

## A THEORY OF ORGANIZATIONAL PURPOSE

Alan D. Morrison

Saïd Business School

University of Oxford

[alan.morrison@sbs.ox.ac.uk](mailto:alan.morrison@sbs.ox.ac.uk)

Rita Mota

Saïd Business School

University of Oxford

[rita.mota@sbs.ox.ac.uk](mailto:rita.mota@sbs.ox.ac.uk)

**Acknowledgments.** We are particularly grateful to three careful and insightful anonymous referees, and especially to our editor, Jay Barney, for expert guidance as well as extremely detailed and thoughtful comments on earlier versions. Thanks also to participants in the Saïd Business School's Philosophy and Organization Theory Seminar for lengthy discussions about intentionality.

## ABSTRACT

*This article presents a theory of organizational purpose that is normatively neutral and, hence, can be deployed to study firms without prejudging their role in society. The argument employs two philosophical concepts: intentionality and speech acts. The first is used to conceptualize the corporate mind, which is a set of long-lived beliefs about the world-as-it-is and intentions about the world-as-it-will-be that drives organizational activity. Corporate minds allow for complex and valuable forms of social cooperation and, hence, the article argues that the purpose of any organization is to sustain a corporate mind. Five core attributes enable organizations to fulfil this purpose: those are authorization, property rights, the ability to contract, the capacity to deliberate, and conversability. Conversability allows organizations to perform speech acts: that is, to make statements about the corporate mind that are referred to in this article as meta-contractual avowals. The article provides a value-neutral account of corporate governance as the set of devices that ensures the consistency of an organization's corporate mind, meta-contractual avowals, and authorized actions. This theory sheds light upon the structure of purpose discourse and the relationship between different theories of the firm.*

What is the purpose of the firm? A wealth of literature addresses this question, but it has acquired additional salience in recent years as activists, politicians, business leaders, and academics have debated the best response to decades of corruption scandals, human rights abuses, massive and increasing levels of inequality, and growing awareness of the climate emergency. Fifty years after its famous exposition by Milton Friedman, the shareholder-centric position that firms exist to serve the interests of their shareholders still reflects the opinions of many practitioners (Friedman, 1970; Smith & Rönnegard, 2016) and many scholars and policy makers continue to argue that society is best served by a lightly regulated economy of profit-seeking firms (see, e.g., Karnani, 2011; McBride, 2019; Rajan & Zingales, 2004). But the shareholder-centric position is facing challenges from scholars who argue that it lacks firm legal foundations (Stout, 2012) and by a range of actors who have stated that firms can only contribute to the resolution of complex social problems by acknowledging that their purpose must extend beyond the maximization of shareholder value (Business Roundtable, 2019; World Economic Forum, 2019). Academic discourse on this side of the debate leans heavily upon intellectual scaffolding provided by stakeholder theory (Freeman & Reed, 1983; Freeman, 2010; Freeman, Harrison, Wicks, Parmar, & De Colle, 2010; Harrison, Phillips, & Freeman, 2020), which claims that firms should consider the needs of all relevant stakeholders when they make decisions.

However, it is very hard to conceive of meaningful changes to the role of firms within existing theoretical frameworks because, much of the time, those frameworks are built on strong assumptions about what firms are for. For example, a lot of economic theory starts from the consequentialist normative assumption that market exchanges ought to maximize allocative efficiency. Given some restrictive assumptions, it is possible to demonstrate that shareholder maximization leads to allocative efficiency (Arrow, 1951; Debreu, 1951) and, as a result, some

economists identify a normative division of labor under which policy should attempt to approximate those conditions and firms ought to maximize profits (Clyde, Sivadasan, Karnani, Manchanda, & Narayanan, 2018; Jensen, 2002). Similarly, some approaches to stakeholder theory derive from a normative commitment to a value like economic efficiency, competitive advantage, justice, or equality and then argue that a stakeholder firm best achieves that value (Jones, 1995; Phillips, 2003; Porter & Kramer, 2006). In short, the way in which shareholder and stakeholder theories are constructed often enables them to yield deep insights into the ways that organizations can be put to use in pursuit of a particular social end, but it makes it very hard to think about organizations and their purpose without taking a position on what is good and desirable in life.

This article identifies a purpose for organizations that has no normative content and, hence, can be used to study firms without any preconceptions about their role in society. That purpose must reflect an understanding of social life that is prior to shareholder and stakeholder theories and their associated normative understandings; accordingly, this article starts from the philosophical concept of intentionality (Dennett, 1971; Searle, 1983, 2010; Tuomela, 2013). Intentionality is a property of minds that underpins every type of social interaction; it is useful to people because, irrespective of their value systems, it allows them to get things done. This article uses intentionality to theorize the “corporate mind,” which is a set of beliefs, desires, and intentions that is attached to an organizational form. When they exist, corporate minds enable people with any set of values to achieve things together that they would find it very hard to accomplish individually. The main claim of this article is then that the purpose of any organization is to sustain a corporate mind. It identifies an “ideal-type organization” as one that accomplishes this task, and argues that an ideal-type organization necessarily has five core

attributes: authorized actors, property rights, the ability to contract, the capacity to deliberate, and conversability. The first four core attributes enable the organization to form intentional states, while the fifth, conversability, enables it to perform “meta-contractual avowals” that communicate the content of the corporate mind. The article provides a value-free characterization of corporate governance as the set of devices that ensure the consistency of an organization’s corporate mind, meta-contractual avowals, and authorized actions. The article closes by discussing the structure of purpose discourse and the relationship between several theories of the firm.

## **INTENTIONALITY AND SPEECH ACTS**

This section introduces two philosophical concepts that underpin later discussions about an organization’s attitudes towards, and commitments regarding, the world. The first idea is intentionality, which concerns the mental images that sentient actors form of the world as it is, and of the world as it will be. The second concept is the speech act, which is a statement that facilitates social life by expressing information about intentional states.

