

## **Corporate Purpose: A Social Judgement Perspective**

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## **Abstract**

We apply the lens of social value-judgement theory to understand the recent turn to corporate purpose in popular and management discourse. We address two questions; why has the shift from shareholder capitalism to stakeholder capitalism occurred now and what are the implications for competition amongst corporations in the future. Our analysis suggests that the shift to stakeholder capitalism is triggered by extreme inequality and a concomitant sentiment of collective nostalgia. Our social value-judgement analysis suggests that the basis of competition will shift from legitimacy based competition to competition based on authenticity. We explore the implications of authenticity based competition.

## Introduction

In 2019 the Business Roundtable announced a new philosophy of corporate purpose, committing members to lead their companies for the benefit of all stakeholders (Business Roundtable, 2019). The announcement signalled a significant shift away from its 1997 statement of corporate purpose which embraced *shareholder primacy*, in which corporations primarily serve shareholders interests by maximizing profits. The shift from *shareholder value* to *stakeholder value* has diffused through the global community with similar announcements from global trade associations, leading business consulting organizations, and business schools.

How dramatic a change in corporate purpose does all this rhetoric actually represent? In law, the corporation has never had intrinsic purpose. The earliest business corporations, both in England and the United States, were municipalities, churches, and charities - organizations that embrace the social missions of today's 'new' hybrid corporations. Moreover, shareholders do not "own" the corporation (Stout, 2012; Mahoney, 2023). Rather, they own shares that grant the right to share profits of the organization. Organizational scholars reinforce the conclusion that "there is no such thing as a purpose or a uni-functional (single purpose) organization" (Simon, 1946: 59). The term "organizational purpose" first appears in management scholarship in the 1930s, most prominently by scholars like Chester Barnard (1938) and, later, Phillip Selznick (1947), both of whom drew attention to the critical role of communitarianism and morality in organizational success. Over time, however, "purpose" slowly evolved into a succession of somewhat diminished terms - "goals" (Etzioni, 1960), "mission" (Blau & Scott, 1962), and "identity" (Ashforth & Mael, 1989) – constructs that fall far short of the aspirational ideals imparted by Barnard and Selznick.

Given that corporations have no defined purpose beyond what the corporation, itself, decides, how do we make sense of the current "revolution" of corporate purpose? We define

corporate purpose as a rational myth (Meyer & Rowan, 1977) that expresses a vocabulary of motive (Mills, 1940) regarding how and why a corporation provides value. We eschew essentialist assumptions of the construct of corporate purpose and, instead, theorize it as an idealistic abstraction that achieves definition only in social and historical context. Espoused motives are not an essentialist expression of an actor's internal view or explanation for action (Burke, 1936). Rather, they articulate an acceptable justification for action negotiated in an institutional context between an actor and its key audiences. Nor are motives neutral. They are symbolic signals of what the actor has determined to be an acceptable motive based on the prevailing norms and values of a delimited social structure. We view corporate purpose as a social value-judgement that has been subject to ongoing revision and reinterpretation.

Vocabularies of motive are not simply reflections of present norms and values, but rather are efforts by an actor to anticipate future norms and values. The current debate on corporate purpose, thus, offers insight into the institutional mechanisms by which one set of norms and values begins to replace another. Yet we lack a conceptual understanding of the triggers for shifting value-judgments or the process by which they change. We also lack a clear understanding of how this shift in the foundational norms of corporate behavior will change competition between corporations.

We apply the lens of social judgment theory in an effort to anticipate what the emerging new standard of acceptable behavior will be for modern corporate actors. *Our core argument is that the Business Roundtable's shift in the definition of corporate purpose signals a shift in the standard of social evaluation of publicly traded corporations from an old standard of legitimacy to a new standard of authenticity.* We theorize why that shift has occurred and anticipate how competition will change as a result of the adoption of authenticity as a new standard of social

evaluation for corporations. In the first section we address the question “Why are these changes occurring now?” We show that adopting a new standard of authenticity is triggered by growing economic inequality and a concomitant collective nostalgia for more traditional values. We address the question of what this new standard of authenticity will mean for how corporations compete. In the second section we summarize the important differences between legitimacy and authenticity as distinct forms of social evaluation and, in the third section, describe what corporate competition will look like when authenticity replaces legitimacy as the primary form of social-judgement.

