Purpose-Driven Governance: from moral ambition to organizational practice[1]

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Abstract

Frame of the research: *Corporate purpose has gained legitimacy as a normative orientation, yet its translation into organizational practice remains contested, exposing firms to risks of purpose washing and calling for closer integration with governance scholarship.*

Purpose of the paper: *Our study clarifies what "purpose-driven governance" means and how it can be credibly enacted. Building on the epistemological foundations of corporate purpose and on sustainable corporate governance, we articulate an integrative logic that connects a firm's moral ambition with its decision rights and control mechanisms.*

Methodology*: We develop an integrative conceptual contribution (Cronin and George, 2023) that bridges scholarship on corporate purpose and sustainable corporate governance. A scoping review procedure across the two literatures serves as a structured ingredient for theory-building, supporting the systematic identification and synthesis of recurrent tensions and gaps.*

Findings*: We propose a purpose-driven governance architecture structured around three interdependent dimensions: Alignment (strategy, organizational design, incentives, and resource allocation consistent with stated purpose); Accountability (measurable outcomes, auditable disclosures, board oversight, and stakeholder voice that enable external verification and internal learning); and Temporal Adaptability (dynamic capabilities and governance routines that revise objectives and trade-off rules as contexts change). The framework specifies boundary conditions for authentic purpose enactment and explains failure modes (symbolic adoption, decoupling, purpose washing, and mission drift).*

Research limits: *As a theorization effort of the governance-purpose nexus, the paper does not offer causal identification nor quantitative estimates; empirical validation and context-sensitive testing (e.g., across legal forms and industries) are left for future research.*

Practical implications*: The conceptual framework suggests a set of governance mechanisms that can inform board and executive design choices, enabling the translation of purpose into decision criteria and auditable outcomes.*

Originality of the paper*: The paper offers a mechanism-based theory of purpose-driven governance that complements comparative-institutional accounts by specifying the organizational dimensions - Alignment, Accountability, and Temporal Adaptability - through which moral ambition is translated into decision premises, verifiable commitments, and governed renewal. By distinguishing purpose-driven* *governance from adjacent paradigms, the paper provides a tractable agenda for theory, empirical research, and governance design.*

Key words: *corporate purpose; purpose-driven governance; sustainable corporate governance; authentic purpose.*

1. Introduction

The renewed prominence of corporate purpose in management and governance debates reflects a growing dissatisfaction with shareholder primacy and an increasing expectation that corporations contribute to social and environmental well-being (George *et al.*, 2023; Mayer, 2021). While corporate purpose has rapidly gained legitimacy as a normative and pro-social orientation, its practical relevance remains contested (Besharov and Mitzinneck, 2023; Ocasio *et al.*, 2023). In particular, many corporations articulate ambitious purpose statements without being able to translate them into consistent decision-making, organizational practices, and accountable outcomes, giving rise to growing concerns about symbolic adoption and "purpose washing" (Gulati and Wohlgezogen, 2023).

This paper takes up this challenge by directly engaging with the contested practical relevance of corporate purpose and by repositioning governance at the center of the purpose debate. Specifically, we argue that two largely complementary streams of scholarship - corporate purpose and corporate governance - have evolved in parallel without being sufficiently integrated. The literature on corporate purpose has predominantly addressed the why of corporate action, emphasizing moral legitimacy, societal contribution, and normative orientation. Conversely, governance scholarship has focused on the how of organizational control, accountability, and decision-making structures, often without explicitly engaging with purpose as a guiding principle.

While recent scholarship has begun to theorize the governance-purpose nexus from a comparative-institutional standpoint (Aguilera, 2023), this body of work has yet to provide a mechanism-based account of how purpose is enacted in organizational practice. Our contribution is therefore not to claim that governance has been absent from the purpose debate, but to specify the organizational mechanisms through which governance translates purpose from a comparative-institutional condition into enacted organizational practice. In this sense, the integration between the two bodies of work remains incomplete: purpose without governance risks remaining aspirational and symbolic, while governance without purpose risks becoming ethically neutral and narrowly instrumental. That is why we argue that purpose-driven governance constitutes the missing link between moral ambition and organizational practice, providing the structures, processes, and accountability mechanisms that enable organizations to enact purpose in ways that are coherent, verifiable, and adaptive over time.

Building on a scoping procedure across the literature on corporate purpose and sustainable corporate governance, we develop an integrative conceptual framework in the sense of Cronin and George (2023), namely a redirection-oriented synthesis that bridges fragmented streams of scholarship to advance theory. The scoping procedure does not function as a standalone review output; rather, it provides a disciplined evidentiary base from which we abstract recurring tensions and integrate them into a mechanism-based framework explaining how corporate purpose can be credibly enacted through governance structures and decision-making systems. In doing so, we respond to recent calls for theory that moves beyond abstract advocacy of purpose toward more precise explanations of how purpose becomes organizationally effective over time, thus conceptualizing purpose and governance as mutually reinforcing rather than competing domains.

Our paper aims to contribute to the managerial literature with three main results. First, it clarifies the concept of purpose-driven governance by explicitly connecting corporate purpose with governance design, thereby moving beyond abstract normative claims toward an institutional and practical understanding of authenticity (Mayer, 2021). Second, it proposes a conceptual model of authentic purpose enactment structured around three interdependent governance dimensions - Alignment, Accountability, and Temporal Adaptability - which explain how purpose is embedded internally, made externally verifiable, and sustained over time. In this respect, our contribution complements recent work emphasizing the importance of governance for making purpose credible (e.g., Aguilera, 2023; Durand, 2023) by operationalizing purpose-driven governance through a mechanism-based framework. Specifically, we theorize the concrete dimensions through which governance enables authentic purpose enactment. Third, the paper identifies key boundary conditions that shape the effectiveness of these governance dimensions, specifying when and why purpose-driven governance may fail or succeed across different organizational and institutional contexts.

By integrating two complementary literatures that have so far remained insufficiently connected, this paper offers a theory-building contribution that provides both conceptual clarity and practical relevance. It offers a structured foundation for future empirical research and equips scholars, practitioners, and policymakers with a framework for understanding how corporate purpose can move from aspiration to sustained organizational practice.

2. Methodological approach: scoping review procedure for integrative theory-building

To support the development of our integrative conceptual framework and enhance transparency, this study adopts a scoping review procedure for theory-building (Tricco *et al.*, 2018). Following the logic of integrative conceptual contributions in management (Cronin and George, 2023), we treat the scoping procedure as a structured ingredient for theory-building rather than as the paper's primary deliverable: its function is to organize fragmented conversations into a disciplined evidentiary base for the conceptual synthesis that follows. Unlike systematic literature reviews, scoping reviews do not seek to assess the quality of evidence or to synthesize empirical effects, but rather to clarify conceptual boundaries, identify patterns and gaps, and support theory development. We believe this approach is particularly suitable for this study, given the fragmented, interdisciplinary, and conceptually heterogeneous nature of the literature on corporate purpose and governance, and the aim of mapping key concepts and identifying theoretical gaps rather than assessing empirical effects.

Building on Arksey and O'Malley (2005), the review process followed five main stages: (1) defining the review focus through the formulation of a guiding research question; (2) identifying relevant literature through structured search strings; (3) selecting appropriate academic sources; (4) reporting and organizing the key concepts and arguments; and (5) synthesizing insights through conceptual integration.