Intentionality is *aboutness* (Dennett & Haugeland, 1987). For example, a tree is not about anything and so is not intentional; in contrast, a belief can be about the tree and so is intentional. Intentionality is thus a technical term: it derives from the Latin verb “intendo,” which means to point or aim at. Used in its standard sense, “intent” is a form of intentionality, but intentionality has a far wider meaning that encompasses, for example, beliefs and desires. Intentionality is always derived or inherited from our mental states: beliefs about trees live in minds, and, if a book is about a topic, its aboutness comes from the minds of the people who interpret the marks

on its pages. It is therefore natural to turn to the literature on intentionality in order to understand how people engage with each other and with the natural world.

The formal analysis of intentionality is often expressed semantically (Dennett & Haugeland, 1987; Quine, 1956; Searle, 1983). An intentional agent can form beliefs about, and desires concerning, external states of affairs. Those states of affairs can be expressed as propositions. A proposition is a picture of a possible state of affairs in the world (Wittgenstein, 2013) that is usually expressed as a sentence like this: “Jane receives a birthday card.” The picture of the world that a proposition represents may not be true. But people can form mental states about that picture: for example, they could believe it, they could disbelieve it, they could intend that it occur in the future, they could hope that it occurs in the future, and so on. Such mental states are referred to as *intentional states*.

John Searle (1983, 1995) identifies two types of intentional state.<sup>1</sup> The first type captures the mental states that an actor has about the world as it is. For example, a person might believe or perceive that a particular proposition accurately describes the world. Searle calls this type of intentional state “mind-to-world,” because it is correct if the mind maps accurately to facts about the world. The second type of intentional state captures the mental states that an actor has about the world as it will be. For example, a person might intend or desire that a specific proposition should accurately describe the world. Such intentional states are “world-to-mind,” because their satisfaction requires that the world be changed to map a mental picture of the world.

People can engage productively in social situations because they can form intentional states. First, people need to make sense of the world as it is in order to act, and the sense that

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<sup>1</sup> Searle identifies two additional types of intentionality, neither of which is germane to this article. See Searle (1995: 29–30).

they make is contained in their beliefs and perceptions: in beliefs that it is raining today and that the world is getting warmer, for example. Second, people construct their lives around plans for the future that are expressed in intentional states about the world as it will be, like a desire that the crops are harvested before the winter, or an intent that they graduate in two years.

Intentional states are necessary if people are to interact with the rest of the physical and social world; when they are communicated, they also facilitate cooperation. Intentional states are communicated in *speech acts* (Austin, 1975; Searle, 1983, 1995). For example, an assertion like “I can speak French” communicates a world-as-it-is intentional state like a belief or perception; such statements help others to make sense of their social counterparts and to decide how to behave when engaging with them. And a statement that commits the speaker to future actions, like “I promise to write the report by Tuesday,” corresponds to a world-as-it-will-be intentional state like intent or desire; that type of statement allows actors to coordinate their behavior in ways that they find mutually convenient.

Searle (2010: 69) also discusses “declarations,” which are a special type of speech act that is a particularly valuable coordinating device, but that has no direct intentional analogue. For example, the statement that “X is the leader” is a declaration: it both describes the world as it is, and simultaneously creates the reality that it describes. The truth of this declaration is a contingent, social fact: X is the leader solely because enough people recognize a declaration to that effect. When a declaration is recognized, it creates a status, like “leader,” or “Chief Executive Officer,” or “spouse,” and individual actors form intentional states about the status and its possessor. In particular, individuals believe that statuses have associated rights, obligations, and permissions that appear in individual intentionality as strong, desire-independent reasons to act, and that are referred to by Searle as *deontic powers*. For example, the deontic

powers created when the declaration that “X is our leader” is accepted include X’s duty to work in the best interests of the group, X’s right to issue some commands to the group, and the obligation of group members to obey those commands. Declarations enable useful and sometimes complex social relationships: for example, modern states depend upon the coordinating power of presidents and prime ministers whose status depends upon the recognition of declarations; similarly, corporations rely upon declarations to create complex and interrelated statuses like “CEO” and “sustainability officer” in order to coordinate human activity.

The abilities to form intentional states, to reason about them, and to utter speech acts get things done. It would be impossible for one person to stage a profitable concert if others did not believe that the artist was talented; if the artist’s intent to perform on a given date could not be formed and communicated to others; and if, collectively, people did not recognize that a piece of printed card had the status of “ticket” and so conferred the right to enter the concert. There is nothing special about the fact that the concert in this example is staged for profit. The people in a communist system, if it existed, would form intentional states denying the existence of private property, and social cooperation under such a system would continue to rely upon the capacity to form intentional states and to perform speech acts. Societies governed by as-yet unimagined mores will exist because their members are able to form sense-making world-as-it-is intentional states, as well as world-as-it-will-be intentional states that enable coordinated planning, and to express the declarations that underpin the construction of social reality.

This section discussed intentional states as fundamental to our capacity to engage with the rest of the world, and identified speech acts as the foundation of social cooperation and of the statuses that govern our lives. These statements remain true even as the mores that guide us



evolve over time. But any person's intentional states are limited by their cognitive capacity, by their willingness to make very long-term plans, and by their mortality.

## **CORPORATE INTENTIONALITY**

This section examines the role that organizations play in enabling very complex and long-lived forms of social cooperation. The argument proceeds by claiming, first, that some forms of cooperation would be almost impossible if individuals had to base their actions and their plans solely on the intentionality and speech acts of other individuals; and, second, that the purpose of organizations is to sustain the sort of long-lived and complex intentionality that these forms of cooperation require.