### **Why Now?**

Our interest in corporate purpose is not new. A Google n-gram<sup>1</sup> of the term “corporate purpose” from 1800 to 2008 (Figure 1) demonstrates that our current conversation about corporate purpose is neither as new nor as pronounced as it was in two prior eras. The first peaked roughly between 1880 and 1885 and the second between 1930 and 1942. Both occurred during periods of extreme economic inequality. The first period correlates with the Robber Baron era during the massive industrial expansion of the US in the late 19th century. The term Robber Baron first appeared in an 1870 issue of the *Atlantic* to capture public dissatisfaction with “the protean nature of American capitalism” (White, 2011: 230). The primary target of criticism were entrepreneurs like Cornelius Vanderbilt or Leland Stanford, “titanic monopolists who crushed competitors, rigged markets, corrupted government.” (Stiles, 2009: 24). The Robber Baron era began, roughly, in 1861 and ended in 1901, dates that correspond to the first historical spike in corporate purpose rhetoric.

The second era correlates with the Great Depression, a breakdown in economic activity that began the US stock market crash of 1929 and lasted until 1939. Like the Robber Baron era,

the Great Depression was an era of extreme economic inequality characterized by massive unemployment and growing industrial stagnation. Again, these dates clearly incorporate the spike in conversation around corporate purpose that begins in 1930 and peaks in 1939. Epochs of high inequality seem to spark both a debate over corporate purpose and a growing collective nostalgia toward a return to traditional values. That economic inequality triggers nostalgia is not a particularly new insight. Over a hundred years ago the German sociologist argued that humanity's response to the inexorable spread of industrialization was a collective anomie or "disenchantment of the world". For Weber (1946: 12), disenchantment meant "the knowledge or belief...that there are no mysterious incalculable forces that come into play, but rather that one can, in principle, master all things by calculation".

Weber's notion of disenchantment arose from two profound shifts in social values that occurred as a result of the industrial revolution; increasing secularization as western societies moved away from traditional beliefs (religion, superstition, magic) and the concomitant increase in scale and power of formal bureaucracy, science, law and rationality. Weber predicted that that the rationalizing arc of modernity would be accompanied by an increasing sense of loss as the old "nature-centered" world of myth and magic gave way to the new "human-centered" world of efficiency and control. Although Weber believed that the trend to secularism and rationality was unidirectional and irreversible, he acknowledged there would be setbacks in which elements of society, grown weary of the disenchanting effects of rationalization, would become nostalgic for traditional beliefs and former values. Periodically, Weber predicted, society would reject the dehumanizing effects of modern industrial society and try to recreate old institutions and practices that offer the comfort of tradition, spirituality and the magic of an (often imaginary) pastoral past.

The current angst about the corporate purpose is yet another example of an attempt to redress our growing societal disenchantment. At its core, the rejection of shareholder value and the adoption of stakeholder value is a rejection of the more impersonal roles, individualistic beliefs and formal values of rationality that the German sociologist Ferdinand Tönnies termed *Gesellschaft*, and the re-adoption of more communitarian values of the past, or what Tönnies termed *Gemeinschaft*. The adoption of more traditional and communitarian values, however, also shifts the standard of social value by which we judge corporations from one based on legitimacy to authenticity.

### **How does Authenticity differ from Legitimacy?**

Legitimacy and authenticity are forms of a broader category of social phenomena termed social value-judgements. Researchers have identified a broad range of social value-judgments, some of which – status (Podolny, 2010), reputation (Frombrun & Shanley, 1990), legitimacy (Suddaby, et al, 2017) – have been the focus of decades of empirical research and others of which – authenticity (Carroll & Wheaton, 2009), celebrity (Zavyalova, et al, 2017) – are emergent areas of increased empirical attention. While each of these categories of social value-judgement play an important role in the constitution and perceived effectiveness of various aspects of corporate behavior, we focus attention on the two types of value-judgements which most directly capture the core competing tension inherent in the shift from shareholder to stakeholder value as the stated purpose of the modern corporation – legitimacy and authenticity.

#### **Legitimacy**

Legitimacy is a category of social judgment that confers a perception of appropriateness and acceptability of an entity or a practice by a particular audience based on a shared system of

values, norms and beliefs of that audience (Suddaby et al, 2017). The concept has deep historical roots in the social sciences where scholars sought to explain how institutional actors (sovereigns, governments and other rulers) gained authority and submission from the populations they ruled. German sociologist Max Weber observed that obedience was not a result of coercion but instead was determined by a willingness of the population “to submit to an order” which “always in some sense implies a belief in the legitimate authority of the source imposing it” (Weber, 1946: 132). A critical element of this definition of legitimacy is that it is a form of power granted to an entity by an audience, rather than forcibly wrested from it. That is, legitimacy is a form of social judgement conferred exogenously rather than cultivated endogenously.

