existence.

In Kantian terms, this logic can be understood as a form of *normative self-binding*. The firm treats its defining purpose commitment as an imperfect duty that has been rendered effectively perfect through organizational design. The commitment is articulated as a principle that holds independently of contingent outcomes, corresponding to what Korsgaard (1996) describes as a categorical commitment. It operates as a constraint on action, limiting the set of permissible strategies and removing the option of treating purpose as negotiable under pressure.

The commitment's authority derives from its unconditional character. When stakeholders observe that the firm maintains its commitments even under conditions of financial strain, they receive evidence that the commitment is genuine. This generates conviction-based trust, grounded in the consistency of action rather than compliance-based trust, grounded in monitoring or incentives. The firm demonstrates that its purpose commitment is not contingent on favorable conditions, but constitutive of its existence.

Realizing purpose still requires managerial judgment. The substantive end does not prescribe a single course of action in every context. Managers must interpret how best to act in light of changing conditions, capabilities, and relationships. The latitude lies in execution, while the commitment itself remains fixed.

A possible objection concerns the scope of such obligations. Following Smith (2013), all parties affected by the firm's activities deserve moral consideration, though responsibilities vary depending on context. Patagonia's obligations toward supply-chain workers differ from its obligations regarding global climate impacts, yet both remain connected to its purpose commitment. The form of fulfillment changes, but the underlying obligation persists.

Distance, therefore, modifies the mode of fulfillment without negating the obligation itself. Attempts to redefine the firm’s relational scope to avoid such responsibilities do not constitute legitimate discretion in application. They amount to a revision of the underlying end, which a categorical commitment precludes.

In short, when a firm treats purpose as its reason for existence, it holds it as a binding commitment while leaving room for judgment in how it is carried out. Implication for leaders seeking a binding purpose: Embed it into governance structures, fix non-negotiable limits that hold under financial pressure, and survive leadership turnover. A firm claiming a binding purpose must be able to name, in advance, what it will not do regardless of financial consequences. These are constraints written, for instance, into decision-making protocols, supplier contracts, investment mandates, and board charters.

Discussion: what pressure reveals

The three logics appear equivalent under stable conditions. They diverge only when honoring a commitment becomes costly. Such moments reveal whether a commitment operates as a constraint or as a contingent preference.

1. Firms guided by instrumental logic revise their commitments when their benefits no longer outweigh the losses.
2. Firms operating under procedural logic experience tension, and adherence depends on the strength of institutionalization. The commitment influences *how* the decision is made, not necessarily *what* decision is reached.
3. Firms organized around normative self-binding accept the cost, as maintaining the commitment affirms its status as a defining principle. Management may accept lower profitability, redesign operations, or seek alternative solutions to preserve the commitments that define the organization’s existence.

Purpose Logic	**Main Question**	**What Happens When Purpose Becomes Costly?**
Strategic Input	Does purpose help us to achieve our goals?	Purpose is revised or set aside if costs outweigh benefits
Procedural Constraint	What actions are unacceptable?	Purpose constrains choices, though competing priorities can still override it
Binding Commitment	What exists independently of financial outcomes?	Firm accepts costs to preserve commitment

Table 1: Three Structural Roles of Purpose in Organizational Decision-Making

The key difference is not managerial commitment or implementation quality, but the role the purpose plays in the firm's decision-making architecture. Economic pressure reveals not whether a company has a purpose, but what kind of purpose commitment it has. The 2021 removal of Emmanuel Faber from Danone illustrates what this looks like in practice. The firm had adopted the *entreprise à mission* status under the loi PACTE, formalizing its purpose and embedding it in its legal structure. During a period of financial underperformance, activist pressure led the board to remove the CEO, while the formal status remained in place and strategic priorities shifted. The conditionality of the commitment became visible only when maintaining it entailed material cost.

This case indicates that the distinction between the three logics is determined at the level of enforceable constraint. Formal adoption and managerial intention do not, in themselves, suffice to establish self-binding. Many firms operate with latent conditional normativity that becomes visible only under pressure. Such moments reveal the firm's operative logic like a diagnostic test. Normative self-binding requires that purpose be embedded in governance structures, decision rights, and incentives in ways that sustain it even when adherence becomes costly.

This shifts attention to governance as the mechanism that makes purpose durable. Governance embeds commitments beyond individual leaders by shaping decision rights, incentives, and strategic control. Patagonia's 2022 ownership redesign illustrates this logic: voting shares were transferred to the Patagonia Purpose Trust and economic shares to the Holdfast Collective, ensuring that future leaders cannot simply sell or abandon the company's mission. In this way, governance helps purpose endure through leadership changes and market pressures.

Implications for decision-makers

We emphasize that not every firm needs to operate under a strong constitutive purpose. However, every firm claiming purpose in a strong sense is obliged to deliver on that claim structurally. Claiming a logic the firm does not operate under is corrosive to stakeholder trust.

1. **Diagnose honestly before claiming.** Firms must identify which logic governs their decisions rather than relying on stated intentions. Three questions clarify which logic is at work:

    - *Instrumental question*: *Given our goals, which normative commitment serves them?* The commitment is only as stable as the payoff that supports it.