To illustrate the problem that organizations solve, suppose that it is clear to person A that it would massively improve the lives of the majority of the people in a given country if a new airport were built. Person A concludes that building the airport would be a profitable endeavor and so forms an intention to perform the build. Person A can communicate this intentional state to person B, who is an investor. B can understand the desirability of the airport, but is unsure, first, that A will live long enough, or at least be actively engaged for long enough, to see the project to the end of its expected 40-year construction period and, second, that A possesses the cognitive capacity required to manage the build. A's ability to realize the intention to build the airport is therefore limited by the lack of credibility that others assign to A's intent. And, as a result, person C is unwilling to form the intentional state that would be necessary for C to source the thousands of tons of cement that A will require to build the airport. In any event, even if C were to form this intentional state, C's ability to act on that state would be restricted by the factors that undermined A.

It would be very hard for A to resolve these problems by sharing some of the load with another person, D. A might form the intentional state that D should assume A's responsibilities when, in due course, A retires; or the intentional state that D will assume some of the planning responsibilities that A would otherwise shoulder. But there is no guarantee that it will be possible to find a D who shares sufficient of A's intentionality to continue the project or to share A's cognitive load, and, of course, D faces the same challenges as A. Hence, while it might be possible to use individual intentionality to coordinate over the airport's construction, it would at least be extremely difficult (Alchian & Demsetz, 1972; Armour & Whincop, 2007; Black, 1989).

While it may be very hard for individual people credibly to form the intentional states required to see out a long-lived and complex project, it is at least possible to imagine the intentional states that a very long-lived and very cognitively capable actor would form in order to carry out the project. The actor would form an intentional state of belief in the desirability of the project, as well as intentional states expressing intentions to get it built, to avoid environmental damage, to pay workers, to attend to health and safety considerations, and so on. If the actor expressed those intentional states and others were convinced of their truth, then social cooperation on the project would become possible. Such an actor would have clear social utility, irrespective of the norms and moral standards that govern individual actors.

The discussion so far motivates the claim that *the purpose of an organization is to form credible, long-lived, and complex intentional states*. As intentional states are properties of the mind, it is natural to refer to the intentional states sustained by an organization as its *corporate mind*, and so to say that *the purpose of an organization is to sustain a corporate mind*. Corporate minds are useful to people because they enable cooperation over the things that they deem important, and the argument above demonstrates that it is very hard for one person to sustain the

intentional states that comprise a corporate mind. Organizations resolve this problem and, in doing so, expand the range of possibilities open to everyone.

## **THE CORE ATTRIBUTES OF ORGANIZATIONS**

This section imagines an *ideal-type organization* that successfully sustains a corporate mind, and asks what features it must have. It argues that five core attributes are particularly important: authorization, property ownership, contract, deliberative capacity, and conversability. Every core attribute is necessary for the formation of at least some organizational intentional states; some attributes are required for the formation of any organizational intentional state. Each is considered in turn.

### **Authorization**

An ideal-type organization enables planning and cooperation because its corporate mind contains intentional states that cause the organization to act so as to change the world in line with some imagined state of affairs. It follows, first, that one or more agents must act for an ideal-type organization; and, second, that other actors must understand who those agents are, and which of their actions should be viewed as corporate. That is, the organization must publicly authorize some agents to act for it in some situations. It is convenient to refer to those agents as *authorized actors*, and to refer to their acts on behalf of the organization as *authorized actions*. The precise relationship between authorized actors and the organization depends on contextual factors: in for-profit firms, authorized actors are usually employees; in not-for-profits, they are often volunteers; and, in non-capitalistic systems, they may have a completely different relationship to the organization.

Embedded in the claim that organizations exist to sustain corporate minds is the subordinate claim that *the authorized actions of an ideal-type organization are guided by the corporate mind*. However, as a practical matter, it is highly unlikely that an authorized agent's intentional states fully coincide with the corporate mind. For example, a doctor's personal intentionality may differ from the content of her hospital's corporate mind with regard to, say, birth control. If the hospital's corporate mind is to be sufficiently credible to facilitate others' plans, then the doctor's authorized actions with regard to birth control must be guided by the hospital's corporate mind. This is a technical observation whose moral ramifications are discussed below; its formal consequence is that the hospital's purpose is served when the doctor acts as if she had loaded the corporate mind into her own.

Two problems must be addressed if authorized actors are to act in line with any relevant intentional states in the corporate mind. First, the corporate mind may contain inconsistent intentional states and, hence, fail to give authorized actors clear guidance; this problem is addressed in the discussion of deliberative capacity below. Second, when the corporate mind provides clear guidance, authorized actors must be induced to follow that guidance; reasons that they might do so are presented in the corporate governance section below.

## **Property Ownership**

Property rights enable the formation of complex intentional states involving desires or intentions and, hence, the ideal-type organization can be more easily realized if the organization can own property; if the corporate mind is to contain certain types of intentional state, property rights appear to be almost essential. Property is a bundle of rights (Demsetz, 1967; Penner, 1995, 1997): owners have the right to deploy property however they choose, and to alienate their

property as they see fit. Both rights render world-as-it-will-be intentional states more credible. For example, the intention to make several tons of concrete is more likely to underpin useful social cooperation if the intentional state is formed by an agent that has the property right to form and to deploy stockpiles of cement and aggregate. Similarly, the intention to manufacture consumer goods is more easily accomplished if the manufacturer can sell its finished products without impediment; that ability is guaranteed if the manufacturer owns those products and, hence, is free to alienate them.

