Corporate Purpose in Public and Private Firms

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Abstract

Analyzing data from approximately 1.5 million employees across 1,108 established public and private US companies, we find that employee beliefs about their firm's purpose is weaker in public companies. This difference is most pronounced within the salaried middle and hourly ranks, rather than senior executives. Among private firms, purpose is lower in private equity owned firms. Among public companies, purpose is lower for firms with high hedge fund ownership and higher for firms with long-term investors. We interpret our findings as evidence that higher owner commitment is associated with a stronger sense of purpose among employees within the firm.

Keywords: Corporate Purpose, Corporate Ownership, Corporate Governance, Investor Type

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Introduction

What drives differences in corporate purpose across firms? Purpose has drawn increasing attention from policy makers, practitioners, and academics as an important foundation for strategy, employee motivation, and corporate performance (Bartlett and Ghoshal, 1994; Chapman, Edmans, Gosling, Hutton, and Mayer, 2017; Hollensbe, Wookey, Hickey, George, and Nichols, 2014; Oxford University and Ernst and Young 2016; Henderson and Van den Steen 2015). Despite this growing attention, measurement challenges have constrained empirical research and therefore we still know little about why certain firms might be more or less effective in establishing a credible sense of purpose.[2] With this paper, we seek to provide evidence on how purpose systematically differs across publicly listed and privately held firms.

We focus on ownership for several reasons. First, a firm's owners are the ultimate arbiters of the organization. Owners influence who is placed in management positions and where they focus their attention. Owners affect a firm's investment, financing and governance choices (Trostel and Nichols 1982; Capron and Shen 2007; Asker, Farre-Mensa and Ljungqvist 2014; Gilje and Taillard 2016), as well as its innovative direction (Feldman, Kawano, Patel, Rao, Stevens and Edgerton, 2018; Bernstein 2015). As such, owners have broad power to affect core aspects of the organization.

Moreover, the role of owners has important contemporary relevance. Among public companies, institutional investors have become increasingly active. Activist hedge funds routinely exert influence over the management and governance of corporations. The largest institutional investors, such as index managers, are also becoming more active, advocating the importance of

[2] We use the term "purpose" throughout this study. "Purpose" generally refers to the content of beliefs. In this study, however, we are interested in the strength of the beliefs, or "purposefulness," and not the specific beliefs themselves. Similarly, when we refer to "meaning" within the workplace, we generally are interested in "meaningfulness," or the strength, rather than the content, of meaning. For readability, we shorten "purposefulness" and "meaningfulness" to "purpose" and "meaning", respectively.

corporate purpose (Fink 2018). Ownership patterns are also shifting. In recent years, much attention has been placed on the 'eclipse' of the public corporation, as the number of public companies has declined, and companies remain private for longer (Kahle and Stulz 2017; Doidge, Kahle, Karolyi, and Stulz, 2018). While much discussion has focused on the drivers of this decline, little attention has been paid to what this phenomenon might mean for corporate purpose.

In this paper, we explore whether corporate purpose may be affected by differing commitment levels of public and private owners. Public listing enables a firm to raise capital from many investors, whose shares are traded with relative ease on public exchanges. The liquidity of these shares in turn creates an ownership structure that is more fluid over time. Indeed, the average holding period for stocks traded on the New York Stock Exchange was nine months in 2019, shorter than any period since the 1920s.[3] In contrast, the limited liquidity in private markets translates into substantially longer ownership horizons.[4] We argue that this attribute, the absence of liquidity and, as a result, the higher resulting commitment of private markets owners, will translate into a stronger sense of corporate purpose within the firm.

Corporate purpose is an intrinsically imprecise concept that is challenging both to define and measure. We define corporate purpose broadly as "a concrete goal or objective for the firm that reaches beyond profit maximization," the definition of purpose proposed by Henderson and Van den Steen (2015). This definition is not explicitly pro-social, although corporate purpose often is. Instead, it focusses on the broader contribution of the organization's work, beyond what is captured in profit measures alone, and is consistent with other common definitions of purpose (e.g., Chapman *et al.*, 2017).

[3] https://www.mfs.com/content/dam/mfs-enterprise/mfscom/insights/2019/November/mfse_time_wp/mfse_time_wp.pdf, accessed August 5, 2020

[4] For example, private equity owned firms are typically held for five to six years and privately owned-managed or family firms tend to hold control for decades.

We measure corporate purpose using the approach established by Gartenberg, Prat and Serafeim (2019), by aggregating actual employee beliefs in the meaning and impact of their work. This approach circumvents corporate announcements that have been shown to be inconsequential "cheap talk" (Guiso, Sapienza, and Zingales, 2015). The reasoning behind our measure is as follows: as corporate purpose is implemented effectively, the employees of the organization should, collectively, believe that their work has greater meaning and impact. Therefore, we infer the effectiveness of the corporate purpose of the entity via the strength of its employees' beliefs.

Our data comes from a proprietary survey from the Great Place To Work Institute (GPTW). This survey, to our knowledge, represents one of the largest data sources on the topic available to researchers. We obtain measures of purpose for 1,509,797 employees across 1,108 firms. These employees span the organizational hierarchy from hourly workers up to executives.

Following Gartenberg et al. (2019), we combine beliefs about the meaning of work (*"My work has special meaning: this is not just a job"; "I feel good about the ways we contribute to the community"; "When I look at what we accomplish, I feel a sense of pride"; and "I'm proud to tell others I work here."*) with beliefs about clarity from management (e.g., *"Management makes its expectations clear"; "Management has a clear view of where the organization is going and how to get there")* as our measure of corporate purpose. This combination of meaning and clarity directly emerges as one of four common factors in the survey. It is the only factor to predict firm performance, while neither meaning nor clarity predict performance on their own (Gartenberg et al. 2019). Our definition of purpose, therefore, encompasses this joint construct. In supplemental analyses, we corroborate our results using alternative measures of purpose, including the meaning measures on their own.

We begin by reporting how corporate purpose differs across public and private firms. This first analysis yields three notable findings. First, in line with our expectation, employees of public firms have a lower sense of purpose than those of private firms. This difference is significant, translating to more than a quarter standard deviation difference in purpose within the sample. Second, the difference in purpose is driven by lower-ranked employees — middle managers, professional salaried staff, and hourly workers—rather than those at the executive ranks. Third, the relative difference in purpose increases further down the ranks, with the largest gap between public and private firms among the hourly employees. This difference permits an interpretation of our results as "purpose inequality", the disparity in purpose between the top ranks and their subordinates.

Next, we provide more direct evidence of the commitment mechanism by constructing three proxies for commitment, one relating to private firms and two to public firms. Among private firms, we identify the set with private equity (PE) owners. Because of the contractually set and limited fund lifetime, PE owners typically have a 5 to 6 years horizon when investing in the firm. Therefore, as our first proxy for less commitment, we expect PE owners to exhibit relatively less commitment compared to other private market owners (e.g. owner-managed, family firms) that have been found to be financially, emotionally and socially committed for decades or even generations (Gomez-Mejia et al. 2011; Carney et al. 2015). Within the set of public firms, we construct two proxies. First, we measure the percentage of shares held by dedicated minus transient institutional investors, with a larger percentage meaning more commitment to the firm (Bushee 1998; 2001, Eccles et al. 2014; Brochet et al. 2015; Zhang and Gimeno 2016). Second, we measure the percentage of shares held by hedge funds. Because hedge funds have higher cost of capital, targeting 15-20% investment returns, they typically have a high discount rate and are seeking

investments that are likely to have big payoffs relatively fast (DesJardine, Marti and Durand 2020). We use that third measure as a proxy of less commitment. All three proxies show that greater owner commitment is associated with higher corporate purpose. Private equity-owned firms and those with large blocks controlled by hedge funds exhibit lower purpose. Similarly, firms with more dedicated relative to transient investors exhibit higher purpose.

Given we lack a natural experiment, we are cautious about making causal claims regarding the effect of ownership on corporate purpose. Specifically, we cannot definitively separate the interpretation that these empirical patterns reflect the match between owners and firms from the interpretation that owners influence the levels of corporate purpose directly. We believe both alternatives are likely at play, given the intricate nature of ownership and corporate purpose. In an effort to separate the treatment from the matching interpretations, we perform several lead-lag analyses. We find that hedge fund ownership leads purpose while purpose leads dedicated investor ownership. As such, hedge funds appear to have a treatment effect on purpose, while dedicated institutional owners appear to select firms with higher purpose. Given that hedge funds are more likely than other institutional funds to be active owners, this dichotomy is plausible.