Organizational theories of legitimacy accept this assumption, but have focused considerable attention on the institutional and strategic practices by which perceptions of legitimacy can be managed (Suddaby & Greenwood, 2005). Legitimacy is understood to a resource that can be cultivated by strategies in the material world – by altering the types and degree of dependence on its constituents (Pfeffer & Salancik, 1978) – or by strategies in the symbolic world – by appearing to conform to prevailing norms of constituents by sending the right signals or by taking efforts to change prevailing norms. The capacity to manage legitimacy is enhanced when entities reject the assumption that they are subject to universal norms and replace it with the observation that they are subject to the social value judgments of multiple audiences (Suddaby et al, 2017). When the norms of diverse audiences are not universal, the ability of an entity to manage perceptions of legitimacy is enhanced, despite the endogenous nature of legitimacy as a power that is exogenously conferred.

### **Authenticity**



Authenticity is a category of social judgment in which an entity or product is deemed to be 'real', 'genuine' or 'true'. Authenticity is a polysemous construct whose meaning is often dependent upon the context in which it is used. Two distinct and somewhat contradictory definitions of authenticity appear in the literature. In sociology and management research, authenticity is viewed as a social construction that is "not a 'real' thing or something that can be objectively determined but rather [is] a socially constructed phenomenon [by which] certain specific aspects of a product, performance, place or producer somehow get defied and treated as authentic by audiences in a particular social context" (Carroll & Wheaton, 2009: 256). In this view, authenticity is, somewhat ironically, a claim to reality that is not, itself real.

In philosophy and art theory, however, authenticity is an objective claim to reality that may take one of two forms. The first, nominal authenticity, is based in history and is a claim of provenance, i.e., that a work of art is not a forgery or a piece of music or literature is not plagiarized (Dutton, 2004). The second, expressive authenticity, is derived from existential philosophy and refers to the act of being true to ones own personal creative muse – i.e. faithfulness to the performer's own self, original, not derivative" (Kivy, 1995) – while contributing to the living critical tradition of a corpus of literature or music or a genre of art (Dutton, 2004).

In contrast to legitimacy, nominal and expressive authenticity is largely endogenously determined. While outsiders – i.e. audiences and critics - are important to determining what is or is not authentic, they are not determinative of authenticity in and of themselves but rather as custodians or monitors whose discretion is limited to ensuring that the artists creativity contributes to, but does not violate the historically determined tradition of the art form. Authentic art, in the context of existentialism and art theory, is that artistic authenticity is "achieved only when an

artwork expresses the authentic values of its maker, especially when those values are shared by the artist's immediate community" (Dutton, 2004).

### **Authenticity and Legitimacy in the debate over Corporate Purpose**

The distinctions between authenticity and legitimacy form the foundation of the inherent conflict between shareholder capitalism and stakeholder capitalism. The prevailing model of shareholder capitalism emerged out of a set of related "free market" public policies (now known as neoliberalism) that promoted deregulation capital markets, reducing social welfare programs and promoting unfettered global trade. Politically, neoliberalism was exemplified by the policies of the Thatcher government in the UK (1979–1990) and the Reagan government in the US (1981–1989) both of whom were elected on platforms that reduced the influence of trade unions, reduced taxes on the wealthy and promoted laissez faire economics. The political movement was supported by a less visible but equally influential campaign by prominent businessmen (Phillips-Fein, 2010) and their corporate foundations (Mayer, 2016) designed to reinforce the discourse of libertarian norms of individual responsibility, reduced taxation and the dismantling of the welfare state.

Perhaps more influential in promoting shareholder capitalism was the influence of prominent academics and intellectuals such as Friedrich Hayek, Milton Friedman, George Stigler, Karl Popper, and Michael Polanyi who undertook a highly public campaign of debates and exchanges designed to challenge government regulation, social welfare, trade unions and a host of taken-for-granted assumptions of good governance in Western industrial economies (Mirowski & Plehwe, 2015). Critically influential was the publication in 1976 of a paper by Michael C. Jensen and William H. Meckling titled *Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure* which argued that professional managers were squandering money that

rightfully belonged to the shareholders. This, they suggested was bad for the corporation and bad for the economy.

In response, American corporations engaged in a series of isomorphic strategies of downsizing and delaying in the named objective of increasing shareholder value (Budros, 1999). The structural reforms, accompanied by a growing ideology of shareholder primacy, diffused quickly across the US corporate landscape despite mounting evidence of a lack of efficacy of the changes (Jung, 2016), increased decoupling of announcements of downsizing and actual implementation and growing evidence of a loss of reputation as a result of restructuring (Love & Kraatz, 2009).