Can an ideal-type organization be realized if the organization does not have property rights? This question arises under two property rights regimes. First, suppose that individuals can own property but that organizations are prevented from doing so. In that case, the organization could attempt to use the property rights of its individual members, and to compensate them for the associated risks. This approach appears to be effective in the human capital-intensive business carried out by professional partnerships (see, e.g., Greenwood & Empson, 2003; Morrison & Wilhelm, 2007: 273–276). However, it seems unlikely that an organization could rely upon its members' property rights if it required large amounts of physical capital, or if its members frequently changed. Indeed, many scholars argue that the joint-stock corporation emerged as a response to these problems: contemporary legal scholarship claims that the modern, large-scale, corporation is feasible precisely because its assets are effectively separated from those of its investors and its other members (Hansmann & Kraakman, 2000).

The second property rights regime is one in which neither an organization nor any other private actor can own property. In this case, the right to deploy and to dispose of assets is a state monopoly; an organization can only form intentional states that require these rights if it is controlled by the state. It is at least plausible that such an organization could sustain a corporate

mind. But the corporate mind is severely constrained in this case by the needs and the demands of state actors: that is, an organization can sustain a corporate mind when the state has monopoly over property rights, but the intentional states in that mind are restricted.

## **Contract**

Contracts are very formal speech acts that both communicate and facilitate the creation of world-as-it-will-be intentional states, like intentions and desires; this section argues that contract cannot underpin every statement of intent, but that it is necessary for some of them. The parties to a contract must intend to form a legal relationship, and must obey formal rules in order to create that relationship.<sup>2</sup> A formal statement of this kind is a public performance that creates a sense of obligation (Searle, 2010: 83–4) and, hence, strengthens the intentional states that it communicates. Moreover, because non-performance of contractual terms triggers financial and reputational penalties, contracts generate additional reasons to intend that they be satisfied, even apart from any deontic sense of obligation stemming from their status as speech acts.

Contract is therefore a valuable tool for the ideal-type organization; it is natural to ask, first, whether contract is sufficient to communicate all of the organization's commitments and, second, whether contract is necessary for any of those commitments. A contract is a legal device, so these questions are really about the importance of law in communicating and sustaining world-as-it-will-be intentional states. "Law" in this context refers to a state-managed system that interprets commitments and assigns damages upon non-performance (Green & Adams, 2019). It follows that contract law can be sufficient for the ideal-type organization's purposes only if the state is willing and able to interpret and enforce formal expressions of all of the organization's

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<sup>2</sup> The formal rules in the US and the UK require explicit offer and acceptance, and require also that the contract be supported by consideration (Beatson, Burrows, & Cartwright, 2016: 31–55, 96–120).

commitments. A minimal state that is willing to enforce commitments without judging them is conceivable but, as a matter of positive fact, such a state has never existed and, as a result, parties have frequently sought alternative commitment devices. For example, 19<sup>th</sup> century Federal law outlawed the short selling of shares, so that the New York Stock Exchange had to find non-contractual devices to enforce the short sales that its members wished to perform (Banner, 2002: 260–4). Furthermore, the state’s capacity to enforce is limited because some commitments depend upon language that, while understood by the relevant parties, may be too nuanced to admit interpretation by a court (Hart, 1961: 121–6; Schwartz, 1992); indeed, it seems that some commitments *cannot* be contractual (see, e.g., Bernstein, 1992; Richman, 2017). Contract therefore is not sufficient to communicate and commit to every world-as-it-will-be intentional state.

While contract cannot underpin all of an ideal-type organization’s commitments, some appear impossible in the absence of contract. Absent contract, two non-state mechanisms may render statements of intent credible; both are inherently relational. First, one party may have a deep understanding of the other party’s character and motivation and, on the basis of that understanding may find its statements credible and, hence, be willing in response to form intentional states of its own (Gulati, 1995; Sabel, 1993; Schoorman, Mayer, & Davis, 2007; Williamson, 1993). Second, parties without this type of knowledge may anticipate that the fear of community (as opposed to state) punishment upon non-performance would be sufficient to induce organizations to make only sincere promises and statements of intent. Community punishment in this case relies upon the discovery of non-performance, the wide dissemination of that discovery, and the community’s willingness to respond appropriately to that dissemination. The members of communities that meet these requirements have frequent contact with one

another and are capable of monitoring one another's performance, both of commitments to act and of obligations to punish (Bernstein, 1992; Dellarocas, 2003; Greif, 1993; Richman, 2017). But, when parties exist at arm's length and communities are hard-to-form, only a neutral arbiter can interpret and enforce commitments. The movement from feudal to modern society has been famously characterized in terms of the shift away from community enforcement (Maine, 1861); in any event, an ideal-type organization that wishes credibly to communicate an intentional state that cannot be interpreted or enforced relationally is forced to rely upon a third-party arbiter with the power to enforce its judgments. That is, contract appears necessary to organizations that operate at arm's length from their counterparties.

### **Deliberative Capacity**

This section argues that, if the intentional states maintained by an ideal-type organization are to be long-lived, then the organization must have the ability to deliberate over them: that is, it must have the capacity to weigh up and to decide between alternatives, given specific assumptions and reasons for action. Deliberation is required in order to form intentional states; to extend and to update the corporate mind so as to ensure that it provides adequate guidance to authorized actors; and to ensure that the organization can survive, so that its intentional states can be sufficiently long-lived to facilitate social cooperation.