We also conduct a series of robustness tests to address additional challenges, including using alternative measures of purpose, examining private firms owned by public companies, public family firms, and financial performance differences. In the discussion section, we present other differences between public and private firms (e.g. agency costs, management practices, access to finance, ability to attract human capital) and how they are unlikely to provide an explanation for our findings, relative to the commitment mechanism.

This study makes several contributions. First, we add to a growing stream of work on the role of corporate purpose within firms (Chapman *et al.*, 2017; Thakor and Quinn, 2013, Henderson

and Van den Steen, 2015). In doing so, we respond to a call from Hollensbee *et al.,* (2014) for empirical work on the topic. Both this call and our study directly relate to a recent resurgence of interest in the role of firms in society (Hart and Zingales, 2017), with this work providing evidence that differences in owner commitment influences employee perceptions of purpose within firms. Our effort also contributes to recent work in strategy that has adopted a comparative governance lens through which to assess firm behavior (e.g., Luo and Kaul, 2019; Klein, Mahoney, McGahan and Pitelis, 2019; Connelly et al. 2010). These studies address the impact of different institutional ownership arrangements on both strategic and social outcomes. Our study shows that ownership not only affects outside stakeholders, but also employees and their perceptions about the meaning and impact of their work. In doing so, we also contribute to research on corporate ownership that assesses differences between public and private firms (Capron and Shen 2007; Asker *et al.,* (2014); Gilje and Taillard 2016; Bernstein 2015; Fitza and Tihanui 2017). Our work suggests that impact of public ownership extends beyond financial decisions and calls for further research focused on the implications of ownership for management.

Corporate Purpose

What Is Corporate Purpose?

Corporate purpose is an idea often-referenced within the business community, with public discourse increasing five-fold between 1994 and 2016 (Oxford University and Ernst and Young 2016). Satya Nadella, Microsoft CEO who returned the company to its position as the world's most valuable technology company, attributed the turnaround to a renewed focus on purpose:

> "I wanted to go back to the very genesis of this company: what is that sense of purpose and drive that made us successful?... In '92, we used to talk even about our mission

> – for example as having a PC in every home and desk. Except by the end of the decade itself, we had more or less achieved it. Then what? What's next. And that's when I felt like we may have confused marketing slogans for our mission. So that's why I wanted to get back to that sense of purpose."

Nadella characterize the importance of purpose as follows:

> "The sense of purpose in mission and culture to me are the two pillars…for any institution…So when we talk about our mission of empowering every person and every organization on the planet to achieve more, [it] can't be just a set of words. It has to in some sense capture the very essence of who we are in all of the decisions we make, in the products we create and how we show up with our customers."[5]

These statements present purpose as a meaning-rich articulation of the role of the firm, an articulation that must be believed and followed throughout the organization, rather than merely exist within the top ranks of an organization.

Given its inherent intangibility, purpose eludes a settled definition for academic purposes. Purpose has often been defined with a social orientation. Bartlett and Ghoshal (1994) define purpose as "the statement of a company's moral response to its broadly defined responsibilities, not an amoral plan for exploiting commercial opportunity." Thakor and Quinn (2013) similarly define it as "something that is perceived as producing a social benefit over and above the tangible pecuniary payoff that is shared by the principal and the agent."

The definition of purpose, however, need not include an explicit social orientation. Oxford Dictionaries define purpose as "the reason for which something is done or created or for which

[5] https://www.cnet.com/news/microsofts-ceo-on-helping-a-faded-legend-find-a-sense-of-purpose/ https://www.inc.com/justin-bariso/in-1-short-sentence-satya-nadella-summed-up-what-makes-microsoft-different-from-apple-amazon.html

something exists."[6] We use the definition of Gartenberg et al. 2019 that corporate purpose is "a set of beliefs about the meaning of a firm's work beyond quantitative measures of financial performance." This definition is similar to the one used in the Purposeful Company Report—written by a consortium of academics studying purpose in businesses—as a company's "reason for being,"[7] as well as Henderson and Van den Steen (2015)'s definition of "a concrete goal or objective for the firm that reaches beyond profit maximization."

How Might Purpose be Related to Public Ownership?

Motivation

The structure of corporate ownership has been a topic of inquiry for decades. Starting with Berle and Means (1932), scholars have asked the question of what the separation of ownership and control—resulting from the rise of the public corporation—might mean for the future of the corporation. More recently, many business leaders argue that corporate ownership has important implications for how they run their business, and some express strong preferences for specific structures. For example, Jack Ma, founder of Alibaba, famously said "If I had another life, I would keep my company private." Some business leaders argue that the ownership structure is fundamentally linked to the purpose of the corporation. For example, MailChimp co-founder Ben Chestnut said "I build things and get to watch customers buy and use them--that's tremendously satisfying. Sometimes I see companies build things I know are for investors--and what is the investor's purpose? Just to increase wealth. That doesn't align with my mission."

[6] http://www.oxforddictionaries.com/us/definition/american_english/purpose, accessed 3/15/16.
[7] The Purposeful Company Interim Report, May 2016. http://www.biginnovationcentre.com/media/uploads/pdf/The%20Purposeful%20Company%20Interim%20Report.pdf, accessed 6/26/16.

Hypothesis Development

Companies can be classified into two broad categories of ownership: publicly listed firms and privately owned firms.[8] Several differences arise because of the ownership structure. On the positive side, public firms have easier access to finance, and studies have found that they are more responsive to investment opportunities (Gilje and Taillard 2016; Maksimovic, Phillips and Yang 2017). Moreover, public firms have more formal management practices than private firms, which may reflect a disciplining effect of public markets (Bloom, Genakos, Sadun and Van Reenen 2012).[9] On the other hand, public firms appear to be subject to higher agency costs arising from the separation of ownership and control, with consequences for productivity and investment decisions (Bharath, Dittmar and Sivadasan 2014). In addition, public market short-term pressures appear to negatively impact investment decisions (Asker *et al.*, 2014).

We argue that public and private owners have different commitment levels to their companies, which stems directly from the relative ease with which public owners may buy and sell their holdings. A defining characteristic of public markets is liquidity, with investors acquiring and disposing of their shares more or less as they choose.[10] A public market investor, therefore, need not have any commitment to a firm, as she could sell the stock the next day. In contrast, in private markets, no such liquidity exists. Ownership is privately negotiated and relatively costly to transfer. Owners of public firms may sell their shares when performance declines or problems arise in how organizations face new challenges. In contrast, owners of private firms generally must support their firms when performance declines (Fitza and Tihanyi, 2017). As a result, most private

[8] We recognize that there are other forms of ownership, such as partnerships, and employee or customer owned cooperatives. Future research could explore the implications of our results for these types of organizations.
[9] Earlier research using interview methods, and data from roughly 20 companies, found no evidence that management in private firms is less professional and formal than public firms (Trostel and Nichols 1982).
[10] Of course, there are limits to liquidity and a significant percentage of ownership might take days or even weeks or months to sell, especially for illiquid stocks. However, in relative terms, even large percentage of ownership for illiquid stocks is more liquid than similar ownership in a private firm.

owners are likely to commit to a firm for years, or even decades. We argue that this fundamental asymmetry in liquidity, and thereby in the commitment to a firm, is likely to generate differences in corporate purpose.

Owner commitment could lead to a stronger sense of purpose for multiple reasons. First, to the extent that commitment translates to an ability to think about the long-term and avoid short-term pressures, this would enable a firm to focus on its purpose rather than on solely short-term performance metrics. Second, committed owners may invest to gain and evaluate more soft information about firms, which in turn may allow managers to invest in productive but hard to verify projects that otherwise would not be approved by less committed owners (e.g., Grossman and Hart, 1986). Third, committed owners might mitigate free rider problems inside the firm, allowing employees to make firm-specific investments with greater confidence that they will not be subject to holdup by firm principals (Alchian and Demsetz 1972; Williamson 1985), which in turn could enhance the sense of purpose inside the organization. A similar argument could hold for customers, suppliers, and other stakeholders, who could see a strong sense of corporate purpose from owner commitment as a credible signal that enables the development of trust or 'relational contracts' (Gibbons and Henderson 2012; Gartenberg et al. 2019). Therefore, our first hypothesis is:

H_1: Publicly listed firms exhibit a lower sense of purpose compared to privately held firms.