As problematized in the introduction and in line with stage 1, we guided our review by the following research question: *How can corporate purpose be authentically enacted through governance structures and decision-making systems?* Consistent with stage 2, we identified relevant sources through iterative searches and consequent snowball samples in Scopus, and Google Scholar using the string *("corporate purpose" OR "organizational purpose" OR "purpose-driven") AND ("corporate governance" OR "sustainable governance" OR "stakeholder governance") AND ("enactment" OR "implementation" OR "authenticity" OR "accountability" OR "adaptation").* Following stage 3, we focused on peer-reviewed journal articles in management, corporate governance, strategy, organization studies, and business ethics, prioritizing conceptual contributions and influential empirical studies with direct implications for governance design, while excluding work addressing purpose solely at a rhetorical or declarative level. To conduct stage 4, we synthesized and reported the key concepts, arguments, and governance-related mechanisms emerging from the selected literature in the sections preceding the integrative framework - specifically those devoted to the epistemological foundations of corporate purpose and the conceptual foundations of sustainable corporate governance - so as to surface recurring themes, tensions, and theoretical blind spots. In terms of coding, two authors independently performed the analysis, coding the selected sources and organizing the emerging concepts into thematic categories; inter-rater disagreements - which mainly concerned studies spanning multiple thematic areas - were discussed and resolved with the involvement of a third author, until full consensus was reached. Finally, consistent with Stage 5, we proposed an integrative conceptual framework of purpose-driven governance, structured around the interdependent dimensions of Alignment, Accountability, and Temporal Adaptability, which explains how purpose can be embedded internally, rendered externally credible, and sustained over time.

To align the scoping review procedure with the integrative review logic proposed by Cronin and George (2023), we employed three analytical moves. First, we identified the main communities of practice relevant to the topic, especially corporate-purpose scholarship, corporate-governance research, sustainable-governance studies, and organization-theory work on accountability, decoupling, dynamic capabilities, and sensemaking. Second, we abstracted the recurrent tensions that cut across these conversations: embodiment versus embeddedness of purpose, the organization's purpose versus stakeholders' purposes, and stability versus renewal over time. Third, we integrated these tensions into a parsimonious governance architecture in which Alignment, Accountability, and Temporal Adaptability correspond to distinct but interdependent enactment problems. This clarification is important because our aim is not to produce an exhaustive review of either literature, but to use the review process as a transparent basis for conceptual redirection.

The next two sections present the conceptual synthesis generated by this procedure. We first outline the epistemological foundations of corporate purpose and the conceptual underpinnings of sustainable corporate governance. We then introduce the integrative theory-driven model of authentic purpose enactment, followed by its boundary conditions and implications for research and practice.

3. The Epistemological Foundation of Corporate Purpose

The "*managerial dilemma*" about business ontology - i.e., what corporations are and whom they should serve - is certainly not new in scholarly and societal debates. In the early 1930s, the argument was already raised during the famous Berle-Dodd exchange in *Harvard Law Review*. In that conversation, Berle (1931) argued that corporate executives should be more accountable to shareholders by tight legal control, while Dodd (1932) countered that corporations bear broader responsibilities toward employees, consumers, and the community, claiming that it was "undesirable […] to give increased emphasis at the present time to the view that business corporations exist for the sole purpose of making profits for their stockholders" (p.1147).

For the remainder of the twentieth century, however, this debate was largely sidelined, as the principle of shareholder primacy came to dominate the business field. Promoted by the Chicago School, Friedman's influential dictum that there is "one and only one social responsibility of business - to use its resources and engage in activities designed to increase its profits" (Friedman, 1970, p.32) provided both intellectual legitimacy and normative authority to a strictly profit-centered conception and strategic management of corporations. The apparent success of decades of economic expansion and industrial growth in Western economies seemed to vindicate this stance, entrenching shareholder wealth maximization as the dominant logic of corporate governance.

Yet today, the shortcomings of shareholder capitalism have become too evident to be ignored any longer. The escalation of grand societal challenges such as climate change, biodiversity loss, or social inequality - some of which are caused by business - together with the rise of disruptive technologies that risk further *dehumanizing* corporate decision-making, has reignited attention to the fundamental question of why corporations exist (Tafuro and Piccaluga, 2025). Management scholars, policymakers, and executives increasingly recognize that for too long corporations have been framed through a reductionist lens as profit-making machines. In response, there is a growing call to reorient management science and business practice towards the centrality of people - in line with the very definition of (business) organization - rather than exclusively around financial metrics.

It is within this necessary reflection on the social dimension of corporations that the concept of corporate purpose has re-emerged as a cornerstone of contemporary debates (George *et al.*, 2023; Rey *et al.*, 2019). After nearly a century in which the theme received relatively little interrogation, corporate purpose is once again being discussed as a central managerial inquiry concerning the *raison d'être* of corporations (Besharov and Mitzinneck, 2023; Chua *et al.*, 2024; Hollensbe *et al.*, 2014; George *et al.*, 2023), their strategic management in relationship with society (Almandoz, 2023; Mayer, 2021; Tafuro and Piccaluga, 2025), and their connection with fundamental values (Hollensbe *et al.*, 2014; Lashitew *et al.*, 2024).

For greater clarity, before engaging with the revived debate on corporate purpose, it is essential to draw on established literature to distinguish purpose from related - yet often conflated - managerial concepts such as mission, vision, and values (Table 1).

Tab. 1: Purpose, Mission, Vision, Values

CONCEPT	CORE QUESTION	TIME ORIENTATION	FUNCTION
PURPOSE	Why does the corporation exist?	Enduring, timeless	Defines raison d'être and societal role
MISSION	What does the corporation do?	Present, operational	Outlines activities and approach
VISION	Where does the corporation go?	Future-oriented	Provides aspirational long-term goals
VALUES	How does the corporation behave?	Continuous	Guides ethical behavior and organizational culture

Source: adapted from Brosch, 2023

Whereas purpose defines the enduring reason *why* a company exists and its broader role in society (Bartlett and Ghoshal, 1994; Besharov and Mitzinneck, 2023; George *et al.*, 2023), mission specifies *what* the company does (Campbell and Yeung, 1991), vision articulates *where* it aspires to go in the future (Kenny, 2014), and values represent the ethical principles that guide *how* decision-making and culture are shaped (Hollensbe *et al.*, 2014).

Opposed to the reductionist legacy of shareholder primacy, management scholars increasingly advocate for a decisive shift toward a pro-social understanding of corporations (Battilana *et al.*, 2022; Hollensbe *et al.*, 2014), resting on the basic assumption that corporate purpose should be defined as a "concrete goal or objective for the firm that reaches beyond profit maximization" (Henderson and Van Den Steen, 2015, p. 327), and more concretely that it is about "finding ways of solving problems profitably where profits are defined net of the costs of avoiding and remedying problems" (Mayer, 2021, p. 889).

Within this view, purpose is not understood merely as a neutral instrument to secure profitability, but rather as a moral obligation to contribute positively to society, foster sustainability, and generate shared value for a wide range of stakeholders (Brosch, 2023; Freeman *et al.*, 2020; George and Schillebeeckx, 2022; Gionfriddo and Piccaluga, 2025; McGahan, 2023). From a strategic perspective, it thus functions as a normative compass, guiding firms in defining their societal responsibilities and aligning business strategies and practices with long-term collective well-being (Asselle and Piccaluga, 2019; Rey *et al.*, 2019).

In parallel with scholarly evolution, the debate on corporate purpose has been punctuated by key turning points in business practice. One of the most visible was the 2019 statement by the U.S. Business Roundtable, in which 181 CEOs formally declared a commitment to deliver value to all stakeholders rather than prioritizing shareholder returns alone[2]. While celebrated by many as a paradigm shift toward stakeholder capitalism (Davis, 2021; Harrison *et al.*, 2020), the declaration was also met with skepticism. Critics argued that it lacked binding commitments, measurable outcomes, and robust accountability mechanisms, thus risking being perceived as mere rhetoric (Brosch, 2023; El Ghoul *et al.*, 2025).

In this regard, a growing body of literature highlights the phenomenon of 'purpose washing' (Gulati and Wohlgezogen, 2023; Kimsey *et al.*, 2023), in which firms articulate lofty purpose statements but fail to translate them into meaningful practices, metrics, or accountability structures (Crane and Glozer, 2016). Most importantly, this disjuncture between rhetoric and practice can undermine stakeholder trust and organizational legitimacy (Mahoney, 2023). The resulting gap between "purpose talk" and 'purpose walk' not only fuels cynicism but also heightens reputational risk among stakeholders (Gulati and Wohlgezogen, 2023).