*Formation of intentional states.* An ideal-type organization has a corporate mind whose intentional states have the potential to outlast the organization's members. The precise ways in which intentional states are formed in practice is discussed in the corporate governance section below; the discussion here makes some technical points about the way that the associated deliberation occurs in an ideal-type organization. The critical point is that, because an ideal-type



organization's intentionality is longer-lived than its members, its corporate mind cannot be obtained via a process that aggregates the intentionality of some or all of whichever people happen to be authorized to act for the organization at a given time. This statement implies that the important results that List and Pettit (2011) present on the aggregation of individual intentionality cannot fully explain the formation of the corporate mind. List and Pettit study the ways in which individuals with pre-formed intentional states might combine them to produce an internally consistent set of group intentional states, and they show that no formula that satisfies apparently reasonable conditions can accomplish this (see also List & Pettit, 2002; Pettit, 2007). But, in practice, the type of process for which List and Pettit search is not required by an ideal-type organization, because a change in the individual intentionality of the organization's authorized actors is not a sufficient reason to change the organization's long-lived intentional states. Moreover, there is no reason to assume, as List and Pettit do, that authorized agents have formed intentional states towards every relevant proposition before aggregation occurs. Finally, as discussed below, and in contrast to the formal results of List and Pettit, contradictory intentional states could persist in the corporate mind for some time.

*Modification of intentional states.* In order that its corporate mind can guide its actions, an ideal-type organization may need to modify its intentional states for two reasons: first, because it becomes both apparent and problematic that there are contradictory intentional states that could be used to justify *any* action; second, because the world changes in a way that renders the corporate mind unable to provide guidance.

The corporate mind is the product of deliberation and of cultural sedimentation and, because deliberation is performed by boundedly rational people and cultural accretion is unplanned, it is conceivable that the corporate mind contains contradictory intentional states: for

example, beliefs that  $p$  is both the case and not the case, or that  $q$  is both desirable and not desirable (King, Felin, & Whetten, 2010: 296). It is also possible that the organization could nevertheless function effectively, possibly because different aspects of the corporate mind are accessed by different authorized actors, each of whom can reason without experiencing cognitive dissonance. Contradictory intentional states become a problem when they cause inconsistencies in organizational behavior that are so great as to impede social cooperation, or when they cause uncomfortable dissonance amongst authorized actors. When that happens, the organization must be capable of uncovering the relevant parts of the corporate mind, of identifying inconsistent intentional states that undermine the organization's capacity to engage in useful cooperation, and of enabling the deliberation required to resolve those inconsistencies. The ways in which this might occur are discussed in the corporate governance section below.

If an ideal-type organization is able to sustain, and to act upon, long-lived intentional states without forming a judgment over a proposition  $p$ , then its corporate mind need contain no intentional states regarding  $p$ . Social and technological changes may render  $p$  relevant to the organization's operations and so make it necessary to add new intentional states to the corporate mind. For example, the emergence of the #MeToo movement massively increased the salience of attitudes towards gender in the workplace and, as a result, some organizations may have been compelled for the first time to adopt intentional states concerning propositions about gender. Similarly, the emergence of electric vehicles necessitated the formation of new organizational intentional states with regard to the zero-carbon economy, the best means of transport, and so on. The identification of relevant propositions and the formation of appropriate intentional states in cases like these can only occur in organizations that are capable of conscious deliberation.

*Organizational survival.* An organization's purpose is to sustain long-lived intentional states in order to facilitate social cooperation and it can do this only if it survives. Any organization can survive only if, first, its authorized actions are sufficiently valuable to other agents to induce them to cooperate with it and, second, it continues to attract authorized actors.

Precisely what form of cooperation is necessary to ensure an organization's survival depends on contextual factors: a capitalist firm must, for example, generate sufficient revenue to retain the support of its shareholders; a charity must continue to attract donations; a university must attract students and research funding; an organization in a totalitarian state must retain the favor of the government; and so on. Survival is threatened when the relevant type of cooperation is no longer forthcoming. This could occur because, possibly as a consequence of technological change, none of the organization's world-as-it-will-be intentional states are sufficiently valuable to serve as the basis of cooperation; or because the organization's authorized actions in pursuit of these intentional states are ineffective. Two responses are possible. If the organization's intentional states cease to underpin useful cooperation, then, arguably, it should be disbanded. If the organization still has useful intentional states, then it may need to reform other parts of its corporate mind in order that its authorized actions achieve cooperation. In both cases, the appropriate action relies upon conscious organizational deliberation.

An organization could fail to attract authorized actors either because they anticipate that, should they join the organization, their authorized actions will fail to generate useful social cooperation; or because they are unwilling for ethical reasons to take the authorized actions that are dictated by the corporate mind. The former case and the appropriate deliberative response to it are addressed in the previous paragraph. The latter might arise, for example, if authorized agents were unwilling to act in line with an intentional state that child labor is appropriate in a

developing world supply chain. An organization that held this intentional state could then survive only by altering its corporate mind. The ensuing deliberation could be triggered by the need to maintain the long-lived intentional states that justify the organization's existence, and not necessarily by a specific moral imperative.

### **Conversability**

Intentional states can facilitate social cooperation only if other agents understand what those intentional states are; that means that the ideal-type organization must be able to say what is in its corporate mind and to respond to questions about it. That is, the organization must be capable of speech acts; this capacity is sometimes referred to as *conversability* (Pettit, 2017). Conversability requires the organization to have authorized actors who can speak on its behalf and who can receive questions about the corporate mind; it also relies upon the capacity to deliberate because, when the organization receives a question about its corporate mind, it must come to a decision on what the appropriate answer is and, in some instances, it may be called upon to decide upon a new intentional state.

The speech acts that convey the ideal-type organization's corporate mind could be of two types. First, the organization could simply report facts about itself, for example by expressing the world view that guides its reasoning, and by truthfully stating its world-as-it-will-be intentionality. That type of statement might include facts that the organization has learned are true, and that its deliberative bodies would prefer to change: for example, the organization might truthfully characterize itself as institutionally biased against some group of people. To the extent that the firm wishes to change that type of bias, it can engage in the second possible type of

speech act by making statements about its own world-as-it-will-be intentionality. For example, the organization might claim that, in the future, it will stamp out its internal biases.