The legitimacy of shareholder capitalism can also be observed in the degree to which its core assumptions became embedded in management education, legal scholarship, cultural conversations and everyday discourse. As demonstrated in Figure 2, a Google n-gram of the term “shareholder value”, the concept emerged quite distinctly in the early 1980s just as the conservative economic policies of Margaret Thatcher, in the UK, Ronald Reagan, in the US and Brian Mulroney in Canada began to have impact. By 1987 the neoliberal economic ethos had become clearly embedded in popular culture as exemplified in the movie *Wall Street* and, most particularly, in the main character Gordon Gekko and his mantra “Greed is good”. Gekko, according to the co-writer Oliver Stone, was an amalgam of several prominent corporate raiders including Ivan Boesky, Michael Milken, Carl Icahn and Stone’s own father, stockbroker Lou Stone.

The notion of shareholder value also became prominently embedded in management textbooks and curricula in leading business schools around the world but most emphatically in elite US institutions. A recent study by the Brookings Institute of the curricula of elite management

and law schools in the US found that, while there are few classes in either discipline that specifically address the issue of corporate purpose, most emphasize the goal of maximizing shareholder value, particularly law schools (West, 2011). The study cites prior survey research of business school graduates which show that, after graduation these students tend to see shareholder value as the primary objective of the corporation (West, 2011). One small glimpse of hope, however, is that business school attitudes about shareholder value seem to be changing, albeit slowly. As Figure 3 demonstrates, between 2001 and 2007, the proportion of business school graduates who view shareholders as deserving the most attention by corporate leaders has decreased from 50% in 2001 to 46% in 2007.

### **How will Authenticity change competition?**

The differences between social value judgments based on legitimacy versus social value-judgements based on authenticity is, perhaps, best captured by Han's Christian Andersen's classic children's story of the Emperor's New Clothes. In the story, an emperor who is fond of new clothes is deceived by some weavers to believe that a new suit will be invisible to stupid people. The weavers pretend to make a suit but, in fact, send the Emperor into the city naked. Aware that the Emperor is naked, but afraid to be seen as stupid, everyone lies and claims to be able to see the suit. It takes an uninitiated child to shatter the collective deception by loudly stating "the Emperor is naked".

The story reveals the danger of collective self-deception inherent in processes of legitimacy. To conform to external norms, of efficiency or clothes visible only to stupid people, involves some degree of denial of reality. Authenticity, by contrast, contains inherent assumptions of relying on internal standards of judgement rather than conforming to collectively-held external

standards. As the Emperor's tale also reveals, however, authenticity also connotes an element of moral character – i.e. being true to oneself – and of an adherence to a form of rationality based on values rather than means-end calculations, a distinction that Weber termed “value rationality”.

One of the clear consequences of adopting authenticity as the primary frame by which we judge corporations is to shift the focus away from externally established norms of corporate behavior and to focus instead on the degree to which corporations are internally coherent. An assessment of legitimacy is inherently externally focused. To be legitimate is to comply with prevailing norms or standards of behavior. Norms are social rules or expectations that are established and enforced by a community. An assessment of authenticity, however, is largely made by an evaluation of whether an actor is true to internally determined values. In contrast to assessments of legitimacy, we tend to view authentic actors as standing up for their values even if that is inconsistent with community values.

### **Values-Based Competition**

Because authenticity is a value-judgement premised on more traditional values, much of the emerging literature assumes that the adoption of authenticity as the standard for judging corporations will be contextualized within a socially progressive framework based on morality and ethics. We see elements of this emergent discourse in the emerging literature on values-based competition both in political science and in management.

In political science, researchers point to the inherent power wielded on the international stage by small countries like Norway and Canada which, despite their lack of coercive power, retain high status in international affairs because of their moral authority (Wohlforth, Carvalho, Leira & Neumann, 2017). Canada, for example, is a member of the G7, an international group

comprising the governments of the world's largest economies, even though Canada's economy only ranks tenth in the world according to the World Population Review (2022), well behind both China, India and Brazil.

The enhanced status of these countries is derived largely from their strategy of accumulated moral authority, a dynamic first observed by the French sociologist Emile Durkheim (1992/1913: 75) who observed that "societies can have their pride, not in being the greatest or the wealthiest, but in being the most just, the best organized and in possessing the best moral constitutions". In fact, Norway explicitly pursued a strategy of exploiting their moral authority in an exercise designed to brand the country as a "humanitarian superpower", although after internal opposition to the somewhat grandiose claim, settled on a branding strategy built around being a "humanitarian great power" (Carvahlo & Lie, 2014).