This consideration highlights one of the most challenging aspects of purpose: its measurability. Unlike financial performance, corporate purpose - understood as a moral imperative oriented toward societal well-being - is qualitative in nature, which makes it difficult to operationalize through standard performance indicators (Gionfriddo *et al.*, 2025). Efforts are underway to link purpose with ESG reporting frameworks, integrated reporting standards, and impact investing tools, but the landscape remains fragmented (Khan *et al.*, 2016; Eccles *et al.*, 2020).

Academic debates on corporate purpose reflect this tension: without robust mechanisms, purpose risks remaining symbolic rather than substantive, exposing firms to accusations of 'purpose washing' (Crane and Glozer, 2016; Gulati and Wohlgezogen, 2023). Its potential to reconnect business with society depends on embedding it into organizational arrangements that ensure alignment, credibility, and accountability (Collevecchio and Gionfriddo, 2023; Mayer, 2021).

It is precisely at this juncture that corporate governance becomes indispensable (Aguilera, 2023): long regarded as a system for safeguarding

[2] https://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans

shareholders (Zajac and Goranova, 2024; Raelin and Bondy, 2013), it is now increasingly understood as the institutional architecture through which corporate purpose can be embedded into strategies, cultures, and operations (Levillain and Segrestin, 2019; Mayer, 2021). How governance can evolve to fulfill this role is the central question to which we now turn.

4. The Conceptual Foundation of Sustainable Corporate Governance

If corporate purpose represents the 'why' of business, corporate governance embodies the 'how', that is, the institutional and cognitive infrastructure through which intentions, commitments, and actions are aligned over time. Governance ensures coherence between what Morrison and Mota (2023) describe as the (1) corporate mind, i.e., the enduring constellation of collective beliefs and intentions, (2) the public commitments expressed through purpose and strategy statements, and (3) the authorized actions that operationalize them. From this perspective, governance is not merely a legal or financial control mechanism but a meta-contractual system that preserves consistency between what the corporation believes, declares, and does. Failures of such consistency - when high purpose is not translated into meaningful practices - constitute not simply ethical lapses but governance failures.

Traditionally, corporate governance has been conceptualized within the agency theory framework as a set of mechanisms designed to align the interests of managers and shareholders (Jensen and Meckling, 1976). This view, premised on opportunism, privileges control and incentive alignment, increasingly reducing purpose to financial metrics (Fama and Jensen, 1983). By contrast, modern corporations operate in pluralistic, interdependent environments shaped by multiple stakeholders (Freeman, 1984). Addressing grand challenges demands stakeholder governance capable of mediating heterogeneous interests (Amis *et al.*, 2020; McGahan, 2023) and stewardship logics (Davis *et al.*, 1997; Mahoney, 2023).

Corporate governance can thus be conceptualized as an enabling architecture for value creation: a dynamic process embedding responsibility, accountability, and learning into decision-making. It involves both 'hard' mechanisms (board structures, remuneration, risk/capital allocation, internal controls) and 'soft' mechanisms (values, culture, deliberative practices) that jointly sustain alignment between personal motives, organizational purpose, and societal expectations (Durand, 2023; Hollensbe *et al.*, 2014; George *et al.*, 2023; Hillman and Dalziel, 2003; Huse, 2007; Forbes and Milliken, 1999). When such value congruence exists, decision-makers can act authentically (Avolio and Gardner, 2005), translating corporate purpose into performance that is sustainable over time.

This reconceptualization of governance aligns with the emerging paradigm of sustainable corporate governance, which redefines governance as an open and dialogical process that integrates social and environmental imperatives into decision and accountability processes, preserving coherence over time between espoused values and enacted behaviors

(Aguilera, 2023; Mayer, 2021). Sustainable governance thus extends beyond compliance: it represents a normative commitment to ensure that corporate strategies and structures contribute to long-term collective well-being. In this view, governance acts as the institutional support that translates moral intent into organizational reality, ensuring that purpose statements are not mere rhetoric but operational principles embedded in strategy and accountability systems.

In this regard, empirical research maps a bidirectional governance-responsibility interface: governance shapes sustainability outcomes through structures and incentives, and, reciprocally, sustainability pressures reshape governance by reconfiguring board architecture (e.g., sustainability committees and expanded mandates), decision rights and routines (risk oversight and escalation paths), performance and pay systems (purpose-linked KPIs and incentives), disclosure and assurance (non-financial reporting and verification), and stakeholder voice in board deliberations (Zaman *et al.*, 2022). These dynamics are context-dependent, embedded in national systems, ownership models, and cultural expectations; therefore, authentic purpose must evolve within institutional fields that reward coherence and penalize hypocrisy (Meyer and Rowan, 1977; Bromley and Powell, 2012).

At the micro foundational level, boards of directors act as both a moral compass and a strategic filter, mediating between purpose aspirations and market constraints. As the firm's highest decision-making and control body, the board sets direction, monitors management, and brokers among heterogeneous claims (Durand, 2023; Hillman and Dalziel, 2003; Forbes and Milliken, 1999). In purpose-driven firms, this role extends to interpreting and prioritizing purpose and translating it into effective oversight and incentives. Consequently, the board functions as the natural micro-foundation linking organizational intent with strategy, culture, and resource allocation. This linking function is conditioned by board composition, experience, and committee design, which shape how purpose is embedded in strategy and culture (Collevecchio and Gionfriddo, 2023; Collevecchio *et al.*, 2025). Ultimately, purpose integration is human and depends on cognitive openness, generational diversity, and a willingness to challenge assumptions.

Building on these insights, sustainable governance can be interpreted as a multi-level alignment process. At the individual level, it depends on the moral agency and identity of directors and executives, whose personal values shape how they interpret purpose (Morrison and Mota, 2023). At the organizational level, governance mechanisms embed purpose through transparent policies, performance systems, and accountability practices (Ocasio *et al.*, 2023; Zaman *et al.*, 2022). At the institutional level, external stakeholders - such as investors, regulators, and civil society - reinforce or constrain the authenticity of purpose enactment (Aguilera, 2023; McGahan, 2023). Authentic purpose thus emerges from the alignment across these levels, sustained by governance structures that connect intention and action, belief and behavior.

Recent research suggests that coherence in multi-level governance may also affect the innovation capacity of purpose-driven firms. For instance, Henderson (2021) argues that purpose-driven governance enables architectural innovation, i.e., transformative innovation that reconfigures not only products and processes but also the institutional frameworks in which firms operate. Such architectural innovation requires organizations to integrate moral intent with adaptive structures, turning governance into an instrument of collective learning and resilience (Gionfriddo *et al.*, 2025). When governance performs this generative function, it fosters not only compliance and control but also creativity, adaptability, and social legitimacy.

In summary, sustainable corporate governance can be defined as the institutional, cognitive, and relational architecture through which environmental, social, and long-term considerations are embedded into decision-making and accountability processes (Aguilera *et al.*, 2008; Kavadis and Thomsen, 2023). It transcends the control-oriented paradigm of agency theory to embrace stewardship, stakeholder, and institutional perspectives, recognizing that long-term value creation depends on the congruence between personal ethics, corporate commitments, and societal well-being (Kavadis and Thomsen, 2023; Naciti *et al.*, 2022). Purpose-driven governance represents a more specific configuration of sustainable governance: it emerges when these mechanisms are explicitly guided by a firm-specific corporate purpose that functions as the primary normative reference for strategic choices, accountability practices, and adaptive renewal. Governance, in this sense, provides purpose with structure, credibility, and continuity, thereby reducing the risk that purpose remains aspirational rhetoric rather than organizational practice (Chua *et al.*, 2024; Naciti *et al.*, 2022). Ultimately, governance and purpose are mutually constitutive: while purpose gives governance its normative direction, governance gives purpose the organizational conditions for credible enactment (Aguilera *et al.*, 2008; Chua *et al.*, 2024).

5. Integrating corporate purpose and sustainable governance: towards a unified conceptual framework

The two conceptual domains of corporate purpose and sustainable governance share a profound epistemological connection. While these streams have developed largely in parallel, the preceding analysis has shown that their evolution has been shaped by a sequence of theoretical shifts concerning the role of the firm, its responsibilities, and the function of governance.

