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The double-edged sword of purpose-driven behavior in sustainable venturing

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ABSTRACT

This paper examines the relationship between purpose and purposeful organizing and how such arrangements influence the entrepreneurial journey as sustainable ventures move from idea to markets. We leverage an iterative multi-stage process-tracing design to understand the mechanisms whereby 14 different B Corp certified organizations embed purpose before, during and after the certification process. Our analyses reveal three types of venture paths for purpose-driven entrepreneurs, which are shaped by distinct imprinting sequences with three critical sensitive windows playing a pivotal role: the definition of scope of purpose, timing of purpose formalization through B Corp Certification and shifts in the source of feedback. Different imprinters occurring within the critical sensitive windows shape particular imprinting sequences triggering situations of both productive and counterproductive path development. Our results challenge the assumed linear relationship between purpose and purposeful organizing and more specifically the belief that seeking (purposeful) B Corp certification at firm foundation is necessarily productive for society and for the ventures themselves regardless of when the certification is achieved.

Executive summary

In recent years, we have witnessed a growing interest in purposeful organizations where a purpose beyond profit maximization represents the remit and scope of the business activity. However, to date, little attention has been paid to the timing of, and the process by which, entrepreneurs embrace purpose into their organizations. Instead, purpose has been widely assumed to be binary and static over time (Estrin et al., 2016; Stevens et al., 2015). However, it has been argued that purpose may go well beyond the reason for which a venture is created and may be decoupled with the formation of purposeful organizations. Given the salience of purpose and the many critical (and so far, unknown) events connecting it to purposeful organizing, our work focuses on how the former becomes embedded through a process of imprinting, shaping the latter.

Consequently, in this study we address three interrelated research questions: does purpose always lead to purposeful organizing? Does purpose always precede purposeful organizing? And is the relationship between purpose and purposeful organizing linear or iterative?

To address these questions, we conducted an inductive two-stage process-tracing research of 14 certified B Corp entrepreneurs from Latin America. This method allowed us to delineate the processes by which entrepreneurs embedded purpose into their organizations, resulting in the identification of three venturing paths comprising unique imprinting sequences and three critical

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sensitive windows for purposeful organizing: the definition of scope of purpose, timing of purpose formalization through B Corp Certification and shifts in the source of feedback. We show how these have a long-term and distinct effects on the entrepreneurial process of B Corps. Previously it had been assumed that from a societal perspective, it may be useful to require, perhaps through regulation, that all new enterprises imprint purpose at firm foundation. For example, [McMullen and Warnick \(2016\)](#) provocatively asked the question “Should we require every new venture to be a hybrid organization?” It turns out, the answer to this question is not so definitive as many have thought. In fact, premature imprinting of purpose, before a business model has been validated with the market, can be detrimental to the organization, reducing the potential success of the venture and the societal benefit the firm could have otherwise achieved. Our study, therefore contributes to prosocial theorizing by disentangling purpose from purposeful organizing and reveals how specific organizing choices influence the evolution of purpose over time, which rectifies the prevailing assumption that purpose is stable and given before organizing begins. In so doing, we discovered a substantial variation in how the relationship between purpose and purposeful organizing works, opening an unexplored area of inquiry, which is now necessary to facilitate the pursuit of a world of prosocial organizing, beyond benefit.

1. Introduction

For more than a decade, entrepreneurship scholars have explored alternative orientations and motivations for entrepreneurs beyond profit maximization. Sub fields have emerged such as social entrepreneurship ([Dees, 1998](#)), sustainable entrepreneurship ([Cohen and Winn, 2007](#)), community-based entrepreneurship ([Peredo and Chrisman, 2006](#)) and civic entrepreneurship ([Cohen and Muñoz, 2015](#)) amongst others. While the aforementioned streams of research have sought to distinguish each sub field of “do-good” or pro-social entrepreneurship ([Shepherd, 2015](#)), others have sought to provide a unifying framework –going from divergence to convergence- for exploring beyond profit entrepreneurship. Across these subfields several studies (e.g. [Hollensbe et al., 2014](#); [Cohen and Muñoz, 2015](#); [Doherty et al., 2014](#); [Battilana et al., 2015](#)) seem to suggest that the journey to redefine what entrepreneurs can be or can do for society begins with the creation of purposeful organizations – where purpose represents the remit and scope of business activity.