Management researchers, similarly, have identified an emerging but distinct trend toward value-based competition. Rindova and Martins (2018), for example, elaborate the strategic role of value rationality in firms such as Starbucks where the distinctive and profitable growth strategy of the company can be attributed to the positive values of the founder and their reliance on value-rational action rather than the instrumental or means-ends rationality. Similarly, in support of the symbolic protest against racially motivated violence against black people in the US initiated by NFL quarterback Colin Kaepernick, Nike corporate created a shoe featuring a historic version of an early US flag (the Betsy Ross). Many US companies have engaged in value-based competitive acts such as the mass withdrawal of advertising by Fortune 500 companies from Facebook to protest the Trump presidency or the claim by David Green, CEO of Hobby Lobby that he was relinquishing control of the corporation to "honor God" stating that instead of "going public, you

could say we are going purpose”. The growing trend to competition based on espoused values has been termed “woke capitalism” (Rhodes, 2021).

The notion of corporate competition in an institutional framework that is both ethical, values-based and authentic is not new. This purist form of authentic competition was first described by the German sociologist Georg Simmel (1903) who described two types of competition. The first, which adopts the means-end form of rationality dismissed by Rindova and Martins, focuses on the outcome of competition. Although the competition may be indirect – i.e. structured in a way in which there is no direct conflict between the combatants – the sole objective of competition is to damage or destroy the opponent with the intent of removing him or her from the competitive field. The second is competition in which the objective is not the successful outcome of the fight vis-à-vis the competitor, but rather “the realization of certain values that lie beyond the fighting” (Simmel, 1903: 1011).

The distinction between these two categories of competition is reflected in the oft repeated aphorism attributed to the American sportswriter Grantland Rice, “it’s not whether you win or lose, it’s how you play the game”. The adage effectively distinguishes between the means (how you play the game) and the end (winning and losing) of competition. Rice’s adage echoes the primary contribution of institutional economist Douglass North (1990: 3) who observed that the resilience of an economy is dependant on “the rules of the game in a society or, more formally...the humanly devised constraints that shape human interaction”

The aphorism also effectively reflects an important evolution in the definition of competition when it moved from economics faculties to management schools. Early conceptions of competition in economics emphasized Pareto efficiency (or Pareto optimality) to describe an ideal economic state where resources cannot be reallocated to make one individual better off

without making at least one individual worse off. Achieving this state was a utopian ideal because it described a form of competition that allocates resources in the most economically efficient manner possible.

Pareto efficiency is a form of competition which conforms to the type of value-based competition described by Freeman and Auster and Rindova and Martins. It describes competition in which the means (the rules of the game) determine the ends. In Pareto competition “the struggle consists only in the fact that each competitor by himself aims at the goal without using his strength on the adversary...this type of competition equals all other kinds of conflict in emotional and passionate effort. Yet, from a superficial standpoint it proceeds as if there existed no adversary but the aim” (Simmel, 1950: 58).

Consider, by contrast, the form of competition introduced by management scholars. Porter’s five forces model of competitive advantage is a recipe for disrupting Pareto efficiency by creating barriers to entry, constructing power relations with consumers and suppliers and eliminating the threat of substitute products. This is a model of competition that focuses on the ends of competition, one which offers no social value focused on reducing the cost of goods, but one that exalts in eliminating the adversary. Its ultimate goal is not innovation or efficiency, but monopoly. This type of competition, characterized by self-interest, instrumental devotion to ends rather than means and premised on assumptions of greed and self-dealing, is the model of competition that has dominated management education in business schools.

### **Character-based Competition**

Another positive implication of adopting authenticity as the standard for judging corporations is the potential for using character as the basis for assessing both corporations and



their leaders. Selznick thought that commitments towards other constituencies were the key motives through which the informal structure becomes institutionalized and “infused with value beyond the technical tasks at hand”. The distinctive character of the organization emerges as the organization stands on the commitments that it makes over time, and the organization becomes a “champion” for specific values or moral consideration. To the eyes of internal and external constituencies, the organization becomes an institution.

Commitments by the organization are not all equally worthy and enduring, and over time the weaker commitments will be abandoned, and only the stronger ones (the ones that are more “committed”) will remain alive and resonant with the other constituencies. As King (2015: 158) writes: “Commitments that are less central to an organization’s character may be cast off, while those that are definitive tend to be amplified and inform future strategic decisions”. Commitments can also be reversed, but the stronger the commitment is sought to be reversed, the more likely it will trigger a generalized sense of inauthenticity and disconnection between the stated character of the organization (“what the organization stands for”) and the real life actions of the organization.

Research that applies a behavioral lens to strategic decision making and entrepreneurship has highlighted the cognitive biases associated with escalation of commitment and the consideration of previous investments as sunk costs (Staw, 1981). This is often considered an antecedent of the inability of companies to be adaptive when the environment requires innovation or a change in strategy. Early commitments by a venture’s founder, for example, imprint and constrain the future lines of actions of the company (Marquis & Tilcsik, 2013), and influence the “character formation” of the venture (de Cuyper, Clarysse, & Phillips, 2020).