Table 2 provides a timeline-based synthesis of this conceptual evolution, illustrating how the literature has progressively moved from shareholder primacy to contemporary debates on corporate purpose, and how growing concerns regarding purpose enactment have created the conditions for integrating corporate purpose and sustainable governance into a unified conceptual framework.

Reading the timeline reported in Table 2 as a continuum helps situate purpose-driven governance vis-à-vis adjacent paradigms. Shareholder-oriented governance treats the firm as a nexus of contracts and prioritizes the protection of residual claimants through monitoring, incentive alignment, and disclosure (Jensen and Meckling, 1976; Fama and Jensen, 1983). Stakeholder-oriented governance broadens the constituency to multiple legitimate claimants and reframes the board as a broker of competing interests, yet it remains largely silent on the normative content of the firm's objective (Freeman, 1984; Amis *et al.*, 2020). Sustainable governance integrates environmental, social, and long-term considerations into board structures, disclosures, and incentives (Aguilera *et al.*, 2008; Kavadis and Thomsen, 2023), but the moral content of its goals is typically derived from external standards and institutional pressures rather than from a firm-specific normative commitment. Purpose-driven governance, as theorized here, is a distinct configuration nested within sustainable governance: it is activated when an explicit, firm-specific corporate purpose - understood as a moral commitment about why the firm exists - becomes the primary decision premise that orients alignment, accountability, and adaptability. In this sense, sustainable governance provides the institutional container, while purpose-driven governance specifies the normative engine that gives its mechanisms direction and content.

Tab. 2: Timeline of the Conceptual Evolution of Corporate Purpose and Governance

Conceptual Phase	Indicative Period	Purpose Orientation	Role of Governance	Main Contribution	Theoretical Reference
Shareholder Primacy	1930s - late 1980s	Purpose as profit maximization	Alignment mechanism	Firm conceived as an instrument for shareholder value maximization	Friedman (1970)
Stakeholder Governance & CSR	late 1980s - late 2010s	Purpose as responsibility toward multiple stakeholders	Coordination mechanism	Expansion of corporate responsibilities beyond shareholders	Freeman (1984)
Purpose as Normative Orientation	late 2010s - early-2020s	Purpose with duty-based connotation	Symbolic reference	Emergence of purpose as a moral aspiration	Hollensbe *et al.* (2014)
The Purpose Enactment Problem	2020s - onward	Purpose as declared pro-social commitment	Fragmented mechanism	Growing gap between 'purpose talk' vs 'purpose walk'	Chua *et al.* (2024)

Source: Authors' elaboration

Both streams of literature represent an attempt to move beyond the reductionist logic of shareholder primacy and to re-embed business within its broader social and environmental context. Corporate purpose aimed to provide the normative foundation for this reorientation: it articulates the moral and societal reasons why corporations exist. Sustainable governance, in turn, provides the institutional infrastructure through which such intent is enacted, monitored, and sustained over time.

Purpose without governance risks symbolic rhetoric, the so-called 'purpose washing' (Gulati and Wohlgezogen, 2023); governance without purpose may produce efficient but ethically neutral organizations optimized for short-term returns. Integrating literature allows us to conceptualize a dynamic relationship between moral intent and institutional design: governance gives purpose credibility, while purpose gives governance direction. When integrated, the relationship fosters authentic purpose enactment, i.e., a condition in which purpose is internalized, operationalized, and sustained across time and levels.

In this sense, sustainable governance acts as the institutional backbone of authentic purpose (Aguilera, 2023; Mayer, 2021). It connects the *why* and the *how* of corporate behavior by embedding moral commitments into decision-making structures and accountability systems. This alignment operates across multiple levels. At the individual level, the authenticity of purpose relies on decision-makers' moral identity and value congruence (Avolio and Gardner, 2005). At the organizational level, it depends on formal and informal governance mechanisms - such as board deliberations, incentive systems, and disclosure practices - that translate normative intentions into strategy and operations (Forbes and Milliken, 1999; Zattoni *et al.*, 2023). At the institutional level, it is reinforced by the expectations and scrutiny of external stakeholders, which serve as sources of legitimacy and feedback (Aguilera *et al.*, 2007; Mahoney, 2023).

This multi-level view positions governance not only as a mechanism of control but also as a relational and generative system that sustains coherence between belief, communication, and action. By embedding purpose into the governance architecture, firms can transform purpose from a declarative ideal into a lived practice that generates trust, legitimacy, and resilience in the face of complexity.

Bringing together these insights enables us to theorize the governance-purpose nexus as a system of reciprocal reinforcement. Governance gives purpose its credibility, while purpose gives governance its ethical and strategic orientation. When effectively integrated, this relationship fosters what we term *authentic purpose enactment*, i.e., a condition in which corporate purpose is internalized, operationalized, and sustained across time and levels of analysis.

Building on this theoretical synthesis, the following section introduces a conceptual model that explains how sustainable governance, when configured around a firm-specific corporate purpose, can foster authentic purpose enactment within organizations. We identify three core governance dimensions through which moral intent becomes organizational practice: (1) Alignment, (2) Accountability, and (3) Adaptability. Alignment is the internal dimension of coherence; Accountability is the external dimension of legitimacy; Adaptability is the temporal and relational dimension of resilience. These dimensions are mutually reinforcing and must be balanced: alignment without accountability risks complacency and decoupling; accountability without temporal adaptability leads to rigidity and compliance ossification; temporal adaptability without alignment invites opportunistic change and purpose drift.

To avoid treating the core dimensions of our framework as ad hoc, we derive them from a structured integration of two established conversations. First, purpose research in management is fragmented along recurrent tensions; most notably, purpose as embodied inside organizations versus embedded in the business-society context (Chua *et al.*, 2024), purpose of the organization versus purpose to stakeholders, and the stability-change tension inherent in a concept that is enduring yet enacted under shifting expectations (van Ingen *et al.*, 2021). Second, sustainable governance scholarship highlights governance not only as monitoring and control, but as an architecture that distributes decision rights, creates answerability, and institutionalizes learning (Aguilera *et al.*, 2008). Combining these insights, we specify three governance dimensions that map onto the core enactment tensions of purpose: *Alignment* addresses the embodiment problem (internal coherence between declared purpose and organizational choices); *Accountability* addresses the embeddedness/legitimacy problem (external answerability and verifiability of purpose claims); and Adaptability addresses the stability-change problem (governed renewal of goals and trade-off rules as contexts evolve).

6. The logic of authentic purpose enactment

The concept of authenticity has deep philosophical roots, often associated with the congruence between one's values and actions. In organizational contexts, authenticity refers to the alignment between espoused values and enacted behaviors (George *et al.*, 2023; Morrison and Mota, 2023). Applied to corporate purpose, authenticity captures an organization's capacity to ensure coherence among what it believes (the moral and cognitive frame), what it says (its formal purpose statement and communication), and what it does (its strategic and operational behaviors). Importantly, this coherence is empirically fragile: it is vulnerable to decoupling between 'talk' and 'walk' when formal commitments are not translated into routines, resource allocations, and decision premises (Bromley and Powell, 2012; Wickert *et al.*, 2016).

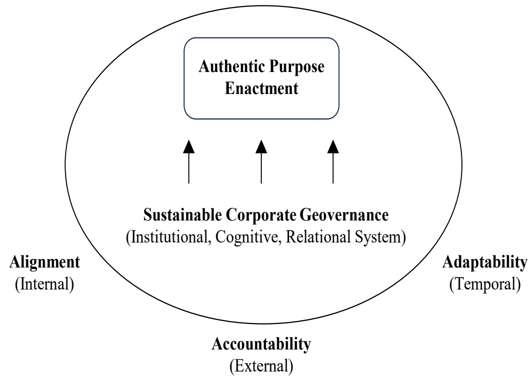
This triadic understanding parallels Rey and Bastons' (2018) model of mission implementation, which distinguishes between the formal, dynamic, and motivational dimensions of an organization's mission. The formal dimension corresponds to the explicit articulation of purpose; the dynamic dimension reflects how that purpose is enacted in practice; and the motivational dimension captures the internalization of purpose as a genuine source of motivation among employees. Authenticity thus emerges from the integration of these three dimensions, ensuring that purpose is both declared, enacted, and lived. In other words, authenticity is not a claim about managerial sincerity, but a property of organizational alignment across symbols, practices, and motivations.