To directly test the commitment mechanism, we hypothesize that the type of institutional owner might yield significant differences in purpose across firms. We use three variables to proxy for commitment. First, within public firms, we expect lower commitment from investors that have higher cost of capital and therefore higher discount rates. In the presence of high discount rates, an investor is likely to search for and attempt to influence management to make decisions that will

yield significant profits within a short period of time. A typical example of such an investor type in public markets is hedge funds, which generally target 15-20% absolute returns. This attribute makes those investors less likely to be committed to the firm over significant periods of time, as they need to be able to generate significant returns in a relatively short period of time due to catalyst events, such as divestments, share repurchases, or strategic acquisitions, that will generate large price reactions (DesJardine, Marti and Durand 2020). Moreover, we expect that more dedicated relative to transient institutional investors might be associated with a stronger sense of purpose. Dedicated (transient) investors exhibit more (less) concentrated holdings and longer (shorter) holdings periods thereby, by definition, exhibiting a stronger (weaker) commitment to the firm (Bushee, 1998; 2001). Past research has found that more dedicated relative to transient investors translates into differences in a firm's adoption of sustainability strategies (Eccles, Ioannou and Serafeim 2014), CEO communication of long vs short-term oriented information in conference calls (Brochet, Loumioti and Serafeim 2015), competitive behavior (Zhang and Gimero 2016), and strategic vs tactical actions (Connelly et al. 2010).

H_{2a}: Within publicly listed firms, purpose will be lower (higher) in firms with more of the outstanding shares held by hedge funds (dedicated investors).

Within private firms, we expect lower commitment from private equity funds due to the contractually preset and limited nature of the ownership horizon, relative to other private owners. For example, research on private family firms documents the commitment that these owners exhibit to their firms extending across generations (Carney et al. 2015) and the associated emotion and social ties (Gomez-Mejia at al. 2011). In contrast, most private equity funds have an expiration date of about eight years from their inception. Therefore, they typically target ownership horizons of 5 to 6 years and internal rates of return (IRR) of 15-20% (Phalippou 2020). The shorter the

ownership period and the faster they return the money to their investors, for a given amount of absolute money earned, the higher the IRR (Phalippou, 2020).

H_{2b}: Within privately held firms, purpose will be lower for firms owned by private equity funds.

Data and Research Design

Research Design

We divide our analysis into two parts. In the first part, we construct and then relate measures of corporate purpose to public and private owners. For corporate purpose (whose construction is described in detail below) we first measure it at the firm-year level, and then disaggregate the measure by job level. This disaggregation provides further evidence to enable us to distinguish between owner commitment and alternative mechanisms. In the second part, we introduce our three proxies of owner commitment and explore how these proxies relate to corporate purpose, both at the firm and job level.

Note that our research design is correlational: our setting does not provide a clean experiment to isolate the causal impact of firm ownership on corporate purpose. As such, as part of our analyses, we include lead-lagged specifications that, though by no means definitive, provide evidence on whether the reported correlations reflect a sorting or a treatment effect.

Data Description

The primary data for this study is compiled from applications to Fortune Magazine's annual "100 Best Companies to Work For" list, administered by The Great Place to Work® Institute. The applications comprise all submissions to the annual list, regardless of whether the companies were

selected. These data have been previously used by Gartenberg et al. (2019), where it is described in further depth, as well as Guiso et al. (2015), and Garrett, Hoitash and Prawitt (2014).

All applicants are required to employ more than 1,000 workers in the US and to have had existed for at least 7 years. Since the submission process is costly for applicant companies, our dataset comprises a self-selected sample whose management believes that they have a credible chance of being included on the list and who place relatively greater value on human capital. One potential concern is that sample selection may limit the generalizability of our results if public and private firms differ in their levels of participation in a way that is also related to the strength of their purpose. On the other hand, this sample may also be a conservative setting for our analysis since these companies are more likely to aim for a sense of purpose among their employees, or at least the appearance of such, relative to the universe of firms. We consider potential sample bias in the discussion section.

The application package to the list contains two sections: The Culture Audit Survey© (CAS) and the Trust Index© employee survey (TI). The CAS includes structure and policy information about the applying company, including industry and location of headquarters, employee composition (e.g., numbers, age, and tenures at different hierarchical levels), and pay and benefit information. The TI, the main data of interest for our study, is a randomized employee survey that captures employees' beliefs about the workplace climate, including management quality, coworker relationships, and the nature of their work. The survey is stratified by job level, where the job levels include hourly employees, sales (commission-based) workers, middle managers and supervisors, salaried professional and technical workers, and executives and senior

managers. The survey consists of 57 questions with responses ranging from 1 to 5 on a Likert-like scale, where 1 corresponds to "almost always untrue" and 5 corresponds to "almost always true."[11]

Our data agreement with the Institute provides access to all applications – both successful and unsuccessful – from 2006 to 2016. We combine summary information from the CAS with TI survey data, which we aggregate up to the firm-year level. We merge this dataset with the following additional data sources: Compustat to identify the publicly-traded companies in our sample, Capital IQ to identify private equity owners, and Factset and Thomson Reuters for investor identify information on the public firms.

The sample includes 2,662 firm-year observations, aggregated from 1,509,797 survey responses from full time employees, with a median level of 565 responses per firm. Our sample includes 1,848 observations from public firms and 1,012 from private firms. The firms in our sample are large, with on average $10.8 billion in revenues and 15,784 employees. Appendix Table A1 shows the number of firms in our sample across years and industries.

Measure of Corporate Purpose

We base our purpose measure on an earlier study by Gartenberg et al. (2019). They run an exploratory factor analysis on the raw survey questions to identify bundles of beliefs that co-vary among respondents, and identify four factors that explain most of the variance. The factor analysis is executed at the employee level using all individual survey responses for all full-time employees of all for-profit firms (both public and private). As they do, we include 53 of the 57 questions, excluding four questions that are outcome measures of overall job satisfaction. While Gartenberg

[11] While our data agreement precludes us from releasing the full set of questions from the survey, a public description of the survey instrument can be found here: http://www.greatplacetowork.net/our-approach/what-is-a-great-workplace, accessed 6/25/16. Our four questions on purpose fall under the designated "Employee Pride" category.

et al. (2019)'s sample stops at 2011, our sample extends to 2016 and includes both public and private firms. Replicating their results on this expanded sample, the factor analysis yields substantively the same four factors that explain most of the variation, including the factor that captures corporate purpose.[12] To construct firm-year level measures, we follow their approach and average the scores for each factor across all individuals within each firm in given year.

Of the four identified factors, they label one "Purpose-Clarity" and demonstrate that this factor alone predicts performance. We, for expositional simplicity, refer to this factor as "Corporate Purpose." This factor includes beliefs in the meaning of work combined with clarity from management. The four meaning-related questions are *"My work has special meaning: this is 'not just a job'", "When I look at what we accomplish, I feel a sense of pride", "I feel good about the ways we contribute to the community"*, and "*I'm proud to tell others I work here*." The questions that relate to clarity focus on whether management provides clear direction, job responsibilities, and tools that can be used to achieve the desired outcomes. The two items with the highest loadings on this factor, aside from the four purpose questions, are "*Management has a clear view of where the organization is going and how to get there*" and *"Management makes its expectations clear*." A third question, *"I am given the resources and equipment to do my job*" also loads highly in this factor. Meaning and clarity matter in combination, in accordance with the construct of "meaningful work", work that is both "purposeful and significant" (Pratt and Ashforth, 2003, pg. 311), in ways that purpose or clarity alone are not. See Gartenberg et al. (2019) for a more detailed discussion of this measure. They find that this factor, and not the other three factors nor meaning or clarity on their own, positively predicts firm performance. Corporate purpose

[12] Refer to their study for detailed descriptions of the other three factors, which they refer to as "management," "purpose-camaraderie", and "non-discrimination." We later consider "Purpose-camaraderie," as well as a composite index of the four meaning questions on their own, in the discussion section as alternative measures of corporate purpose.

exhibits a mean and median close to zero with a standard deviation of 0.16. The first and third quartiles are -0.10 and 0.10 respectively. Later in the paper, we substitute this variable with other measures of purpose to assess how the results vary with the choice of purpose measure.