Externally, the stream of commitments also affects how an organization is categorized in the broader strategic categories that order the market (Cattani, et al, 2017). These commitments to

a category can be interpreted as signals by external audiences of the membership of the organization to a specific category. Akin to Selznick's reasoning that has been previously spelled out, the reversal of such categorization puts costs over the organization and it is difficult to be achieved.

Authenticity commitments can be driven by life-cycle effects. New ventures often claim an "authentic identity", which often mobilizes codes and resources against the "mainstream" market, in order to gain support by peripheral or low-status customers, but, as they scale and shift towards being more bureaucratic, professionalized, and dominated by an instrumental rationality (DeSantola & Gulati, 2017), their character comes to be very much in contrast with the founders' "entrepreneurial passion" and drive that is often found in early stage ventures. For example, Rao and Dutta (2018) interpret the success of Apple through the lens of an identity movement, which "seek[s] to express subjugated identities, foster[s] feelings of unity and worth sustained through interactions among movement participants, and [is] communicated through cultural materials such as names, narratives, symbols, and rituals" (Rao & Dutta, 2018: 316), instead of relying on instrumental movements that focus on efficiency.

New ventures might have more leeway and credibility in playing the part of the "underdog" (Steele & Lovelace, 2022) for niche audiences (e.g., customer segments) that can be resonant with such identity. In their study of identity trajectories, Cloutier and Ravasi (2020) show that the signalling of an authentic identity is a marker that enforces and enacts identity through the conscious rejection of business or funding opportunities on a normative basis. However, they find two different types of patterns. Over time some organizations came to formalize a specific code of conduct to be applied to preserve the authenticity of identity commitments, not leaving it to the free will of the individuals, and applying it in a fairly strict and well-defined manner. Other

organizations develop periodic discussions around what the company stands for, in order to revise the commitments that the organizations have made in the past and try to accommodate some elements of change that could keep together the pursuit of new business opportunities and a sense of continuity of organizational identity. Ultimately, authenticity claims in corporate purpose are inextricably linked to identity claims (See Pratt & Hedden, 2023, this volume for an elaboration of this argument).

Being authentically consistent with past commitments can be also a way to achieve long term survival. The persistent commitment to craft-based production methods by Steinway and Son's, even when mass production, industrial techniques emerged, made this company accrue reputational and informational advantages, developing a resonant and credible "strategic" character based on high-quality pianos that have overcome the challenge of time (Cattani et al, 2017). Such commitment made Steinway and Son's strategic character affectively resonant with generations of piano players, and slowly became institutionalized, as the brand "Steinway and Son's" is directly recognizable as the steward of values of virtuoso playing, craft and high-quality piano manufacturing.

### **The Dark Side of Authenticity and Value Based Competition**

We must be careful, however, to not assume that the adoption of authenticity as the primary social value-judgement of corporations will always produce progressive and morally positive change. We must never underestimate the power of instrumental rationality to subvert the spirit of authenticity. Prior research reveals three fundamental ways in which rational actors can either purposively or unwittingly undermine authenticity.

#### **Faking Authenticity**

A famous quote, variously attributed, states “the most important thing is integrity. Once you figure out how to fake that you’ve got it made.” Research in leadership (Aviolo & Gardner, 2005) and workplace identity (Ashforth & Humphrey, 1993) both recognize that, at an individual level of analysis, faking authenticity is a common practice. Researchers, however, do not necessarily assume that this form of false authenticity is necessarily designed to subvert the spirit of authenticity. Rather, drawing from the philosophy of Heidegger (1962), the practice of faking authenticity is seen as a way of becoming, part of a developmental process by which individuals evolve to an ongoing practice of making behavioral choices that are consistent with their internal moral compass and their espoused motives. This understanding of authenticity as a developmental process initiated by first faking authenticity is captured in both the academic construct of “provisional selves” (Ibarra, 1999) and the common aphorism “fake it until you make it”.

Prominent examples of faking authenticity emerged shortly after the Business Roundtable embraced stakeholder value in August of 2019. In August of 2020 Jeff Bezos, CEO of Amazon and prominent member of the Business Roundtable was cited as the first CEO to break his pledge by the Los Angeles Times (Hiltzik, 2020) for cutting health benefits for part-time employees at Whole Foods, a subsidiary of Amazon. Mary Barra, CEO of General Motors and another prominent member of the Roundtable was criticized for rejecting workers demands for raise increases and a cessation of General Motors practice of outsourcing jobs, despite the fact that General Motors was enjoying large profits and considerable tax breaks. A study conducted by the Harvard Law School’s Program on Corporate Governance which analyzed the statements made by signatory CEOs of the 2019 statement on corporate purpose and compared those words to actual practices of the corporations they led concluded “that the BRT statement did not represent a meaningful commitment...it was mostly for show” (Bebchuk & Tallarita, 2020).