Governance plays a crucial mediating role in this triadic relationship. Without appropriate governance systems, purpose may remain symbolic or decoupled from practice, resulting in what scholars are increasingly describing as purpose washing (Gulati and Wohlgezogen, 2023; Kimsey *et al.*, 2023). Conversely, when governance is designed as a mechanism for moral alignment, it embeds purpose into decision-making structures, incentive systems, and evaluation processes, thereby transforming rhetoric into action (Aguilera, 2023). In this view, sustainable governance does not merely constrain behavior; it cultivates coherence, creating conditions in which purpose can be enacted authentically rather than performatively. More specifically, governance provides the necessary formal structures (such as authority allocations, incentives, and controls) and informal structures (such as attention and sense-making) through which purpose becomes an actionable decision premise rather than an aspirational claim (Aguilera *et al.*, 2019; Gartenberg *et al.*, 2019).

The authenticity of purpose may also depend on temporal adaptability. Because purpose is by nature enduring and aspirational, it requires governance systems capable of preserving alignment over time, despite external shocks, leadership changes, or market pressures (Mayer, 2021). This important feature introduces a processual dimension: governance must not only enforce compliance at a given moment but also sustain alignment across evolving contexts, enabling organizations to remain faithful to their purpose while adapting to new challenges. Hence, authenticity is not a static attribute, but a dynamic equilibrium maintained through continuous governance work. This dynamic equilibrium requires not only stability (to prevent mission drift) but also renewal (to prevent rigidity), making organizational learning and adaptation central to authentic enactment (Teece *et al.*, 1997).

Building on these theoretical foundations, we propose the conceptual model illustrated in Figure 1, which integrates the logic of purpose-driven governance with a three-dimensional view of purpose authenticity. The model articulates how governance mechanisms can sustain the enactment of authentic purpose by fostering coherence among the formal, dynamic, and motivational dimensions of purpose. In particular, it identifies three interdependent governance dimensions that collectively sustain authentic purpose enactment.

Fig. 1: Conceptual model of Authentic Purpose Enactment through Sustainable Governance



Source: Authors' elaboration

As stated above, we define authentic purpose enactment as an organization's capacity to ensure coherence among its beliefs, its formal espoused purpose, and its enacted choices. This definition treats authenticity not as a claim about managerial sincerity, but as an organizational outcome that is vulnerable to decoupling (talk-action gaps) and purpose drift when governance fails to translate purpose into decision premises and adaptive learning (Bromley and Powell, 2012; Kaplan, 2023; Wickert *et al.*, 2016).

The three governance dimensions that follow are not introduced ad hoc but are anchored in established theoretical traditions of corporate governance and organizational research. Alignment is grounded in stewardship and stakeholder perspectives (Davis *et al.*, 1997; Freeman, 1984), which conceptualize governance as the structural and cognitive infrastructure that orients managerial discretion toward purpose-consistent decisions. Accountability builds on neoinstitutional and accountability scholarship (Meyer and Rowan, 1977; O'Brien, 2019), which clarifies how observability, verifiability, and contestability discipline organizational claims under external scrutiny. Adaptability is informed by the dynamic capabilities tradition and sensemaking research (Teece *et al.*, 1997; Ocasio *et al.*, 2023), which articulate how organizations renew strategic commitments while preserving identity across changing contexts. Reading the three dimensions through these established lenses clarifies their conceptual provenance and the boundary conditions under which each operates.

Building on work that emphasizes purpose as a strategic and governance challenge (Chua *et al.*, 2024; Gulati and Wohlgezogen, 2023; McGahan, 2023; Ocasio *et al.*, 2023), we model authentic enactment as produced by three interdependent governance dimensions that address distinct vulnerabilities: (1) Alignment (internal coherence), (2) Accountability (external legitimacy and contestability), and (3) Temporal Adaptability (resilience through learning and renewal). We deliberately refer to Alignment, Accountability, and Temporal Adaptability as dimensions of purpose-driven governance: dynamism is a defining characteristic of each dimension - each unfolds as an ongoing, iterative process rather than a static state - and not a separate construct in itself.

Table 3 makes explicit the theoretical derivation, governance function, and failure mode associated with each dimension, thereby clarifying why these three constructs are the relevant building blocks of purpose-driven governance.

Tab. 3: Theoretical derivation and governance function of the three dimensions

Governance dimension	Theoretical lineage	Purpose-enactment problem	Illustrative governance instruments	Failure mode if absent
Alignment	Stewardship and stakeholder perspectives (Davis *et al.*, 1997; Freeman, 1984)	Internal coherence between declared purpose and organizational choices	Decision rights, purpose-based incentives, capital allocation criteria, internal controls, coordination routines	Symbolic adoption, decoupling, and internal incoherence
Accountability	Neoinstitutional and accountability scholarship (Meyer & Rowan, 1977; O'Brien, 2019)	External verifiability, legitimacy, and contestability of purpose claims	Board oversight, disclosure and assurance, stakeholder voice, grievance channels, engagement processes	Purpose washing, unverifiable claims, and legitimacy erosion
Temporal Adaptability	Dynamic capabilities and sensemaking research (Teece *et al.*, 1997; Ocasio *et al.*, 2023)	Governed renewal of purpose under changing expectations and contexts	Learning loops, periodic revision of trade-off rules, stakeholder sensing, strategic renewal routines	Purpose drift, rigidity, or opportunistic redefinition

Source: Authors' elaboration

6.1 Alignment - the internal dimension of coherence

We conceptualize alignment primarily as intra-organizational coherence because our focal problem is translating purpose into decision rights, incentives, and resource allocation, that is, the organizational infrastructure that determines internally which initiatives are authorized and funded and which trade-offs are considered acceptable (Fama and Jensen, 1983). Beyond internal coherence, our framework also recognizes the importance of alignment with external expectations coming from the institutional environment where organizations operate. In our framework, external congruence is mainly achieved through accountability and adaptability, which act as feedback loops that recalibrate internal choices in response to scrutiny and evolving expectations (Gulati and Wohlgezogen, 2023; Ocasio *et al.*, 2023).

Internal alignment anchors purpose in the organization's identity, strategy, and structure, ensuring that purpose functions not only as an aspirational statement but as an actionable decision premise (Gartenberg *et al.*, 2019). Accordingly, internal alignment concerns the internal coherence between what the organization declares, what it values, and how its members act (Rey *et al.*, 2019). This dimension centers on integrating purpose into the organization's identity, strategy, and structure, ensuring that purpose is not confined to aspirational statements but is embodied in the organization's DNA. It requires aligning individual motives with the collective mission, translating shared values into strategic objectives, and embedding purpose-driven criteria into decision-making processes.

Alignment is enacted when purpose is integrated into authority (who can decide and with what mandates), attention and sensemaking (how issues are framed and prioritized), and coordination routines (how interdependent work is synchronized) (Ocasio, 1997). Concretely, sustainable governance strengthens alignment by specifying where choices are taken (through clear mandates, capital allocation criteria, and internal controls that route proposals through purpose gates), shaping how trade-offs are reasoned (via agenda setting that frames problems through the lens of purpose, shared heuristics, and leadership development that translate values into decision rules), and enabling coordination across functions and levels (cascaded objectives, clarified roles, and cross-functional routines that make everyday work mirror stated intent).