    - *Procedural question*: *Given our commitment, which actions are ruled out?* Here, the normative commitment limits the firm's choices. The commitment is more stable, but the reason driving any specific decision can still quietly drift.

    - *Constitutive question*: *Given our commitment, what must we do? What are the non-negotiables?* Here, the firm's commitment is the reason for the firm's existence. Under pressure, the firm absorbs the cost.

    A practical test is to annually review decisions from the past year in which purpose and performance conflicted and ask what actually drove the outcome.

2. **Translate purpose into enforceable organizational governance**. We suggest formally institutionalizing purpose work by creating a board-level purpose committee with authority to review major strategic decisions against the firm's constitutive

commitment. If a binding purpose requires institutional architecture, formalization is key. Thus, a Chief Purpose Officer role must migrate into governance, with reporting lines to the board and authority over charter amendments and mission enforcement. Additionally, the ISO (2026) certification 37011 may provide a foundational governance anchor. Once again, drawing on Kant's philosophy of Right, acting according to the law under non-ideal circumstances requires the use of force to ensure compliance.

3. **Close the gap between the commitment and the architecture, or revise the claim**. Our analysis suggests that most firms operate under Logic 1 or Logic 2. There is nothing inherently problematic about either model. The problem arises when firms claim a Logic 3 commitment without building the structures needed to sustain it.
   When purpose is justified primarily by the outcomes it is expected to produce, it remains conditional on those outcomes. Such a commitment cannot become categorical simply through stronger rhetoric or greater managerial enthusiasm. A binding purpose requires organizational arrangements that preserve the commitment when circumstances become unfavorable. The practical implication for leaders is either to build the governance architecture that a categorical commitment requires or to align the purpose claim with the architecture that already exists. Presenting a conditional commitment as a binding obligation risks eroding stakeholder trust when trade-offs become necessary, and the commitment gives way. From this perspective, the difference between firms such as Coca-Cola and Patagonia lies less in moral ambition than in organizational design. What distinguishes them is the extent to which their governance structures embed and protect purpose when it becomes costly to uphold.

Conclusion

Contemporary debate treats purpose as scalar. Firms are described as more or less purpose-driven, while purpose-washing is seen as a failure of intensity or communication. A Kantian reading suggests a different question: *what kind of claim* does the purpose statement make? Two firms with equally strong commitments can operate under categorically different logics, and no amount of additional intensity will convert one into the other. A hypothetical imperative cannot be made categorical by saying it louder.

We identified three distinct logics of purpose: instrumental, procedural, and categorical. Under favorable conditions, these logics are observationally identical. The logics diverge only when they are forced apart. The litmus test is when acting in duty becomes costly. That is the moment firms acting merely *in conformity with* duty reveal themselves, because their real reason for action was never the duty in the first place.

This insight has important implications for leaders and boards. Purpose is credible only when the organization's governance, incentives, and decision-making processes support the commitment being claimed. We do not argue that all firms should adopt a binding purpose. Strategic and procedural forms of purpose can be legitimate organizational choices. The critical issue is alignment between the stated purpose commitment and the firm's behavior. Firms should be aware and honest with their stakeholders about the type of commitment they are making. In the end, purpose is defined less by what organizations say than by what remains non-negotiable when comes the time for trade-offs.

References

Bowie, N. E. (1999). A Kantian Approach to Business Ethics. In R. E. Frederick (Ed.), *A Companion to Business Ethics* (pp. 3–16). Blackwell Publishers Inc. https://doi.org/10.1002/9780470998397.ch1

Gartenberg, C., Prat, A., & Serafeim, G. (2019). Corporate purpose and financial performance. *Organization Science*, 30(1), 1–18.

Hill, T. E. (2002). "Human Welfare and Moral Worth: Kantian Perspectives". Oxford University Press.

Hollensbe, E., Wookey, C., Hickey, L., Nichols, V., & George, G. (2014). Organizations with Purpose. *The Academy of Management Journal*, *57*, 1227–1234. https://doi.org/10.5465/amj.2014.4005

Kant, I. (1785 [1997]). "Groundwork of the Metaphysics of Morals". Cambridge University Press.

Korsgaard, C. M. (1996). "The Sources of Normativity" (O. O'Neill, Ed.). Cambridge University Press.

Ohreen, D. E., & Petry, R. A. (2012). Imperfect duties and corporate philanthropy: A Kantian approach. *Journal of Business Ethics*, 106(4), 367–381.

Smith, J. (2013). Corporate duties of virtue: Making (Kantian) sense of corporate social responsibility. In D. G. Arnold & J. D. Harris (Eds.), Kantian Business Ethics (pp. 58–75). Edward Elgar.

Steller, N., & Björck, A. (2025). Dynamic Strategifying: How do Chief Purpose Officers make purpose strategic and strategy purposeful? *Long Range Planning*, *58*(3), 102532. https://doi.org/10.1016/j.lrp.2025.102532

Steller, N. & Möllering, G. (2026). Too good to be true? A systematic literature review about the ambivalent consequences and managerial challenges of purpose implementation. *European Management Review*, 1–27. https://doi.org/10.1111/emre.70041