## **Weaponizing Authenticity**

The mismatch between words and actions of the signatories of the Business Roundtable CEOs may be explained away by the understanding of authenticity as a developmental process described above. If they are simply faking it until they make it, perhaps it is too early to label these corporations and their leaders as inauthentic. A more instrumental type of false authenticity, however, falls into the category of “weaponized authenticity”. The term is used to describe those organizations who falsely claim authenticity while using corporate purpose to attack their competitors.

Perhaps the most obvious example of this form of false authenticity arises in the international arena where the leaders of India and China argue that imposing global emission standards by Western industrialized countries is not entirely altruistic but, rather, is a way of imposing additional costs on developing nations who have not had the benefit of two hundred years of polluting experienced by the West (Wiener, 2007).

Corporations are adopting a similar strategy of using authenticity to orchestrate attacks on competitors. McDonnell (2016) describes several prominent US corporations that surreptitiously support activist organizations in their efforts to identify and publicize problematic environmental, labor or social practices of their competitors. In 1993, for example, Safeway joined a Greenpeace backed boycott of all Norwegian seafood to protest the country’s commercial whaling policies. In 2009 a consortium that included Nike, Harley Davidson and Walmart also joined Greenpeace in sponsoring a boycott of leather products obtained from cattle grazed on the de-forested areas of the Brazilian Amazon, and demanded that authorities take steps to stop the ongoing degradation of the habitat.

The espoused motives of these corporations in supporting activist social movements are overtly authentic. They profess to be supportive of saving whales, forested eco-systems and offer related altruistic motives. However, McDonnell (2016) identifies limits to these corporate claims of altruism. Her immediate findings are that corporations who are themselves suffering from reputational deficits because of their own poor social practices are most likely to engage with social movements. McDonnell also finds that firms that engage with social movements do gain some reputational benefit as a result. More critically, the phenomenon McDonnell describes leaves open the opportunity to, more strategically, engage in social movement activities that can target their competitors, both directly and indirectly. This is perhaps the logical extension of authenticity in a way that subverts its original intent and ethos.

### **Rationalizing Authenticity**

A more insidious form of subverting authenticity arises when it occurs, not with malicious intent, but rather as an unintended consequence of a natural process of rationalization. Commensuration is a form of rationalization (Espeland & Stevens, 1998). It is a process of taking diverse information from our often chaotic empirical experience of reality and condensing it into newly created categories that facilitate comparison. The process of converting messy empirical data into common categories, however, inevitably alters the nature of the information, despite the best efforts of those engaged in the conversion process to preserve the essence of the measures. Substantial empirical research has elaborated the unintended consequences of commensuration work in efforts to compare performance across individuals or organizations (Espeland & Sauder, 2017) in accounting and audit work (Crevlin & Lohlein, 2022), in management control systems (Habran & Mouritsen, 2020) and in carbon markets (MacKenzie, 2009).

An example of the process of rationalized authenticity arises in the context of phenomenon called Domsday Tourism. The term refers to the unintended consequences of a natural or cultural wonder being designated as a UNESCO World Heritage site. The designation is a formal institutional recognition of the site as a unique landmark or area that deserves legal protection by an international convention designed to preserve its authenticity. Once designated, however, the site becomes a high status designation on most tourist ranking lists and, as a result, becomes inundated with tourists. So, for example, when the Great Barrier Reef received World Heritage status as a fragile coral structure deserving protected status, tourism to the site immediately increased as individuals sought to see the natural wonder before it disappeared.

The designation of authenticity by UNESCO, thus, has the paradoxical consequence of increasing the legitimacy of the site as a tourist destination, thereby undermining its authenticity. Public organizations managing these destinations often struggle to balance the tensions to be both legitimate and authentic. This phenomenon reveals the most dangerous category of subverting authenticity, in large part because it occurs as a natural consequence of this paradoxical but undertheorized relationship between legitimacy and authenticity.

### **Conclusion**

Viewed through the lens of social-judgement theory, corporate purpose can be seen as shift in motive from a vocabulary of legitimacy to authenticity. As corporations engage in competition premised on claims of authenticity, both corporate managers and management scholars must gain a clearer understanding of what authenticity-based competition means. We can learn much from history. Most speculative bubbles in history – from the Dutch tulip mania to the competition over religious indulgences – were premised on an implicit value-judgement that combined morality with status, celebrity or authenticity. We can also learn from extant research on the moral basis of

play and competition. Both approaches demand a rigorous program of focused empirical research on how values shape competition.