In combination, the "hard" governance infrastructure anchors purpose in portfolios and incentives (Mayer, 2021), the cognitive frame disciplines how trade-offs are weighed, and the relational fabric synchronizes interdependent behaviors. The result is that purpose operates both as a compass and as a constraint: it guides strategic direction while limiting opportunistic deviation, thereby reducing mission drift and internal incoherence (Kaplan, 2023; McGahan, 2023). Read against the decoupling perspective, alignment operates as the mechanism that prevents symbolic adoption, by embedding purpose into the choices that systematically shape organizational action (Bromley and Powell, 2012).

6.2 Accountability - the external dimension of legitimacy

We treat accountability as predominantly outward-facing, in terms of verifiability and contestability: the extent to which stakeholders can evaluate purpose claims, interrogate trade-offs, and - directly or indirectly - sanction misalignment.

Comparative debates on corporate purpose show that moving toward a pluralistic, stakeholder-oriented purpose often fails without credible enforcement and governance arrangements that make commitments contestable and actionable (Afsharipour, 2016). At the same time, accountability is enabled by internal infrastructures that surface problems early and make managers answerable for purpose-relevant decisions, not only financial outcomes - e.g., employee voice, grievance and escalation channels, internal controls, and board routines that make managers answerable not only for financial outcomes but for purpose-relevant trade-offs (Naciti *et al.*, 2022). In this sense, accountability is multi-directional: external audiences validate (or reject) purpose claims, while internal stakeholders provide early signals of misalignment and decoupling. This resonates with credible commitment theory, which posits that purpose and stakeholder commitments are unlikely to durably shape corporate conduct unless governance mechanisms render them costly to abandon and verifiable by outside audiences (Fairfax, 2022).

External accountability constitutes the legitimacy pillar of authentic purpose enactment. It ensures that the organization's purpose is observable, evaluable, and credible in the eyes of external stakeholders (Gulati and Wohlgezogen, 2023; McGahan, 2023). This dimension transforms moral intent into verifiable commitments by linking internal convictions with external expectations. As a governance dimension, accountability is instantiated through a set of governance instruments - such as transparency practices, standardized disclosure frameworks, and stakeholder engagement processes - that convert purpose from a normative claim into measurable outcomes (Marquis *et al.*, 2016; Simnett *et al.*, 2009). Internal accountability infrastructures (e.g., voice and escalation channels) are effective only when leaders signal openness and foster psychological safety, thereby reducing the perceived risk of speaking up (Detert and Burris, 2007).

Through sustainable governance, accountability extends beyond compliance to embody moral responsibility (O'Brien, 2019). Governance stabilizes observable commitments (board-approved targets, materiality thresholds, and escalation rules), disciplines the way claims are justified (linking narratives to evidence, separating intent from outcomes, and promoting narrative parsimony that prevents over-claiming), and opens channels through which stakeholders can contest and contribute (structured investor dialogue, employee voice, and external advisory input integrated into board deliberations). Institutional infrastructures make non-financial performance measurable and verifiable; cognitive practices trace the passage from values to evidence; and relational ties convert ritual consultation into deliberative input (Henisz *et al.*, 2014; Simnett *et al.*, 2009). In this setting, successes and shortfalls become auditable, purpose-washing loses its payoff, and the license to operate is earned rather than asserted (Marquis *et al.*, 2016; Wickert *et al.*, 2016).

6.3 Temporal adaptability - the temporal and relational dimension of resilience

Because corporate purpose is not universal and depends on institutional context, specifying to whom purpose is directed - and building stakeholder engagement into governance - becomes essential to avoid generic purpose claims and to sustain legitimacy over time (Aguilera, 2023).

We conceptualize adaptability as both temporal and relational: purpose is renewed through governed learning in relation to salient stakeholders and institutional audiences whose expectations evolve (Ocasio *et al.*, 2023). Adaptation is not spontaneous but is triggered by identifiable signals: shifts in stakeholder expectations and emerging grievances (relational triggers), changes in regulatory regimes, reporting standards, or industry norms (institutional triggers), and exogenous shocks such as technological discontinuities or environmental crises (contextual triggers). These triggers are processed through specific relational interfaces - investor and shareholder dialogue, employee voice and grievance channels, advisory engagement with civil-society actors, and structured exchanges with regulators - which feed back into board-level deliberation and strategic renewal. Illustrative governance mechanisms include structured stakeholder dialogue tied to board agenda-setting, periodic revision of trade-off rules and metrics, and governance-level "learning loops" that update strategic priorities without diluting the firm's moral ambition.

Temporal Adaptability reflects the organization's capacity to reinterpret, renew, and sustain its purpose over time in response to changing societal, institutional, and environmental conditions (Henderson, 2021). Because purpose is inherently enduring yet aspirational, it must evolve without losing its moral core (Ocasio *et al.*, 2023). This dimension acknowledges that alignment and accountability alone are insufficient if purpose cannot remain meaningful across shifting contexts. Adaptability thus involves a process of continuous learning, reflexivity, and renewal through which the organization preserves integrity while remaining responsive to external change.

Sustainable governance plays a pivotal role in enabling this adaptability. It underwrites temporal adaptability by turning the evolution of purpose from opportunistic reaction into a principled, repeatable practice (Aguilera, 2023). At the institutional level, it installs cadences and venues for revisiting purpose and connects them to planning and allocation cycles (Kunisch *et al.*, 2017). At the cognitive level, it cultivates double-loop learning, after-action reviews, and reframing routines that preserve the moral core while updating means and metrics, so that surprises become information rather than noise (Weiser, 2021). At the relational level, it maintains organizational boundaries that are porous (through structured stakeholder listening, boundary-spanning roles, and purpose-oriented partnerships), allowing external signals to enter the boardroom before they become shocks (Gupta *et al.*, 2020). Governed this way, adaptability yields a dynamic equilibrium: purpose remains stable in essence yet flexible in expression, enabling creativity, resilience, and continual re-legitimation without sacrificing coherence.

6.4 Interdependence of the three dimensions

In our framework, we propose three governance dimensions as interdependent because each addresses a distinct vulnerability of purpose enactment that cannot be fully resolved by the others. Alignment is the internal dimension of coherence: it concerns how authority, incentives, and sensemaking processes translate purpose into consistent choices and behaviors across hierarchical levels. Accountability is the external (and relational) dimension of legitimacy: it requires that firms can give an account of purpose-related choices to stakeholders who can question, evaluate, and, where appropriate, sanction those choices. Adaptability is the temporal dimension of resilience: it captures the capability to preserve a stable normative core while revising routines and resource configurations as conditions and stakeholder expectations evolve (Teece *et al.*, 1997). However, consistent with a complementarity logic in corporate governance, we recognize that these dimensions are mutually reinforcing and should be treated as a bundle rather than as substitute levers (Aguilera *et al.*, 2008). This 'bundle' logic is consistent with configurational evidence that governance mechanisms can operate as complements rather than substitutes, shaping outcomes through their joint alignment (Misangyi and Acharya, 2014). Alignment without accountability risks symbolic adoption and decoupling between 'purpose talk' and practice (Bromley and Powell, 2012). Accountability without adaptability can lock firms into compliance-oriented routines that become brittle under shocks and shifting societal demands (Henderson, 2021). Finally, adaptability without alignment invites opportunism and 'purpose drift', as change initiatives lose anchoring in a stable authority structure and value frame (Chua *et al.*, 2024).

7. Proposed boundary conditions of the model

Although sustainable governance enables the enactment of authentic purpose, its efficacy is not unconditional. The strength of each governance dimension - internal alignment, external accountability, and *temporal adaptability* - depends on contextual factors that can facilitate, constrain, or increase the governance burden associated with purpose enactment. Accordingly, we propose six boundary conditions that moderate the relationship between sustainable governance and the enactment of authentic purpose. These boundary conditions are theoretically selected to capture the following: (i) internal conditions that enable the translation of purpose into internal choices, such as leadership commitment/stewardship and employee value congruence; (ii) relational and institutional conditions that shape verifiability and legitimacy, such as stakeholder pluralism and the rigidity or standardization of institutional regimes; and (iii) temporal conditions that constrain renewal, such as environmental turbulence and ownership/investor horizons. Importantly, some of these conditions are not inherently negative: stakeholder pluralism and institutional standardization can strengthen accountability, but they may undermine authenticity if not accompanied by deliberative, adaptive, and context-sensitive governance mechanisms. This selection aligns with the view that long-term orientation enables but does not ensure sustainability, and that stewardship at the ownership and leadership levels is critical (Kavadis and Thomsen, 2023).