Public/Private Ownership and Proxies for Owner Commitment

We sort firms into two top-level categories: public and private. We identify public firms by whether they have a corresponding record in Compustat. We also construct three proxies of owner commitment. The first two proxies are based on the identities of the public market investors which we identify by merging our sample with Factset and Thomson Reuters. We measure high hedge fund ownership as the percentage of shares held by hedge funds for firms with above-median levels of ownership concentration, according to the percentage of shares held by the top five investors in a firm. We require an above median ownership concentration level to avoid identifying firms where, while hedge fund shares are above median, the absolute level of share percentage and concentration are low, thereby mitigating the influence investors could have on the firm. A vast literature has documented that the presence of blockholders, and as a result a more concentrated ownership, is associated with more investor monitoring (Edmans and Holderness 2019). We similarly define a firm with high percentage of dedicated relative to transient investors following prior literature (Eccles et al. 2014; Brochet et al. 2015). We use the classification of institutional investors used by Bushee (1998; 2001), calculating for each firm-year the difference between percentage of shares held by voting dedicated and transient investors for firms with above median ownership concentration. Our third proxy, obtained via Capital IQ, identifies whether the firm is private equity-owned.

Control variables

We include the following control variables in our specifications: the natural logarithms of firm sales and number of employees, as the sense of purpose may be related to the size of the firm and the corresponding degree of bureaucracy required. We also include fixed effects for year, industry, and the state in which the firm is headquartered, as all of these factors may influence the degree of purpose within firms.[13] Finally, we include controls for age and tenure brackets of the employees to account for the fact that people of different age and tenure might systematically choose to work for companies with different strengths of corporate purpose. These controls are also important to include if, for example, some firms grow more quickly and attract new employees with weaker sets of beliefs about a firm's corporate purpose.

Purpose and Firm Ownership

Empirical Specification

We estimate the relation between corporate purpose and ownership characteristics using an OLS model, clustering standard errors at the firm level to account for serial correlation within a firm over time. The models we estimate are:

$$\text{Purpose}_{it} = \alpha + \beta_1 \text{ x } \text{Public}_{it} + \beta_2 \text{ x } \text{Industry}_{it} + \beta_3 \text{ x } \text{Year}_t + \beta_4 \text{ x } \text{State}_t + \sum \text{Firm controls}_{it} + \sum \text{Employee controls}_{it} + \epsilon_{it} \quad (1)$$

and

$$\text{Purpose}_{it} = \alpha + \beta_1 \text{ x } \text{Public}_{it} + \beta_2 \text{ x Public x Hedge Fund}_{it} + \beta_3 \text{ x Public x Long-term Investors}_{it} + \beta_4 \text{ x } \text{PE}_{it} + \beta_5 \text{ x } \text{Industry}_{it} + \beta_6 \text{ x } \text{Year}_t + \beta_7 \text{ x } \text{State}_t + \sum \text{Firm controls}_{it} + \sum \text{Employee controls}_{it} + \epsilon_{it} \quad (2)$$

[13] Controlling for firm fixed effects is difficult in our setting because we observe few changes in ownership for the period and the firms in our sample, and we do not have a good understanding of how fast changes in ownership might translate into changes in purpose. We leave this important question for future research.

where *Purpose* is the purpose-clarity factor for firm *i* in year *t*. *Public* is an indicator variable that takes the value of one if the firm is publicly listed. The omitted group in equation (1) is private firms. Coefficient β_1 in equation (1) is our main estimate of interest. It represents the incremental increase or decrease in purpose associated with the respective ownership structure relative to a firm that is privately owned. The omitted group in equation (2) is private firms non-PE owned. Coefficients β_1 - β_4 in equation (2) are our main estimates of interest. *State, Industry* and *Year* represent the state of corporate headquarters, industry, and year fixed effects. *Firm controls* include the natural logarithm of total sales and employees. *Employee controls* include employee age and tenure.

Purpose and Public Ownership

Figure 1 shows the distribution of corporate purpose by ownership type. The distribution is left skewed, indicating that purpose is lower in public firms.

<<< Insert Figure 1 here >>>

Table 1 provides summary statistics by public or private owners. As is evidence from this table, public firms are larger both in terms of sales and employees, and have a different industry distribution. The top three industries for public firms in our sample are manufacturing, financial services and information technology. In contrast, the top three industries for private firms in our sample are professional services, financial services, and retail. As such, we include controls for both industry and size across our analyses. Interestingly, public and private firms also have different hierarchical structures, with private firms comprised of a greater proportion of hourly workers than public firms. Since hourly workers tend to possess a lower sense of purpose than

salaried and executive level employees (Gartenberg et al. 2019), this hierarchical skew toward hourly workers would imply that, all else equal, purpose should be lower in private firms.

<<< Insert Table 1 here >>>

Table 2 presents the results of estimating equation (1). Models 1-3 introduce progressively more control variables. In model 1, we control only for year fixed effects. In model 2, we add industry and state fixed effects as well as firm controls. In model 3, we include employee controls. Across these models, the explanatory power of the model increases from 9.8 to 31.6% suggesting that industry membership and firm size are both important explanatory factors. Adding employee controls changes the models little, as the explanatory power increases to 31.6 from 30.5%, and the coefficient on the *Public* variable changes very little. The coefficient on public firms is significant at the 1% level. Larger firms have stronger corporate purpose as the estimated coefficients on firm sales and employees are both positive and significant.

Public and private firms differ systematically both in terms of size and sector membership. Although we control for both sector fixed effects as well as firm size in models 1-3, a concern is that our controls might not adequately mitigate these differences. To understand the robustness of our results to a more balanced sample, we implement a matching process where we implement exact matching without replacement on year and industry membership and nearest neighbor on headquarters geography and firm size. The results of this match are provided in model 4, and are substantively unchanged. Overall, we find strong support for Hypothesis 1.

<<< Insert Table 2 here >>>

Table 3 disaggregates corporate purpose by the job level, presenting the same model as in Table 2 model 3 but now replacing the dependent variable with corporate purpose by job level. We disaggregate our purpose measure for two reasons. First, it is interesting in itself to understand

which hierarchical layer is driving the difference between public and private firms. Second, it helps us separate our commitment mechanism from two other potential channels. The first channel is a basic Berle and Means (1932) effect of disempowerment resulting from the distance between owners and management. If our results are driven by this disempowerment, we would expect lower purpose at the executive level, since this level is most affected by this channel. Similarly, if the reporting burden of public markets weighs on employees, we would expect lower purpose at the executive level where that burden is greatest. By contrast, if our results are driven by owner commitment, enabling employees to make decisions that foster a stronger sense of purpose in the organization, we would expect these decisions to relatively impact lower-ranked employees.

Several findings emerge from this analysis. First, public firms have lower corporate purpose across all job levels except for senior executives. Second and strikingly, the magnitude of the coefficient increases monotonically as one goes down the organizational hierarchy. Executives in public firms hold the same beliefs about corporate purpose as their peers in private firms but this changes for middle management, even more so for professional staff and then even more for hourly workers. We can also think of these results in terms of "purpose inequality": senior executives of public firms experience a greater sense of purpose than their employees, and that inequality of purpose is exacerbated the deeper one goes within the organization. This is not the case for private companies. This is true even when adjusting for standard deviations by job level: the point estimates for executives (Column 1) represent 0.5% of a standard deviation and are statistically insignificant, while the point estimates for middle managers, professional and hourly workers represent 15%, 19% and 29% of a standard deviation for purpose within each of these job levels, respectively, and are all statistically significant at conventional levels. This decline in relative purpose is presented graphically in Figure 2, with the difference in corporate purpose

plotted at each job level, and the relative decline in purpose down the hierarchy clearly visible. This evidence is consistent with the commitment channel enhancing corporate purpose, rather than the alternative channels discussed above.