A conversable organization's speech acts determine the intentional states that others form about it in two ways. First, corporate speech invites the formation of intentional states: if an organization professes an intent to be carbon-neutral by 2040, say, or to foster an atmosphere of respect for its employees, then other actors reasonably believe these statements. Second, when a conversable organization fails to correct other actors' assumptions about its intentionality, it is again reasonable for them to maintain those assumptions.

The set of statements that the conversable organization allows other agents to believe about its corporate mind can be thought of as the organization's *meta contract*, because it provides guidance about the attitudes that the organization brings to bear on its decision making and about the types of commitment that it is prepared to make. The requirement that an ideal-type organization be conversable therefore reduces to the statement that it is capable of meta-contractual avowals. The meta contract is not itself a contract, but, like all assertive speech acts, it conveys a commitment (Geurts, 2019; MacFarlane, 2011; Peirce, 1934: 384; Searle, 2010: 83–4); that commitment enables other actors to plan and otherwise to engage with the organization.

## **CORPORATE GOVERNANCE**

The theory presented in this article can ground a normatively neutral conceptualization of corporate governance: if the purpose of an organization is to sustain a credible and long-lived set of intentional states, then corporate governance is whatever ensures that the organization meets this purpose. That means that a well-governed organization truthfully communicates its intentional states, and that it acts in line with those communications. This reasoning suggests the

following “meta-contractual perspective” on governance: *corporate governance is the set of devices that ensures the consistency of an organization’s corporate mind, meta-contractual avowals, and authorized actions.*

The meta-contractual perspective on corporate governance separates the quality of an organization’s governance from the morality of its actions. A well-governed organization makes meta-contractual avowals and takes authorized actions that are consistent with its corporate mind, *whatever the content of that corporate mind*. Hence, a murder-for-hire firm could, by the meta-contractual account, be well-governed, and a charity distributing medicines in an earthquake region could be poorly governed. By this account, good governance has three elements. First, it structures the organization’s deliberation so as to ensure that its corporate mind is appropriately formed and modified. Second, it ensures that the organization’s meta-contractual avowals accurately communicate its corporate mind. Third, it ensures that the organization’s authorized actions are consistent with its corporate mind.

## **Deliberation**

The discussion of core attributes argued that an ideal-type organization must be capable of forming intentional states, modifying them in pursuit of consistency, and of updating them so as to ensure the organization’s continued survival in the face of changing social norms and technological demands. The ways in which that deliberation occurs are matters of corporate governance.

When formed, an organization is typically not an ideal-type organization: if its founders are still deciding what it will accomplish, then it lacks a corporate mind, and its authorized actions might be ad hoc or driven by a charismatic leader. The organization moves from start-up

mode to ideal type, and hence starts properly to fulfil its purpose, only when the intentionality that drives its authorized actions becomes corporate, rather than individual. Precisely how this occurs is an empirical question: it might happen in three ways. First, some authorized actors might design procedures and policies and codify them in formal corporate policies and manuals. Second, habits may be formed and cultural mores established as authorized actors find standard ways to do things and to see the world; those habits and those mores then reflect a tacit corporate mind. Third, in order to create a shared conception of the world as it could be, authorized actors in an entrepreneurial firm could engage in discourse that both creates a language to think about that world and then allows them to agree on the things that they hope to accomplish in the world. In doing so, they create corporate intentional states and, simultaneously, they create corresponding intentional states of their own; Alvarez and Sachs' (2021) theory of the origin of stakeholders in entrepreneurial firms shows how this might be accomplished using the linguistic theory of common ground (Clark, 1996).

The discussion of the core attributes argues that, when inconsistencies in its corporate mind become problematic, the ideal-type organization must be able to identify the relevant intentional states and to deliberate in order to alter them. That means that authorized actors must examine intentionality that is codified in manuals and policy documents, as well as in the uncoded habitual procedures and background cultural mores that guide organizational behavior (Crossan, Lane, & White, 1999; Hutchins, 1995; Patterson, 2014; Schein, 1992; Schur, Kruse, & Blanck, 2005; Shrivastava, 1983; Simon, 2013; Swidler, 1986; Tuomela, 2013). The most obvious place for the associated deliberation to occur is in the board, although this is not the only possibility. The literature on boards is too vast to survey here. It includes material relating to the deliberation that updates intentionality in response to new technologies and new social mores:

studies have examined, for example, corporate attitudes towards digital imaging (Lucas Jr & Goh, 2009), as well as the instrumental value of diversity to deliberation (see, e.g., Bear, Rahman, & Post, 2010; Daily & Dalton, 2003; Rao & Tilt, 2016).

## **Communication**

According to the meta-contractual perspective, a well-governed firm has procedures for communication with outside parties, and it structures its communication so as never to leave third parties with an incorrect understanding of its corporate mind. That is, in line with an extensive literature on branding and reputation management, communication fosters useful cooperation with internal and external stakeholders by facilitating understanding of firm and product (see, e.g., Gray & Balmer, 1998; Harris & De Chernatony, 2001; Hatch & Schultz, 2003; Maxwell & Knox, 2009).

## **Authorized Actions**

An organization can fulfil its purpose only if it is able to constrain its authorized agents to act in line with its corporate mind. They do so for three reasons. The first is that authorized actors acquire their status as a result of declarations, and so experience deontic powers that guide their actions. Recall that a declaration is a statement, like “X is the head of sales,” that creates a status, and so is true, when it is recognized by sufficiently many people. Any authorized actor, from the CEO to a part-time cleaner, is authorized by a declarative statement of this type. As discussed above, the intentionality created by a recognized declaration includes the belief that a variety of rights, obligations, and permissions (“deontic powers”) are attached to the relevant status, and that they constitute good reasons to act. When an organization expressly states that its corporate mind includes an intent to maximize profits or to maintain humane factory floor



conditions (say), it creates an expectation that its authorized actors will respect that intent. That expectation underpins some of the important deontic powers associated with organizational statuses: for example, the organization's CEO has a strong felt obligation, *qua* CEO, to honor corporate promises, irrespective of personal preferences. If it is sufficiently strongly felt, this type of deontic power is self-enforcing. Deontic powers in corporate governance are studied by behavioral economists, stakeholder theorists, and scholars working on the social ontology of firms (Heath & Norman, 2004; Lawson, 2015; Martins, 2018; Morck, 2008).