Argument 1a: Leadership Commitment and Stewardship as a Boundary Condition for Internal Alignment

We propose that the effectiveness of internal alignment depends on the degree of leadership commitment and stewardship. Sustainable governance mechanisms can embed purpose into strategy and structure only when leaders consistently champion and steward purpose across organizational levels. Leadership commitment ensures that purpose remains a living reference point in decision-making rather than a formal statement, while stewardship provides continuity and coherence across time and transitions. In contrast, when leadership engagement is weak, fragmented, or transactional, governance mechanisms risk degenerating into procedural compliance, thereby undermining authentic alignment.

Formal proposition 1a: Leadership commitment and stewardship strengthen the capacity of sustainable governance to achieve internal alignment by ensuring the continuous and consistent enactment of purpose throughout the organization.

Argument 1b: Low Value Alignment between Personal and Corporate Purpose as a Boundary Condition for Internal Alignment

We propose that a low degree of value congruence between employees' personal purpose and the organization's corporate purpose weakens internal alignment. When individuals perceive a disconnection between their own motives and the organization's declared purpose, governance mechanisms - such as incentive systems, purpose-based evaluations, or participatory forums - lose motivational traction. In such cases, purpose enactment becomes externally enforced rather than intrinsically owned. Conversely, when personal and organizational purposes are meaningfully aligned, governance systems reinforce a sense of shared identity and authenticity.

Formal proposition 1b: Low value alignment between individual and corporate purpose weakens the effectiveness of sustainable governance in fostering authentic internal alignment.

Argument 2a: Stakeholder Diversity and Moral Pluralism as a Boundary Condition for External Accountability

We propose that stakeholder diversity and moral pluralism condition the capacity of governance to sustain external accountability by increasing both the need for, and the difficulty of, credible justification. When stakeholder expectations are relatively convergent, governance can translate purpose into transparent and credible commitments more easily.

As moral pluralism and stakeholder heterogeneity increase, however, accountability becomes more demanding: governance systems must reconcile competing claims, justify trade-offs, and prevent participation from becoming symbolic. Under such conditions, stakeholder pluralism weakens authenticity only when firms lack deliberative and adaptive mechanisms capable of converting contestation into accountable learning.

Formal proposition 2a: Greater stakeholder diversity and moral pluralism increase the governance burden associated with external accountability and weaken authentic accountability when not accompanied by deliberative mechanisms for justifying and revising purpose-related trade-offs.

Argument 2b: Fixed Institutional Regimes as a Boundary Condition for External Accountability

Rigid or overly standardized institutional regimes (e.g., stewardship codes, reporting mandates, assurance norms) have ambivalent effects on external accountability. On the one hand, they enhance transparency, comparability, and verifiability by creating common templates for disclosure and assurance. On the other hand, they may entrench formalistic compliance logics that crowd out authentic dialogue and responsiveness when firms treat standardized frameworks as substitutes for context-sensitive engagement. In such cases, procedural conformity can eclipse the substantive communication and revision of purpose.

F*ormal proposition 2b: Fixed institutional regimes strengthen the comparability of accountability but may weaken its authenticity when standardized compliance crowds out context-sensitive engagement and adaptive justification.*

Argument 3a: Environmental Turbulence and Strategic Volatility as a Boundary Condition for Temporal Adaptability

We propose that environmental turbulence and strategic volatility constrain the governance system's capacity for temporal adaptability. Sustainable governance relies on reflective adaptation, i.e., the ability to reinterpret purpose without compromising its continuity. In volatile contexts marked by disruption, crisis, or rapid institutional change, governance tends to become reactive, prioritizing short-term stability over long-term coherence. This can lead either to purpose rigidity or opportunistic redefinition.

Formal proposition 3a: High levels of environmental turbulence and strategic volatility weaken the adaptive capacity of sustainable governance, limiting its ability to preserve the continuity and authenticity of purpose over time.

Argument 3b: Divergent Ownership and Investor Horizons as a Boundary Condition for Temporal Adaptability

We propose that divergent ownership and investor time horizons undermine the long-term orientation required for temporal adaptability. When investors and owners operate under short-term performance pressures, governance systems face structural barriers to sustaining purpose across changing contexts. The mismatch between financial cycles and purpose cycles erodes governance's ability to preserve moral and strategic continuity. Conversely, aligned and patient capital provides the temporal space necessary for purpose to evolve responsibly over time.

Formal proposition 3b: Divergent ownership and investor horizons limit the temporal adaptability of sustainable governance by constraining its capacity to balance short-term responsiveness with long-term purpose continuity.

8. Discussion and conclusions

Purpose-driven governance has become central to contemporary debates about what firms are for and how they can earn trust while addressing societal challenges (George *et al.*, 2023; McGahan, 2023; Mayer, 2021). Yet research also highlights that purpose is vulnerable to ambiguity and symbolic adoption: firms may proclaim purpose without embedding it in organizational choices, thereby generating 'talk-walk' gaps and the appearance of 'purpose washing' (Brosch, 2023; Bromley and Powell, 2012; Kimsey *et al.*, 2023; Meyer and Rowan, 1977). This paper responds to that challenge by articulating a mechanism-based framework of authentic purpose enactment and by specifying contingencies that shape when purpose-driven governance is more or less likely to translate moral intent into sustained organizational practice (Aguilera, 2023; Chua *et al.*, 2024; Gulati and Wohlgezogen, 2023).

This paper set out to clarify what purpose-driven governance means and how corporate purpose can be credibly enacted through governance structures and decision-making systems. Drawing on a scoping review and conceptual synthesis (Arksey and O'Malley, 2005; Tricco *et al.*, 2018), we developed an integrative framework that specifies three interdependent governance dimensions - *Alignment, Accountability*, and *Temporal Adaptability* - and theorizes boundary conditions that help explain heterogeneity in purpose enactment across firms and contexts (Aguilera, 2023; Besharov and Mitzinneck, 2023; George *et al.*, 2023). By shifting attention from purpose statements to the governance mechanisms that translate purpose into decision premises, contestable commitments, and governed renewal over time, the paper offers a more actionable and testable understanding of corporate purpose in management research (Durand, 2023; Ocasio *et al.*, 2023).

8.1 Theoretical contribution

Our first contribution is conceptual clarification. We define purpose-driven governance as a governance architecture that sustains coherence between an organization's espoused purpose and its enacted choices under stakeholder scrutiny and across time (George *et al.*, 2023; Morrison and Mota, 2023). This definition advances prior work by specifying authenticity as an organizational outcome that depends on governance design, rather than managerial sincerity, and by clarifying why purpose becomes fragile when it remains a symbolic layer loosely coupled from organizational action (Bromley and Powell, 2012; Meyer and Rowan, 1977). In doing so, we also respond to ongoing concerns about construct proliferation and "Tower of Babel" dynamics in the purpose debate by anchoring purpose claims to observable governance processes (Brosch, 2023; Chua *et al.*, 2024).

Second, we offer a mechanism-based model that integrates insights from purpose scholarship and sustainable corporate governance. Alignment explains how purpose is embodied internally through coherent decision rights and routines, consistent with classic views of governance as structuring authority and control (Fama and Jensen, 1983; Forbes and Milliken, 1999). Accountability explains how purpose becomes externally legible and contestable through disclosure, engagement, and voice, which is central to trust formation around purpose claims (Gulati and Wohlgezogen, 2023; Zaman *et al.*, 2022). Temporal Adaptability explains how purpose remains meaningful under change through governed learning and renewal, an issue that is increasingly salient as firms confront long-horizon societal challenges and shifting stakeholder expectations (Henderson, 2021; Mayer, 2021; McGahan, 2023). Rather than treating these mechanisms as independent levers, we theorize their interdependence, consistent with the view that governance outcomes emerge from interacting mechanisms, cognition, and monitoring rather than single best practices (Forbes and Milliken, 1999; Zaman *et al.*, 2022; Zajac and Goranova, 2024).