<<< Insert Table 3 and Figure 2 here >>>

We next test Hypothesis 2 by examining our three proxies for owner commitment. Figure 3 presents the binned scatterplot of corporate purpose as a function of hedge fund ownership, revealing a clear negative association. Similarly, Figure 4 presents the binned scatterplot of corporate purpose as a function of long-term investor ownership, revealing a clear positive association. Both of these associations are consistent with Hypothesis 2.

<<< Insert Figures 3 and 4 here >>>

Our multivariate analysis, shown in Table 4, is similarly consistent. In models 1-3, the publicly listed effect is exacerbated for firms with high hedge fund ownership and is mitigated for firms with long-term investors. Moreover, PE-owned firms also exhibit weaker sense of purpose than private firms. Using the estimates in model 3, a one standard deviation increase in hedge fund ownership is associated with 8% of a standard deviation in lower corporate purpose, while a one standard deviation increase in long-term investors is associated with 9% of a standard deviation in greater corporate purpose. Having private equity owners is associated with 25% of a standard deviation in lower corporate purpose. Overall, the evidence provides support for Hypothesis 2.

<<< Insert Table 4 here >>>

Our findings are consistent with two distinct, although related, interpretations. The first interpretation is that different types of owners choose different types of companies, and hence we are reporting a sorting effect in the market for corporate control. The second interpretation is that owners have a direct impact on the employees of their companies, and so our patterns capture the

treatment effect of companies under different types of corporate owners. We consider each of these interpretations now.

Under the first interpretation, the patterns that we report reflect companies with higher purpose choosing to remain private and that PE firms choose to invest in lower purpose firms. Our findings would also suggest that, among public firms, hedge funds choose to invest in lower purpose companies while long-term investors invest in companies with strong purpose. This assortment may arise either because these companies have other attributes that attract certain investors or that investors – for whatever hard to identify reason – find lower purpose an attractive attribute on its own. Under this interpretation, investors have no direct influence on purpose of the company, and the differences strictly reflect a selection effect. Under the second interpretation, owners have a direct impact on purpose. This effect could manifest as the impact of these investors on the choices and culture of the company that directly influences the strength of purpose felt by the employees. For example, if investors change the investment priorities of the company, or the identity or focus of the management team, these changes could meaningfully affect the employees.

Absent a convincing exogenous change to company ownership, it is impossible to definitively separate these two effects. Moreover, from a theoretical perspective, it is implausible to us that only one is present in our setting: it is much more likely that owners match to different types of companies, and then influence the sense of purpose within those companies in different ways. While we cannot separate these two interpretations, Table 4 column 4 shows our best attempt to isolate these two effects in our setting. In this table, we replace the ownership categories with lagged ownership and forward ownership throughout all specifications (hence our sample drops by nearly half in this test). The PE ownership variable exhibits negligible time variation in our sample and as a result we focus here on the hedge fund and long-term investor variables. If a

sorting effect is present, we expect purpose to lead ownership. If a treatment effect is present, we expect ownership to lead purpose. We find the association between lag hedge fund ownership and purpose is stronger and statistically significant. In contrast, for long-term investors we find that purpose exhibits a significant association with lead ownership.[14] Overall, the results are more consistent with a treatment effect for hedge funds and a sorting effect for long-term investors in our setting.

Tables 5 and 6 replicate the analysis with our three commitment proxies by job level. These tables reinforce the prior findings that lower purpose in public firms is not driven by the executive levels, but instead is driven by the lower ranks. Table 5 reveals that the negative link between hedge fund ownership and purpose is particularly strong at the hourly level, while the positive link between long-term investors and purpose is driven by the salaried levels. Interestingly, the lower purpose within private equity firms is driven by the executive and middle manager levels, rather than the lower ranks of the organization. A potential explanation for the significant effect on PE ownership on executives is that executives lose a sense of purpose when they relinquish control to PE owners, or that the executives recruited by PE firms are primarily financially driven and find low meaning in their work. Table 6 provides the lead-lag analyses by job level, and confirms the earlier result that the hedge fund ownership appears to be a treatment effect, while the association with long-term investors is consistent with a sorting effect.

<<< Insert Tables 5 and 6 here >>>

[14] In untabulated results, we disaggregate dedicated and transient investors and find that our effect is driven by changes in transient investors. This result is unsurprising, given that by construction dedicated investors do not quickly adjust their ownership levels across time periods. As such our results are consistent with transient investors matching to low purpose firms, while we cannot separate the matching from treatment effect specifically for dedicated investors.

Additional Analyses and Robustness of Results

Alternative Purpose Measures

So far we have focused our analysis using a purpose metric that measures employee beliefs both about the meaning of the work and about the clarity provided by management towards that purpose, a measure identified by Gartenberg et al. (2019) as one of two purpose-related factors in an exploratory factor analysis and labeled *Purpose-Clarity*. We focused on this measure because it strongly predicts firm performance, and varies substantially across firms. For robustness, however, we look here at two alternative approaches to capturing purpose.

One alternative measure of purpose is what Gartenberg et al. (2019) call *Purpose-Camaraderie*, the second of two factors they identified in a factor analysis that concerns purpose. This measure includes the four purpose questions, listed in the introduction section, together with questions on the degree of camaraderie between employees in the workplace. The two items with the highest loadings on this question are i) whether employees have fun at work and ii) whether they believe that there is a familial atmosphere among employees at work. The other questions included in this factor similarly focus on workplace collegiality. Appendix Table A2 Panel A presents this alternative measure. As is the case with our primary measure of corporate purpose, public firms and private firms owned by public companies have lower purpose-camaraderie. A second alternative measure of purpose is the raw average of the four purpose questions in the Trust Index survey. Panel B provides the results of our analysis using this "purpose index" as our dependent variable. This panel reveals that this measure of purpose is also lower in public firms, consistent with our primary analysis.

Differences in Financial Performance

A potential explanation is that the results we document are driven by differences in financial performance in those companies. This alternative explanation would also suggest that private firms in our sample have better financial performance than public firms. We fail to find evidence consistent with this alternative explanation in our data. Including sales growth as a control variable in the models or as a matching covariate, the only financial performance variable included in the GPTW data, does not change our key results. However, the financial performance explanation could also affect our results within public firms if for example, hedge funds might choose to invest in struggling companies. To address this concern, we include three periods of lagged return on assets and three periods of lagged revenue growth. We still find differences in the purpose measure.

Private Firms Owned by a Public Parent Company

Many public firms own other private firms that they choose to keep as separate private firms with their own leadership structure. Whether keeping a subsidiary as a separate legal entity is effective at insulating the firm from the pressures of the parent company is unclear. If indeed this is effective, then we expect the private firm to exhibit corporate purpose that is closer to other private firms. If it is not effective, we expect those firms to exhibit a corporate purpose that is much closer to the one exhibited by public firms. Consistent with this latter perspective, untabulated analysis shows that these firms have significantly lower purpose. This result suggests that there are ownership spillover effects from public markets ownership structures to private firms when they are owned by a publicly listed firm.

Publicly Listed Family Firms

An interesting subsample of publicly listed firms is firms where a significant percentage of the shares are held by the founding families. These firms might exhibit a stronger sense of purpose as families are likely to be much more committed owners and in fact hold the shares for decades if not more. We construct an indicator variable taking the value of one for all public firms where a family holds at least 1% of the shares tracing ownership structures in Capital IQ. For these firms, we find that corporate purpose is comparable to private firms, albeit with a noisy estimate (Appendix Table A3). This result provides additional support of the positive association between owner commitment and corporate purpose, this time using family owners as a type of committed owner.

Discussion

In this paper we have focused on the relation between ownership and purpose. We argue that higher commitment of private market investors is associated with a stronger sense of purpose. We corroborate this finding by varying the commitment of both private and public investors and document that, within private firms, PE-owned firms, and within public firms, firms with high hedge fund ownership exhibit lower purpose. Moreover, we find that, within public firms, firms with more long-term investors exhibit a higher sense of purpose.

However, differential commitment between private and public market investors is not the only difference in characteristics among public and private firms. Management practices, access to finance and investment opportunities, access to talent, and agency costs, are other differences that the literature has identified (Renneboog, Simons, and Wright 2007) and we discuss here. We seek to understand if any of these mechanisms might provide an alternative explanation for the collection of results presented.