Second, organizations honor their corporate minds by monitoring authorized actors and altering their compensation according to whether or not their actions are guided by corporate minds. A standard example arises when the corporate mind contains the intent that actions should maximize the share price; in that case, the corporate mind may be implemented by awarding executives stock and stock options (Hall & Liebman, 1998; Jensen & Murphy, 1990; Sanders, 2001; Zajac & Westphal, 1995). The fact that this type of corporate mind is common and, hence, that stock options are also common, does not, of course, imply that this state of affairs ought to obtain (Bebchuk & Fried, 2004).

Third, organizations can increase the likelihood that authorized actions are guided by the corporate mind by finding authorized actors whose personal intentionality is closely aligned with the organization's. This reasoning appears to guide recruitment in activist NGOs, for example (Henderson & Van den Steen, 2015). It may also explain intensive onboarding processes that are intended to alter individual intentionality so that it aligns with the corporate mind (Klein & Polin, 2012; Solinger, Van Olffen, Roe, & Hofmans, 2013).

## THE STRUCTURE OF PURPOSE DISCOURSE

The theory presented in this article reveals the structure of the expanding managerial discourse on organizational purpose. When an ideal-type organization deliberates over its corporate mind, it aims to avoid harmful inconsistencies between its intentional states. Hence, if the organization is highly unlikely to alter some, *foundational*, intentional states, then those states structure its deliberation and underpin the formation of other intentional states. Discourse on organizational purpose makes an unarticulated assumption that organizations can maintain intentional states; it uses “purpose” to refer to foundational organizational intentional states, and “purpose statement” to refer to the meta-contractual avowal of those states. The associated literature advances two types of explicitly normative claim about foundational organizational intentionality: first, it stakes out positions on the foundational intentional states that *any* organization should maintain; and, second, it discusses the ways in which specific organizations can manage their foundational intentionality (George, Haas, McGahan, Schillebeeckx, & Tracey, 2021; Hsieh, Meyer, Rodin, & van’t Klooster, 2018).

Claims about the foundational intentional states that any organization should maintain are founded upon beliefs about the appropriate social role of organizations (Donaldson & Walsh, 2015; Stout, 2013). Hence, for example, Mayer (2021: 889) makes the general assertion that for-profit firms should be concerned with “profitably solving the problems of people and planet, and not profiting from creating problems.” Other authors argue that organizations ought to embrace social and environmental goals (Zahra, Gedajlovic, Neubaum, & Shulman, 2009), and that they should account for their effect upon future generations (McDonough & Braungart, 2002). An

ideal-type organization whose foundational intentionality reflects a vision of this type selects world-as-it-will-be intentional states that are consistent with that view.

The discourse surrounding organization-specific foundational states is also normatively infused: recent contributions to this discourse promote organizational intentionality that is aligned with a general claim about the social and environmental roles of business (Business Roundtable, 2019; World Economic Forum, 2019). Organizations can embrace this type of claim by adopting foundational world-as-it-is intentional states that express their values and, hence, guide the commitments that express their world-as-it-will-be intentionality (Bartlett & Ghoshal, 1994; Bourne & Jenkins, 2013; Henderson, 2020; Maierhofer, Rafferty, & Kabanoff, 2003; Voss, Cable, & Voss, 2000). Related empirical work examines the effect of this type of intentionality upon financial performance in for-profit firms (George et al., 2021).

Purpose statements are meta-contractual avowals about an organization's foundational intentionality; they are often expressed in speech acts that are described as "mission statements" or "vision statements" (Bart, Bontis, & Taggar, 2001; Berson, Halevy, Shamir, & Erez, 2015; Cady, Wheeler, DeWolf, & Brodke, 2011; David, 1989; Desmidt, Prinzie, & Decramer, 2011; Lipton, 1996; Williams, 2008). The seriousness of accusations of social and greenwashing can be understood in light of this meta-contractual characterization: organizational practices that are inconsistent with mission statements are evidence that the organization has misrepresented its most foundational intentionality and, hence, derive from serious failures of corporate governance (Bartkus & Glassman, 2008; de Jong, Huluba, & Beldad, 2020; Philippe & Durand, 2011). Formulating purpose statements and the associated strategic plans is thus a foundational corporate activity in which dialogue and deliberation have important accuracy and coherence motives (Mantere & Sillince, 2007). Organizations use human resource management tools

(Adam & Rachman-Moore, 2004) and incentive systems (Cabral, Mahoney, McGahan, & Potoski, 2019) to ensure consistency of purpose statement and behavior; a large literature examines the ways in which “hybrid” organizations, which combine financial with social or environmental goals, manage their foundational intentionality and build legitimacy by crafting and adhering to appropriate purpose statements (Battilana & Dorado, 2010; Hannan & Freeman, 1977; Luo & Kaul, 2019; Smith & Besharov, 2019; Wry & Lounsbury, 2013).

### **UNIFYING ALTERNATIVE THEORIES OF THE FIRM**

The theory presented in this article suggests a way to unify several existing theories of the firm. Many such theories attempt to explain organizational properties as necessary if the firm is to satisfy specific normative assumptions about what it is for; the common thread in those theories is not the content of those assumptions, but that each of them imposes a set of intentional states upon the firm. If a firm has intentional states, then, by the theory of this article, it must possess at least some of the five core attributes: whether or not it can manage without some of them depends upon whether the theory concerned restricts its intentionality.

