

## **PhD project**

### **How firms in contested industries pursue purpose-driven renewal**

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#### **Abstract**

Corporations are increasingly being challenged to reflect on their purpose. Indeed, the relentless pursuit of profit as the *raison d'être* for corporations has had detrimental implications for our planet, society, and even shareholders – calling corporations to identify with a purpose that enables sustainable development. Accordingly, an ever-louder chorus of industry leaders have been questioning the shareholder-centric approach to business conduct. For example, Larry Fink, the CEO of BlackRock, called on firms to serve a broader societal purpose and shared value creation (Fink, 2018), and leading business consultants are increasingly advising firms to pursue a purpose that helps to cultivate a deeper connection with employees, customers, and communities (e.g. Dimitracopoulos, 2020; Gast, Probst, & Simpson, 2020; O'Brien, Main, Kounkel, & Stephan, 2020). Earlier research has shown that firms are responsive to this development as they are rolling out new purpose-driven strategies and implementing changes within their organizations (Volberda, Sidhu, Vishwanathan, Heij, & Kashanizadeh, 2022). However, firms that are particularly challenged by this development are those operating in contested industries including, for example, energy, aviation, and fast food. For these firms, pursuing a purpose requires fundamentally rethinking their core business activities, revenue models, and strategy (Malnight, Buche, & Dhanaraj, 2019). Therefore, this PhD project seeks to perform an in-depth, longitudinal study of how firms in contested industries engage in purpose-driven strategic renewal. The objective of this project is to identify and theorize about the challenges, practices, and consequences of implementing such renewal.

#### **Theoretical foundations**

We envision this project to draw from, and contribute to, three stands of literature: stakeholder management, strategic renewal, and organizational change. The central premise of stakeholder

theory is that organizations must manage relationships with multiple stakeholders to create value (Freeman, 2010, 1984). Shareholders are conventionally understood as the stakeholders that have most power, and whose interest should be prioritized in corporate governance (Fama & Jensen, 1983a, 1983b; Jensen & Meckling, 1976). Recent work, however, has made significant progress advancing legal (Blair, 1998; Smith & Rönnegard, 2016; Stout, 2002), strategic (Barney, 2018; Klein, Mahoney, McGahan, & Pitelis, 2019; Vishwanathan, van Oosterhout, Heugens, Duran, & van Essen, 2020) and normative foundations (Moriarty, 2014; Phillips, 2003; Stoelhorst & Vishwanathan, n.d.) of stakeholder theory. As a result, stakeholder theory is increasingly endorsed in the management literature (Amis, Barney, Mahoney, & Wang, 2020; Bridoux & Stoelhorst, 2022). Recent developments in corporate purpose are relevant to stakeholder theory in that it broadens our understanding of desired firm outcomes (Harrison, Phillips, & Freeman, 2020). According to Henderson and van den Steen (2015) corporate purpose involves “a concrete goal or objective for the firm that reaches beyond profit maximization” (p. 327). Mayer (2021) extended this definition by adding that purpose is about “produc[ing] profitable solutions to the problems of people and planet and not to profit from producing problems for people or planet” (p. 891). Research on corporate purpose can draw from established insights on how firms create value for stakeholders (Bridoux & Stoelhorst, 2014; Laplume, Sonpar, & Litz, 2008; Tantalo & Priem, 2016), and balance social and financial objectives (Bosse, Phillips, & Harrison, 2009; Orlitzky, Schmidt, & Rynes, 2003; Vishwanathan et al., 2020), to develop new theory about how firms in contested industries may successfully implement purpose-driven strategies. At the same time, the study of corporate purpose can extend stakeholder theory as it presents a novel mechanism of dialogic and rhetoric that can help managers garner support for a prosocial renewal strategy that was previously seen as undesirable or unattainable.

Strategic renewal involves “the activities a firm undertakes to alter its path dependence” (Volberda, Baden-Fuller, & Bosch, 2001: 160) in order to maintain a fit with its environment (Huff, Huff, & Thomas, 1992). Firms can engage in exploratory strategic renewal, which lead to transformative changes in the firm’s existing repertoire of activities and competencies (Kwee, Van Den Bosch, & Volberda, 2011). Such changes may include launching new business ventures, entering new geographic regions, or implementing new technologies or activities (Agarwal & Helfat, 2009; March, 1991). Alternatively, firms can engage in exploitative strategic renewal, which focuses on making incremental changes (Kwee et al., 2011), such as improving current competencies, expanding existing markets, or down-scoping

certain activities (Lubatkin, Simsek, Ling, & Veiga, 2006; Uotila, Maula, Keil, & Zahra, 2009). While existing research has often studied strategic renewal as a response to changes in the economic, regulatory, or technological environment (Schmitt, Raisch, & Volberda, 2018), the recent attention to corporate purpose represents a shift in the firm's normative environment. This development offers opportunities for theoretical advancement. More specifically, firm responses to normative pressures are particularly prone to decoupling and greenwashing (Durand, Hawn, & Ioannou, 2019). Large, established firms that operate in contested industries often face strong resistance to change (Baden-Fuller & Volberda, 1997) because the pressure to adopt a prosocial purpose represents an existential threat to these firms. Managers may therefore publicly announce a purpose-driven strategy that promises to radically rethink the firm's core competencies and redefine its playing field (Malnight et al., 2019), but in practice, only engage in exploitative renewal (George, Haas, McGahan, Schillebeeckx, & Tracey, 2021). Thus, there are several important questions at the intersection of strategic renewal and corporate purpose that merit attention, for example: How do managers maintain a gap between their proclaimed purpose renewal and actual renewal? What determines the extent of this gap, and how do internal and external stakeholders respond to the presence of such gap?