One alternative explanation is that better management practices are associated with stronger sense of purpose. For example, if private firms have better management practices, this might explain why we observe a stronger sense of purpose. However, recent work has documented the presence of stronger management practices in public relative to private firms (Bloom et al. 2012). Moreover, stronger management practices were found in PE-owned firms. Given we find the exact opposite for purpose, better management practices are unlikely to explain the presence of stronger purpose in private firms.

Another alternative explanation is differential access to finance and therefore investment opportunities. Given that public firms have better access to finance and therefore can be more responsive to investment opportunities, if being able to undertake those investment opportunities enables fulfilment of corporate, public firms should have a stronger sense of purpose. Therefore, differential access to finance and investment opportunities is also unlikely to provide an explanation for public firms having lower purpose.

A third alternative explanation is public firms being more attractive workplaces and therefore attracting better talent. This in turn could create a stronger purpose inside organizations thereby leading public firms to have a stronger purpose. Again, this is inconsistent with the empirical findings suggesting access to talent is also an unlikely explanation for our results.

A fourth alternative explanation is that public firms are subject to higher agency costs due to their separation of ownership from control. To the extent that agency problems between owners and managers weaken the sense of purpose this could explain why private firms have a stronger sense of purpose. To more formally test this alternative channel that agency problems drive lower purpose, we estimate the relationship between purpose and ownership concentration inside public firms. Ownership concentration is measured as the percentage of shares held by the largest five

investors. A significant body of research suggests that the presence of blockholders and higher ownership concentration is associated with lower agency problems (Edmans and Holderness 2019). In untabulated results, we find no evidence that firms with high ownership concentration is related to higher purpose. In fact, we find the opposite relationship. Moreover, this agency channel is not consistent with lower purpose for PE-owned firms and for firms with hedge fund ownership. Both asset managers are thought to implement governance practices that mitigate agency costs (Bebchuk, Cohen and Hirst 2017). Although, the hedge fund ownership results might also be reconciled with the agency problems driving lower purpose, this would require that lag low purpose correlates with higher future hedge fund ownership. We find instead that lag hedge fund ownership correlates with lead purpose. Overall, the mosaic of evidence is hard to reconcile with differential agency costs driving differences in purpose.

In addition, we must consider whether sample selection bias may affect our results. If, for some reason, public firms with lower purpose choose to participate in the GPTW survey but private firms with lower purpose do not, then our results could reflect this sample bias. Although it is difficult to construct a scenario wherein this occurs, it is possible. Even if this bias exists, however, it could explain only part of the differences in purpose across firms with different forms of ownership. Even within private firms, there is systematic variation across PE and non-PE owned firms and within public firms, the identity of the public market investors is associated with purpose.

Purpose, ownership, and financial performance

Aside from alternative explanations, an important question arises regarding the performance implications of our results. If purpose leads to higher performance, as shown by Gartenberg et al. (2019), why would profit-motivated investors pursue actions associated with

lower purpose? Given our large sample research design, we cannot observe the specific intent of these investors. However, these are several plausible reasons in our view why they might do so. First, these investors may simply not be aware of the link between their actions and corporate purpose. As we discussed, research studying how investors influence firms has found a wide variety of outcomes from very positive to very negative . Purpose is hard to observe, particularly among employees below the executive ranks, and investors may not be focused on how their actions impact employees. Second and related to ease of observability, multitasking challenges may lead investors to focus on more readily observable outcomes than purpose. For example, if shareholders succeed in attracting an external CEO or pushing for a new acquisition, these acts are both easier to observe and communicate to their own constituents than the impact on corporate purpose that may arise from these actions.

Conclusion

This study shows that purpose differs substantially by nature of firm ownership. We find evidence that when owners are likely to exhibit lower commitment to the firm because of their ability to exit their investment in a liquid market, corporate purpose is weakened. Publicly listed firms exhibit systematically lower purpose than private firms, especially those having high percentage of shares owned by institutional investors with high discount rates (i.e. hedge funds). Publicly listed firms with more concentrated long-term investors have a stronger sense of purpose. Within private markets, we find PE-owned firms to exhibit weaker sense of purpose than non-PE-owned firms, which is consistent with a commitment explanation. In addition, we also document that private firms owned by publicly listed firms exhibit a weaker sense of purpose while publicly listed family firms exhibit a stronger sense of purpose, similarly consistent with a commitment explanation.

Collectively, our results suggest that there is significant variation in commitment even within private or public markets and therefore a firm's public listing need not be always detrimental to its purpose.

This study raises several questions for future work. First, why do profit-oriented owners appear to negatively influence purpose? Second, since we are only able to explain a small amount of the variation in purpose across firms, what are the other first order factors that drive differences across firms? These are two of many questions on this important topic that remain for future work.

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Figure 1: Corporate purpose by ownership type