Although sustainable entrepreneurship literature is already familiar with the relevance of values and purpose that motivate venture formation (e.g. [Parrish, 2010](#); [Muñoz and Dimov, 2015](#)), it has paid relatively little attention to understanding how entrepreneurs elaborate and integrate their sense of purpose into the forming business over time. First, so far most of this literature has treated purpose as a binary and static construct ([Estrin et al., 2016](#); [Stevens et al., 2015](#)). This implicit assumption suggests that entrepreneurs choose to be driven primarily by either purpose or profit, presumably at founding, and that choice stays stable throughout the process of venture development ([Dacin et al., 2011](#); [Mair and Marti, 2006](#)). For example, literature on hybrid organizing has mainly focused on the tensions between such pre-determined purpose and commercial logics, without questioning the actual emergence of purpose and its stability throughout the process of venture formation ([McMullen and Warnick, 2016](#)). In addition, even when purpose precedes the founding of the business, evidence suggests that subsequent organizing choices may trigger repeated revisions or substantial deviations from its original form or purpose ([Battilana and Dorado, 2010](#)).

In consequence, a focus on purpose may go well beyond the reason for which a venture is created or exists and requires the appropriate selection of behaviors and practices in building the character of an organization that serves the common good (e.g. [Daly et al., 1994](#)). In other words, the pursuit of “beyond profit” entrepreneurship cannot be simply encapsulated in the declared values of a business but has to be enacted through the process of organizing. Moreover, purpose may also be emergent so that different kinds of (purposeful) organizing may yield unanticipated destinations (e.g. [Mair et al., 2012](#)). In some cases, the way the venture organizes around purpose may not even reflect its members' principal interest or values ([Mair et al., 2016](#)).

The rapid expansion of new categories of purposeful organizations, such as B Corps, suggests that purpose matters. However, in light of this discussion, purpose by itself may simply not warrant the development of purposeful organizations, which suggests that the concepts of purpose and purposeful organizing may exist decoupled from each other, calling for a serious rethinking and revision of the implicit assumption underlying this relationship. Accordingly, this paper aims to more precisely delineate the nature of this relationship. By disentangling purpose from purposeful organizing, we are able to address three interrelated research questions: does purpose always lead to purposeful organizing? Does purpose always precede purposeful organizing? And is the relationship between purpose and purposeful organizing linear or recursive? In doing so, we seek to challenge the theoretical assumption that purpose is always pre-determined and works as the main imprinter of future organizing ([Mathias et al., 2015](#)). In answering these questions, Certified B Corps (as a new category of purposeful organizations) offer an interesting context that allows us to further examine the pre-determination of purpose. B Corps represent a new form of prosocial enterprising that requires to incorporate the purpose of serving the common good into the legal fabric of the business ([Branzei et al., 2017](#)). While the nature of these organizations suggests that purpose by itself is central to the development of (truly) sustainable ventures, it also proves that it is not sufficient, in the sense that purpose needs to be formalized and constantly updated to legally meet the financial, social, and environmental standards that guarantee the pursuit of beyond-profit enterprising. Thus, by exploring our research questions in the context of B Corps we can more carefully understand the linkages and causal relationships between purpose and purposeful organizing.

To address our research questions, we engaged in an inductive two-stage process-tracing research of 14 certified B Corp entrepreneurs from Latin America. We depart from traditional cross-case pattern-finding strategies towards a mechanistic conception of causality, where, by combining life story research ([McAdams, 2008](#)), graphic elicitation ([Bagnoli, 2009](#)) and process tracing methodology ([Beach and Pedersen, 2013](#)), we are able to examine how purpose and purposeful organizing are related to each other and evolve over time as part of several B Corp entrepreneurial journeys. This approach allows us to move away from the definition of purpose as pre-startup event, and move towards an examination of purpose as a sequence of “stops along the train” of purposeful organizing.

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