The large research field on organizational learning and change is highly relevant to the topic of corporate purpose renewal (Crossan & Berdrow, 2003; Levitt & March, 1988). Established firms in contested industries are particularly likely to face inertial forces which cause "the speed of reorganization [to be] much lower than the rate at which environmental conditions change" (Hannan & Freeman, 1984: 151). Since corporate purpose pertains to an organization's reason for being (Gartenberg & Serafeim, 2022; Hollensbe, Wookey, Hickey, George, & Nichols, 2014), it questions its identity, guiding values, and resource allocation decisions, which are organizational characteristics that are very difficult to change (Hannan & Freeman, 1984). Rumelt (1995) identified five main sources of inertia: distorted managerial perceptions, insufficient motivation to initiate change, difficulty of identifying an adequate solution, vested interests and organizational politics, and organizational attachment to the status quo. All these five forces likely explain why firms struggle to implement purpose-driven renewal (Helfat, 2022; Rumelt, 1995). Existing research has shown that middle managers are key to realizing radical change (Huy, 2002), and translating purpose to performance (Gartenberg, Prat, & Serafeim, 2019). But besides formal practices such as defining appropriate KPIs and incentive structures (Locke & Latham, 2002, 2006), successful implementation of purpose-driven strategies require the shifting of cognitive frames and cultural norms inside

organizations (George et al., 2021; Kaplan & Henderson, 2005). Little is currently known about how managers moderate and navigate the inertial forces faced in the process of purpose-driven renewal. Since such forces are likely to be particularly pronounced for firms in contested industries, it represents a fruitful context for theoretical advancement.

### **Methodological approach**

Given the recent emergence and interest in corporate purpose, and the lack of existing theory on purpose-driven renewal, this project will focus on inductively building new theory (Bansal & Corley, 2012; Gioia, Corley, & Hamilton, 2013). The PhD candidate will perform an in-depth case study analysis of one, and maximum two, organizations in contested industries that have announced to embark on a purpose renewal strategy. The supervisory team will leverage their industry network to help identify, and request access to, the specific case(s), which will be selected based on its (their) revelatory potential (Yin, 2009). To ensure data richness, the project will make extensive use of interviews, carried out in multiple rounds and at multiple levels and positions within the organization, as well as observational data, and (historical) document analysis (Langley & Abdallah, 2011). The candidate will use inductive methods including open and axial coding and grounded theorizing (Strauss & Corbin, 1990) to study the process of strategic renewal. Specifics regarding the empirical method as well as the research question will be explored and decided upon in conjunction with the candidate and supervisory team.

### **Expected output**

In the first year, the candidate will be encouraged to deep-dive into fundamental theories related to the concepts and schools of thought as described above. The result of this endeavor is a paper that develops a conceptual model of purpose-driven strategic renewal encompassing the insights the candidate gained in the first year. Then, the candidate is expected to follow advanced courses in research methods. Based on a discussion with the research team, an empirical case(s) will be selected for empirical investigation. The second and third year will be focused on deep immersion with the case(s), data collection and analysis. In the third year, the candidate starts writing the draft version of the PhD thesis. The goal is to extract two empirical

papers from the rich data collected by the candidate. During the fourth year, the final version of the thesis will be completed.

### **Scientific relevance**

The candidate is expected to submit to high-level refereed journals such as *Academy of Management Journal*, *Journal of Management Studies*, *Organization Science*, *Strategic Management Journal*, *Strategic Organization*, and *Long Range Planning*. The supervisory team has experience in publishing in these journals, also in conjunction with PhDs. Additionally, theses supervised in the past have been nominated for, or received, best dissertation awards and best paper awards at international conference, as well as been awarded *cum laude* upon graduation.

### **Societal relevance**

Larry Fink, the CEO of one of the largest asset management firms in the world argued that “purpose is not a mere tagline or marketing campaign; it is a company’s fundamental reason for being—what it does every day to create value for its stakeholders. Purpose is not the sole pursuit of profits but the animating force for achieving them” (Fink, 2018). While the momentum for corporate purpose is there, little progress has been made to understand whether and how firms are delivering on their purpose commitments. Firms operating in industries such as energy, aviation, and fast food have a detrimental impact on people and planet, yet claim they seek to change. It is therefore of significant societal importance to understand how these organizations pursue purpose-driven renewal, and to what extent radical transformations are feasible. The candidate is encouraged to engage in a discourse with businesses and institutions outside of academia to disseminate insights obtained from this project.

### **Required profile**

Candidates with a MPhil-degree in Research in Management or with MSc-degrees in Business Administration, Business Economics, or related disciplines, having a strong research orientation and possessing qualitative research skills as is revealed e.g. in the quality and depth

of their Master Thesis. Moreover, candidates that enjoy scholarly teamwork, and appreciate publishing in top journals are invited to apply.

## **Literature**

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