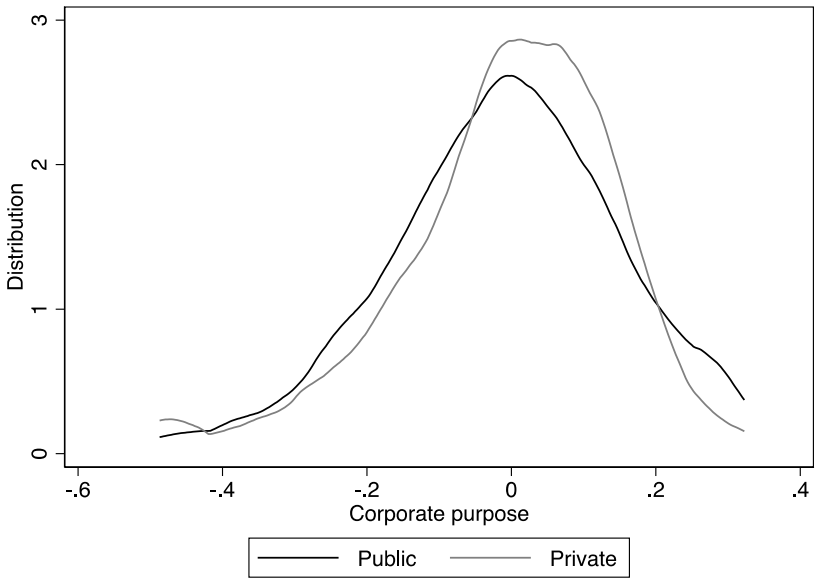

Figure 2: Corporate purpose by job level

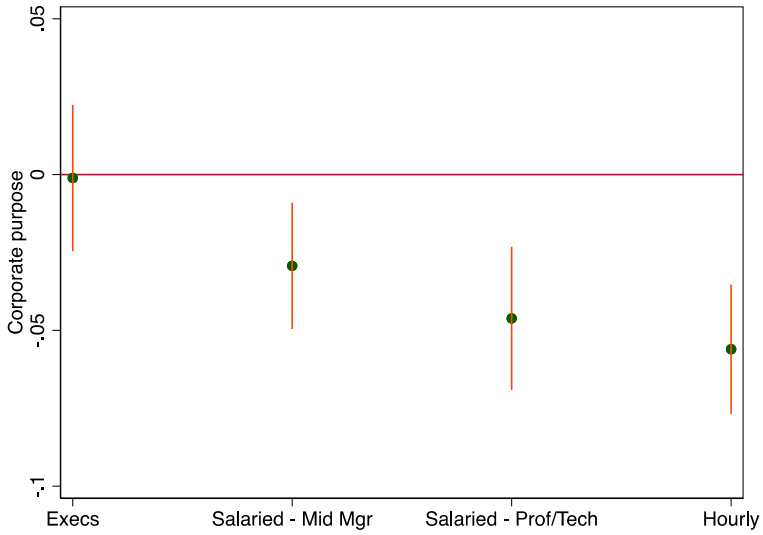

Figure 3: Corporate purpose by hedge fund ownership

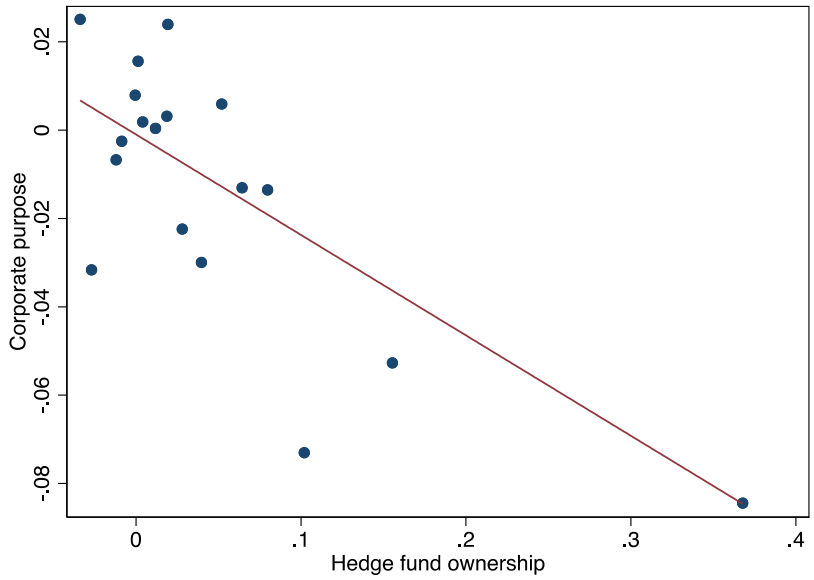

Figure 4: Corporate purpose by investor commitment

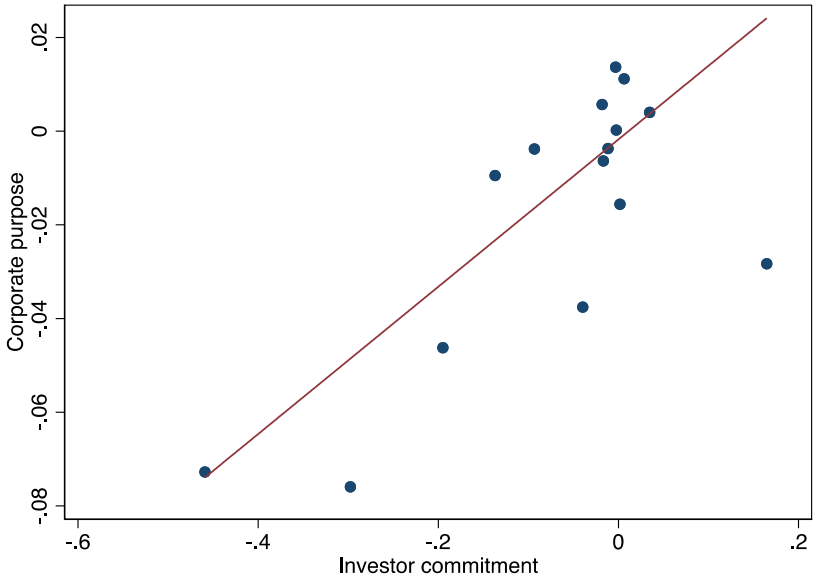

Table 1

Differences across Public and Private Firms

Sample:	Public	Private	Difference
Variable	Mean	Mean	P(Public-Private)
Controls			
% workforce - hourly	0.455	0.514	***
% workforce - commissioned	0.081	0.067	***
% workforce - salaried prof/tech	0.284	0.253	***
% workforce - salaried mid manager	0.143	0.122	***
% workforce - executive	0.037	0.044	***
Sales	13,105	6,609	***
Full-time employees	20,282	7,531	***
Industry			
Adv and Marketing	0.009	0.009	
Aerospace	0.010	0.003	**
Agriculture	0.008	0.004	
Biotech and Pharma	0.046	0.001	***
Confidential	0.001	0.001	
Construction and Real Estate	0.045	0.112	***
Education and Training	0.009	0.003	*
Electronics	0.010	0.001	***
Engineering	0.000	0.002	*
Financial Services and Insurance	0.143	0.144	
Health Care	0.029	0.076	***
Hospitality	0.061	0.072	
Industrial Services	0.013	0.009	
IT	0.129	0.042	***
Manufacturing and Production	0.202	0.127	***
Media	0.035	0.004	***
Mining	0.003	0.000	*
Missing	0.011	0.005	*
Other	0.007	0.003	
Professional Services	0.049	0.240	***
Retail	0.123	0.123	
Telecommunications	0.026	0.005	***
Transportation	0.031	0.007	***
Utilities	0.001	0.000	

Table 2: Purpose and Public Ownership

Panel A: Firm wide

Dependent variable:	Corporate purpose			
Model:	OLS	OLS	OLS	Near. neighbor match (ATE)
	(1)	(2)	(3)	(4)
Public	-0.0355***	-0.0301***	-0.0358***	-0.0322***
	(0.0126)	(0.0112)	(0.0111)	(0.0076)
Revenue (log)	0.0241***	0.0162***	0.0147***	
	(0.00370)	(0.00278)	(0.00266)	
FT employees (log)	-4.42e-05	0.0129***	0.0157***	
	(0.00495)	(0.00401)	(0.00387)	
Constant	-0.169***	-0.357***	-0.305***	
	(0.0349)	(0.0692)	(0.111)	
Observations	2,860	2,860	2,860	2,322
R-squared	0.098	0.305	0.316	NA
Org Controls	N	N	Y	NA
Industry FE	N	Y	Y	NA
State HQ FE	N	Y	Y	NA
Year FE	Y	Y	Y	NA

OLS regressions in Models 1-3. Nearest neighbor matching Model 4, with average treatment effect presented. Match based on exact match without replacement on year and industry, and nearest neighbor on firm size and geography. Private firms are omitted category. *Revenue* is total worldwide revenue in latest fiscal year and *FT employees* is the full-time employees. *Org Controls* refers to percent of workforce at each hierarchical level. See text for full description. Standard errors clustered at firm-level. ***, **, * signify statistical significance at the 1, 5, and 10% level respectively.

Table 3: Purpose and Public Ownership by Job Level

Dependent variable:	Corporate purpose			
	Execs	Salaried Mid Mgr	Salaried Prof/Tech	Hourly
	(1)	(2)	(3)	(4)
Public	-0.00144	-0.0273**	-0.0415***	-0.0512***
	(0.0139)	(0.0123)	(0.0148)	(0.0123)
Revenue (log)	0.0115***	0.0169***	0.0137***	0.0120***
	(0.00407)	(0.00332)	(0.00327)	(0.00277)
FT employees (log)	0.0417***	0.0266***	0.0130**	0.0144***
	(0.00665)	(0.00452)	(0.00598)	(0.00444)
Constant	-0.629***	-0.517***	-0.417***	-0.203
	(0.159)	(0.116)	(0.136)	(0.136)
Observations	2,806	2,836	2,804	2,839
R-squared	0.161	0.245	0.146	0.274
Org Controls	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y
State HQ FE	Y	Y	Y	Y
Year FE	Y	Y	Y	Y

OLS regressions. Private firms are omitted category. Dependent variable is average *Corporate Purpose* at specified job level for given firm-year observation. See footer of Table 2 and text for variable descriptions. Standard errors clustered at firm-level. ***, **, * signify statistical significance at the 1, 5, and 10% level respectively.

Table 4: Purpose with Ownership Characteristics

Dependent variable:	Corporate purpose			
	(1)	(2)	(3)	(4)
Public	-0.0270**	-0.0267*	-0.0265*	-0.0189
	(0.0136)	(0.0136)	(0.0136)	(0.0223)
Public * Hedge fund ownership	-0.150***		-0.128***	
	(0.0507)		(0.0469)	
Public * Long-term investors		0.110***	0.0942**	
		(0.0411)	(0.0396)	
Private Equity	-0.0396*	-0.0388*	-0.0399*	0.0151
	(0.0225)	(0.0226)	(0.0226)	(0.0325)
Lagged measures				
Public * Hedge fund ownership				-0.128**
				(0.0605)
Public * Long-term investors				0.0704
				(0.0668)
Leading measures				
Public * Hedge fund ownership				-0.0361
				(0.0463)
Public * Long-term investors				0.115**
				(0.0481)
Controls				
Revenue (log)	0.0141***	0.0142***	0.0139***	0.0157***
	(0.00261)	(0.00256)	(0.00257)	(0.00420)
FT employees (log)	0.0160***	0.0154***	0.0152***	0.0178***
	(0.00387)	(0.00385)	(0.00383)	(0.00574)
Constant	-0.303***	-0.305***	-0.298***	-0.203*
	(0.111)	(0.110)	(0.111)	(0.117)
Observations	2,860	2,860	2,860	1,263
R-squared	0.325	0.325	0.328	0.432
Org Controls	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y
State HQ FE	Y	Y	Y	Y
Year FE	Y	Y	Y	Y

OLS regressions. Private firms are omitted category. *Hedge fund ownership* is percent of outstanding equity owned by hedge funds for firms with above-median ownership concentration. *Long-term investors* is measured as voting shares of dedicated minus transient investors for firms with above-median ownership concentration. *Private Equity* is indicator equal to 1 for firms with private equity owners. See footer of Table 2 and text for variable descriptions. Standard errors clustered at firm-level. ***, **, * signify statistical significance at the 1, 5, and 10% level respectively.