Every economic theory of the firm starts from the assumed consensus that firms exist in order to convert inputs to outputs as efficiently as possible and, hence, the firm in economic theory is endowed with a corresponding intentional state; that intentionality generates positive predictions regarding the five core attributes. For example, Coase’s (1937) seminal work explains the corporate form as emerging when consciously directing actors results in lower transactions costs than are achieved through arm’s-length coordination by the price system (Bradach & Eccles, 1989; see also Klein, Crawford, & Alchian, 1978; Williamson, 1975, 1985). Coase therefore identifies two of the core attributes as deriving from an organizational intent to

allocate resources efficiently: authorized actors do the firm's bidding, and deliberative capacity both conjures the firm into existence when it is more efficient than market allocation, and also directs its authorized actors. A number of economic theories start from the assumption that profit maximization achieves efficient resource allocation, and so endow the firm with a profit-seeking intentionality. A firm's intention to make profits is then used to explain its ability to write contracts and to make extra-legal commitments (Jensen & Meckling, 1976; Rock & Wachter, 2000; Morrison & Wilhelm, 2015; Hart, 1989); the same intentional state grounds the firm's ability to own property, and explains how property rights are allocated between corporations and their contractual counterparties (Grossman & Hart, 1986; Hart, 1961; Hart & Moore, 1990; Schwartz, 1992); it also generates predictions about the specific forms that authorization takes in a profit-seeking firm (Aghion & Tirole, 1997; Alchian & Demsetz, 1972; Holmstrom, 1982).

The Resource-Based View (RBV) of the Firm also derives some of the core attributes from an intentional state. According to the RBV, if firms wish to achieve sustained competitive advantage, then they can do so by assembling appropriate bundles of assets. That is, the RBV argues that, if a firm maintains the intentional state of desiring sustained competitive advantage, then it can satisfy it by possessing the core attribute of property rights, and by using its deliberative capacity to understand its environment and the best way to deploy its resources (Barney, 1991; Barney, Wright, & Ketchen Jr, 2001; Mahoney & Pandian, 1992; Wernerfelt, 1984).

Stakeholder theories also derive statements about the core attributes from an assumed intentional state. Stakeholder theory studies firms that make decisions in order deliberately to balance the interests of a wide range of interested parties. Precisely how that balancing occurs determines what intentionality grounds the relevant theory: it could depend upon fairness and

justice (Burton & Dunn, 1996; Hosmer & Kiewitz, 2005; Phillips, 2003), competitive advantage (Bosse & Coughlan, 2016; Jones, 1995; Jones, Harrison, & Felps, 2018), or something else. In any event, stakeholder theories need authorized actors, and the theories address important questions about the intentionality that should guide authorized actions (Marcoux, 2003; Marens & Wicks, 1999). Stakeholder theory emphasizes the need for judgment and, hence, it relies upon deliberative capacity in order to balance stakeholder interests and so to direct the corporation's activities (Berman, Wicks, Kotha, & Jones, 1999; Jones, Felps, & Bigley, 2007). Every stakeholder theory examines the firm's capacity to contract and otherwise to commit itself to stakeholders (Donaldson & Preston, 1995; Jones et al., 2007; Laplume, Sonpar, & Litz, 2008; Parmar et al., 2010); and some theories use commitments and property rights to identify stakeholder contributions and, hence, stakeholder salience (Mitchell, Agle, & Wood, 1997; Hill & Jones, 1992; Freeman & Evan, 1990; Barney, 2018).

## **CONCLUSION**

This article claims that organizations exist to sustain credible, long-lived, and complex intentional states. If they exist, those intentional states constitute the organization's corporate mind and, hence, the purpose of an organization is to sustain a corporate mind. This statement makes no assumptions about the content of the corporate mind and, hence, it provides a value-neutral characterization of organizational purpose: it is therefore possible to study the purpose of an organized crime syndicate and of an aid charity independently of the morality of their intentional states. Not every organization successfully sustains a corporate mind; those that do are "ideal-type organizations," and, in the absence of any restrictions on the corporate mind,

ideal-type organizations must exhibit five core attributes: authorization, contract, property, deliberative capacity, and conversability.

The theory presented in this article underpins a normatively neutral account of corporate governance: if the purpose of an organization is to sustain a credible corporate mind, then corporate governance is the set of procedures that the organization uses to achieve that purpose. More precisely, corporate governance is the set of devices that ensures the consistency of an organization's corporate mind, meta-contractual avowals, and authorized actions. Once again, because it separates corporate governance from moral judgment, this characterization can be used to assess the quality of governance in organizations ranging from crime syndicates to aid charities.

The theory of this article provides a framework for positive organizational research: studies that start from a careful characterization of an organization's corporate mind and its meta-contractual avowals may be less colored by the normative and cultural pre-conceptions of the researcher. A careful examination of this approach lies outside the scope of this article but, as demonstrated above, it can be used to categorize normative claims about corporate purpose, and to unify existing theories of the firm. Future work in this vein could study the ways in which corporate minds are uncovered and revised in practice; the intentional foundations of corporate purpose statements, their creation, and their revision; the ways in which groups form moral views on their own intentionality; and the effect of the corporate mind upon the intentionality of authorized actors.

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**Alan Morrison** is Professor of Law and Finance at the Said Business School and a Fellow of Merton College at the University of Oxford. His research is concerned with the regulation of financial institutions, professional services firms, corporate intentionality, corporate moral agency, and moral learning.

**Rita Mota** is the Intesa Sanpaolo Research Fellow at the Centre for Corporate Reputation at the Said Business School and is a Junior Research Fellow at Lady Margaret Hall at the University of Oxford. She performs research in business and human rights, corporate intentionality, corporate moral agency, and moral learning.