Third, we identify boundary conditions that help reconcile divergent expectations about purpose by clarifying when purpose-driven governance is more likely to translate moral intent into sustained organizational practice. In particular, the framework highlights how institutional context, stakeholder pluralism, and governance arrangements condition whether purpose is framed 'inside-out' (as identity and internal commitment) versus 'outside-in' (as externally validated legitimacy) and how these perspectives can be managed rather than treated as mutually exclusive (Aguilera, 2023; Almandoz, 2023; Levillain and Segrestin, 2019).

8.2 Implications for management research

The framework offers several implications for management studies by reframing the purpose debate as a governance design problem. First, it encourages research to operationalize purpose enactment through observable governance mechanisms and their outcomes, thus connecting purpose scholarship to corporate governance research that examines how boards and governance systems shape strategic decision-making (Forbes and Milliken, 1999; Hillman and Dalziel, 2003; Zaman *et al.*, 2022). In practice, this implies measurement strategies that capture (mis) alignment between purpose talk and organizational action, including how disclosure and reporting architectures shape what is made visible and how stakeholders interpret purpose claims (Crane and Glozer, 2016; Khan *et al.*, 2016).

Second, the model invites process and longitudinal research on how alignment, accountability, and temporal adaptability co-evolve, and on how misalignment, decoupling, or drift emerge when one dimension lags behind the others. Purpose enactment is increasingly described as a temporal and organizational process - rather than a one-off declaration - calling for designs that track governance mechanisms, internal routines, and external scrutiny over time (Chua *et al.*, 2024; Kimsey *et al.*, 2023; Ocasio *et al.*, 2023).

Third, the boundary conditions suggest a comparative agenda to explain heterogeneity in purpose enactment across institutional contexts and stakeholder environments. Scholars can examine how different governance models, legal-institutional arrangements, and ownership horizons affect the feasibility of translating moral intent into accountable commitments and sustained practice (Aguilera, 2023; Levillain and Segrestin, 2019; Zajac and Goranova, 2024). Relatedly, recent evidence on the consequences of high-profile purpose commitments (e.g., the Business Roundtable statement) underscores the need to theorize and measure when purpose statements trigger substantive changes rather than symbolic repositioning (Business Roundtable, 2019; El Ghoul *et al.*, 2025).

Finally, the model opens microfoundational avenues on how boards and executives translate purpose into decision premises and how internal sensemaking shapes the credibility of purpose claims. Building on work that conceptualizes boards as strategic decision-making groups, future research can examine how attention, cognition, and governance routines interact to produce (or impede) authentic enactment (Forbes and Milliken, 1999; Hillman and Dalziel, 2003; Zattoni *et al.*, 2023). In this vein, the framework can also be extended to study governance actors beyond the firm (e.g., standard setters and reporting initiatives) and how common metrics and disclosure infrastructures influence the evaluability of purpose claims (Eccles *et al.*, 2020; Khan *et al.*, 2016).

8.3 Managerial implications

For boards and executives, the model provides a practical diagnostic for making purpose governable. Rather than treating purpose primarily as communication, leaders can use the three dimensions to identify which governance capabilities are underdeveloped when purpose lacks credibility and to redesign governance mechanisms accordingly (Durand, 2023; Collevecchio and Gionfriddo, 2023).

At the level of alignment, the managerial task is to translate purpose into decision criteria and routinized trade-off rules so that purpose meaningfully guides which initiatives are authorized, funded, and prioritized. This involves clarifying non-negotiables, embedding purpose into capital allocation and portfolio review processes, and aligning incentives and performance evaluation with purpose-relevant outcomes, so that purpose is reflected in consequential strategic choices rather than only in aspirational statements (Fama and Jensen, 1983; Forbes and Milliken, 1999; Mayer, 2021).

At the accountability level, managers should make the purpose verifiable and contestable by assigning board oversight, defining measurable targets and materiality thresholds, strengthening disclosure practices, and institutionalizing channels for stakeholder voice that surface misalignment early. Doing so helps convert purpose into credible commitments, sustaining trust and lowering the payoff of symbolic claims, especially under stakeholder scrutiny (Crane and Glozer, 2016; Fairfax, 2022; Gulati and Wohlgezogen, 2023; Khan *et al.*, 2016).

At the level of temporal adaptability, the challenge is to govern renewal so that purpose remains stable in its normative core yet flexible in expression as conditions evolve. Boards and executives can institutionalize regular "purpose check-ins" that are linked to strategy and budgeting cycles, revisit trade-off rules and metrics when circumstances change, and maintain porous boundaries through structured stakeholder listening and purpose-oriented partnerships. This allows external signals to enter decision arenas before they become shocks, preserving credibility over time while avoiding opportunistic drift (Henderson, 2021; McGahan, 2023; Ocasio *et al.*, 2023).

Taken together, these practices help firms move from purpose talk to purpose enactment: purpose becomes a stable decision-making premise that guides priorities and constrains opportunistic deviation while remaining adaptable enough to credibly respond to evolving stakeholder expectations (Gulati and Wohlgezogen, 2023; Kimsey *et al.*, 2023; Mayer, 2021).

Beyond boards and executives, the framework also offers guidance to institutions, governments, and policy makers, who shape the infrastructure on which purpose-driven governance depends. First, regulators and standard setters can strengthen the accountability dimension by promoting comparable and decision-useful disclosure infrastructures that make purpose claims verifiable and contestable, thereby reducing the payoff of purpose washing (Eccles *et al.*, 2020; Khan *et al.*, 2016). Second, governments can support the alignment dimension by providing legal forms - such as benefit corporations and the French société à mission - that allow firms to entrench purpose in their constitutional documents and to protect it across ownership and leadership changes (Levillain and Segrestin, 2019). Third, policy makers can employ the three dimensions as a diagnostic grid to assess the credibility of corporate purpose commitments when designing procurement criteria, certification schemes, or incentive programs, and to calibrate regulatory interventions to the specific dimension - alignment, accountability, or adaptability - in which purpose enactment most often fails in their institutional context (Aguilera, 2023).

8.4 Limitations and future research

As a conceptual paper grounded in a scoping review, our framework does not provide causal identification or quantitative estimates. Future research should empirically validate the proposed dimensions and boundary conditions using mixed-methods, including longitudinal designs, comparative institutional analyses, and multilevel data linking board governance, organizational practices, and stakeholder perceptions. Moreover, the model can be extended by examining additional governance actors (e.g., large asset managers, standard-setters, and regulators) and by studying how legal forms and institutional reforms shape the feasibility of authentic purpose enactment.

A further limitation concerns the scope of our alignment construct. We conceptualize alignment primarily as intra-organizational coherence because our focal mechanism is the translation of purpose into decision rights, incentives, and resource allocation (Fama and Jensen, 1983). While we acknowledge that alignment is also frequently conceptualized as congruence with external expectations, our framework models external congruence mainly through accountability and adaptability as feedback loops under stakeholder scrutiny (Gulati and Wohlgezogen, 2023; Ocasio *et al.*, 2023). This delimitation helps isolate the internal governance of purpose, but it may understate contexts in which external congruence is constitutive of alignment itself and tightly intertwined with internal coherence. Future research could therefore develop and validate distinct measures for internal coherence and external congruence, examine their interaction over time, and assess how their relative salience varies across institutional settings and stakeholder environments.

8.5 Conclusion

This paper advances current debates on corporate purpose by reframing purpose-driven governance as a mechanism-based architecture for sustaining authentic purpose enactment under scrutiny and across time. By specifying how alignment, accountability, and temporal adaptability jointly translate purpose into embodied decision premises, contestable commitments, and governed renewal, the framework offers a coherent platform for cumulative research and a practical diagnostic for boards and executives seeking to make purpose credible in action.

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