Table 5: Purpose with Ownership Characteristics by Job Level

Dependent variable:	Corporate purpose			
	Execs	Salaried - Mid Mgr	Salaried _Prof/Tech	Hourly
	(1)	(2)	(3)	(4)
Public	-0.00621	-0.0294*	-0.0449**	-0.0428***
	(0.0180)	(0.0159)	(0.0176)	(0.0160)
Public * Hedge fund ownership	-0.0609	-0.109**	-0.102	-0.184***
	(0.0647)	(0.0533)	(0.0725)	(0.0712)
Public * Long-term investors	0.0779	0.0945**	0.186***	0.0412
	(0.0627)	(0.0467)	(0.0539)	(0.0425)
Private Equity	-0.0703***	-0.0503***	-0.0412	-0.0401
	(0.0265)	(0.0191)	(0.0272)	(0.0251)
Controls				
Revenue (log)	0.0108***	0.0162***	0.0127***	0.0112***
	(0.00404)	(0.00325)	(0.00320)	(0.00273)
FT employees (log)	0.0411***	0.0257***	0.0111*	0.0141***
	(0.00681)	(0.00455)	(0.00610)	(0.00442)
Constant	-0.616***	-0.502***	-0.397***	-0.197
	(0.158)	(0.114)	(0.136)	(0.137)
Observations	2,806	2,836	2,804	2,839
R-squared	0.165	0.252	0.156	0.282
Org Controls	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y
State HQ FE	Y	Y	Y	Y
Year FE	Y	Y	Y	Y

OLS regressions. Private firms are omitted category. See footer of Tables 2 and 4 and text for variable descriptions. Standard errors clustered at firm-level. ***, **, * signify statistical significance at the 1, 5, and 10% level respectively.

Table 6: Purpose with Ownership Characteristics by Job Level, Lead-Lagged measures

Dependent variable:	Corporate purpose			
	Execs	Salaried - Mid Mgr	Salaried _Prof/Tech	Hourly
	(1)	(2)	(3)	(4)
Public	-0.0191	-0.0285	-0.0160	-0.0312
	(0.0263)	(0.0251)	(0.0275)	(0.0255)
Private Equity	-0.127***	0.000485	0.0291	0.0169
	(0.0437)	(0.0281)	(0.0396)	(0.0336)
Lagged measures				
Public * Hedge fund ownership	-0.0519	-0.135*	-0.227***	-0.214**
	(0.125)	(0.0727)	(0.0846)	(0.0933)
Public * Long-term investors	-0.0164	0.0591	0.121	0.0465
	(0.123)	(0.0884)	(0.0996)	(0.0588)
Leading measures				
Public * Hedge fund ownership	0.0866	-0.0270	-0.0111	-0.0113
	(0.0910)	(0.0611)	(0.101)	(0.0984)
Public * Long-term investors	0.169**	0.153**	0.227***	0.143***
	(0.0766)	(0.0620)	(0.0743)	(0.0518)
Controls				
Revenue (log)	0.0143*	0.0144***	0.0151**	0.0130***
	(0.00825)	(0.00555)	(0.00613)	(0.00417)
FT employees (log)	0.0514***	0.0311***	0.00627	0.0172***
	(0.0130)	(0.00702)	(0.0101)	(0.00586)
Constant	-0.599***	-0.359***	0.0234	-0.292*
	(0.173)	(0.134)	(0.183)	(0.167)
Observations	1,234	1,254	1,234	1,254
R-squared	0.265	0.354	0.218	0.368
Org Controls	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y
State HQ FE	Y	Y	Y	Y
Year FE	Y	Y	Y	Y

OLS regressions. Private firms are omitted category. See footer of Tables 2 and 4 and text for variable descriptions. Standard errors clustered at firm-level. ***, **, * signify statistical significance at the 1, 5, and 10% level respectively.

Appendix Tables and Figures

Table A1: Summary Statistics

Panel A: Frequency by Year

Year	No. Obs.
2006	365
2007	349
2008	321
2009	275
2010	255
2011	242
2012	218
2013	213
2014	213
2015	209
2016	200

Panel B: Frequency by Industry

Industry	No. Obs.
Advertising & Marketing	26
Aerospace	22
Agriculture	18
Biotechnology & Pharmaceuticals	86
Confidential	3
Construction & Real Estate	197
Education & Training	19
Electronics	19
Engineering	2
Financial Services & Insurance	410
Health Care	131
Hospitality	186
Industrial Services	34
Information Technology	280
Manufacturing & Production	502
Media	69
Mining and Quarrying	5
Missing	26
Other	16
Professional Services	322

Retail	359
Telecommunications	53
Transportation	64
Utilities	1

Panel A presents number of observations in our sample by year. Panel B presents number of observations in our sample by industry. Panel C presents number of observations in our sample by ownership type. Private only firms are not publicly listed, do not have institutional investors and are not owned by a public company. Private w/ public owner firms' ultimate owners are publicly listed firms. Private equity owner firms' ultimate owners are private equity firms. Panel D presents summary statistics for key variables. Sales is total worldwide revenue in latest fiscal year. Full-time employees are full-time employees.

Table A2: Alternative purpose measures

Panel A: Purpose-Camaraderie Factor

Dependent variable:	Purpose-Camaraderie		
	All	All	All
	(1)	(2)	(3)
Public	-0.0576***	-0.0697***	-0.0748***
	(0.0203)	(0.0185)	(0.0186)
Revenue (log)	0.00744*	0.00755**	0.00615*
	(0.00411)	(0.00349)	(0.00339)
FT employees (log)	-0.0445***	-0.0380***	-0.0338***
	(0.00704)	(0.00662)	(0.00643)
Constant	0.283***	0.152	0.256
	(0.0578)	(0.124)	(0.165)
Observations	2,860	2,860	2,860
R-squared	0.107	0.282	0.292
Org Controls	N	N	Y
Industry FE	N	Y	Y
State HQ FE	N	Y	Y
Year FE	Y	Y	Y

Panel B: Purpose index

Dependent variable:	Purpose Index		
	All	All	All
	(1)	(2)	(3)
Public	-0.0769***	-0.0644***	-0.0721***
	(0.0159)	(0.0156)	(0.0158)
Revenue (log)	0.00858**	0.00862***	0.00660**
	(0.00363)	(0.00329)	(0.00319)
FT employees (log)	-0.0257***	-0.0195***	-0.0145***
	(0.00567)	(0.00550)	(0.00525)
Constant	4.477***	4.318***	4.401***
	(0.0459)	(0.108)	(0.145)
Observations	2,860	2,860	2,860
R-squared	0.113	0.261	0.277

Org Controls	N	N	Y
Industry FE	N	Y	Y
State HQ FE	N	Y	Y
Year FE	Y	Y	Y

Table A3: Public Family Firms

Dependent variable:	Corporate purpose	
	(1)	(2)
Public	-0.0371***	-0.0267**
	(0.0110)	(0.0136)
Public * Family Firm	0.0245	0.0237
	(0.0207)	(0.0204)
Public * Hedge fund ownership		-0.124***
		(0.0466)
Public * Long-term Investors		0.0920**
		(0.0394)
Private Equity		-0.0400*
		(0.0226)
Controls		
Revenue (log)	0.0145***	0.0137***
	(0.00265)	(0.00256)
FT employees (log)	0.0155***	0.0151***
	(0.00386)	(0.00383)
Constant	-0.306***	-0.301***
	(0.111)	(0.111)
Observations	2,860	2,860
R-squared	0.317	0.328
Org Controls	Y	Y
Industry FE	Y	Y
State HQ FE	Y	Y
Year FE	Y	Y