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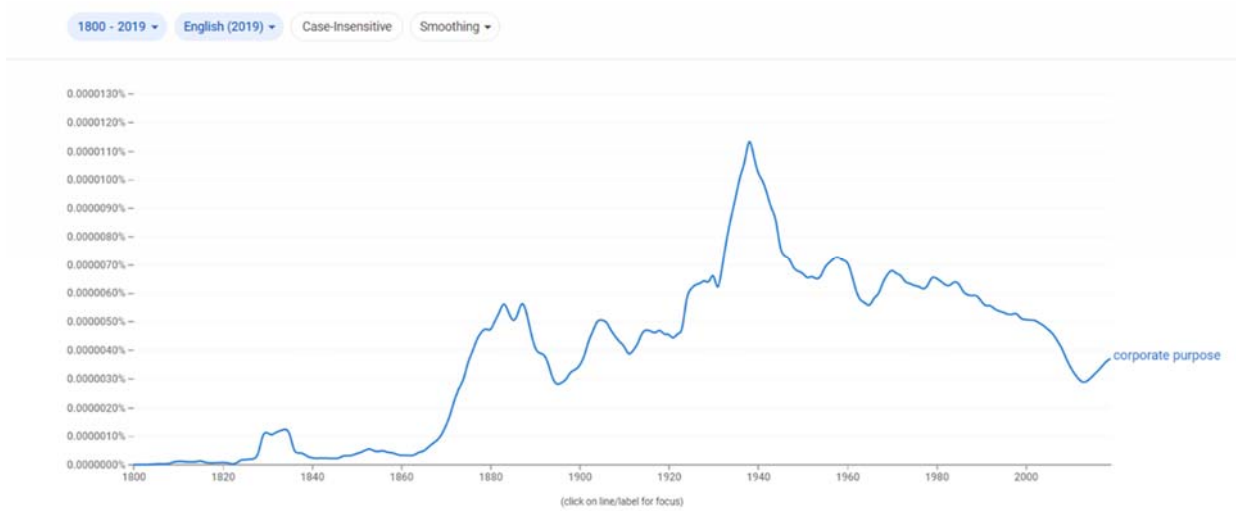
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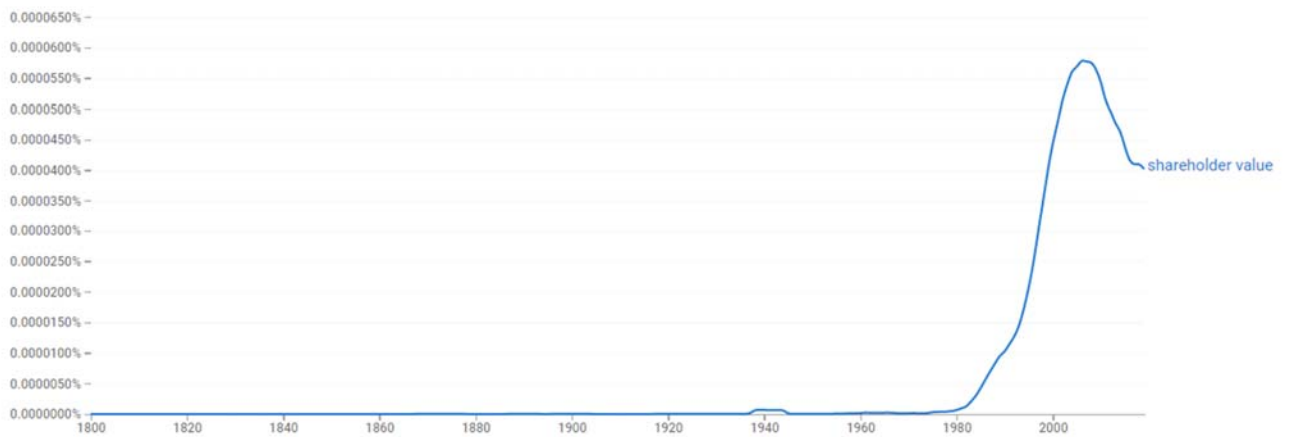
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**Figure 1: N-Gram of “Corporate Purpose”**



**Figure 2: N-Gram of “Shareholder Value”**



**Figure 3: Aspen Survey Results on Shareholder Primacy**

<b>MBA Student Views about How Much Consideration Existing Company Leadership Gives to Various Factors when Making Decisions</b>			
	<b>2007</b>	<b>2002</b>	<b>2001</b>
Shareholders	46%	47%	50%
Customers	30	30	28
Employees	18	15	16
Social and Environmental Conditions	8	8	7

*Source: Aspen Institute Center for Business Education Survey on "Where Will They Lead? 2008"*

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<sup>i</sup> An n-gram displays the relative frequency of appearance of different terms in sources printed between 1800 and 2019.