

# Personal and Organizational Higher Purpose, Corporate Governance and Shareholder Value: Survey Results

Finance Working Paper N° 692/2020

July 2020

Stuart Bunderson  
Washington University in St. Louis

Anjan Thakor  
Washington University in St. Louis, ECGI

© Stuart Bunderson and Anjan Thakor 2020. All rights reserved. Short sections of text, not to exceed two paragraphs, may be quoted without explicit permission provided that full credit, including © notice, is given to the source.

This paper can be downloaded without charge from:  
[http://ssrn.com/abstract\\_id=3659749](http://ssrn.com/abstract_id=3659749)

<https://ecgi.global/content/working-papers>

ECGI Working Paper Series in Finance

Personal and Organizational Higher Purpose,  
Corporate Governance and Shareholder Value:  
Survey Results

Working Paper N° 692/2020

July 2020

Stuart Bunderson  
Anjan Thakor

## Abstract

This paper reports the findings of a recent survey of 1019 individuals to learn about their commitment to and perceived value from personal and organizational higher purpose, and examines the implications of the findings for corporate governance and the stated corporate goal of shareholder value maximization. We found that personal higher purpose promotes personal well-being, including greater happiness and lower stress from COVID-19, and this effect was stronger when the purpose statement was written down. This notwithstanding, while many individuals stated that they have a personal higher purpose, very few had a written statement of purpose. The incidence of written higher purpose statements is higher among organizations than among individuals. Employees of organizations with higher purpose statements were happier and prouder of their organizations. Two of the findings have potentially important implications for corporate governance: (i) The effects we documented were stronger when the purpose statement was written down and tied to society, employees, and customers, rather than shareholders; and (ii) employees trusted their leaders to make better business decisions when they endorsed the social value of the corporate higher purpose.

---

Keywords: higher purpose, corporate governance, shareholder value, personal well-being

JEL Classifications: D1, G3, G4, Z1

### Stuart Bunderson

George & Carol Bauer Professor of Organizational Ethics & Governance  
Washington University in St. Louis, Olin business School  
One Brookings Drive  
Saint Louis, MO 63130-4899, United States  
phone: +1 (314) 935-4943  
e-mail: bunderson@wustl.edu

### Anjan Thakor\*

John E. Simon Professor of Finance  
Washington University in St. Louis, Olin Business School  
One Brookings Drive  
St Louis, MO 63130, United States  
phone: +1 314-935-7197  
e-mail: thakor@wustl.edu

\*Corresponding Author

July, 2020

**PERSONAL AND ORGANIZATIONAL HIGHER PURPOSE,  
CORPORATE GOVERNANCE AND SHAREHOLDER VALUE:  
SURVEY RESULTS**

by

**Stuart Bunderson \***

and

**Anjan V. Thakor \*\***

Olin School of Business

Washington University in St. Louis

---

\* George and Carol Bauer Professor of Organizational Ethics and Governance and Co-Director of the Bauer Leadership Center.

\*\* John E. Simon Professor of Finance, Director of the WFA-CFAR, research associate ECGI, FTG Fellow and MIT-LFE Affiliate.

## ABSTRACT

This paper reports the findings of a recent survey of 1019 individuals to learn about their commitment to and perceived value from personal and organizational higher purpose, and examines the implications of the findings for corporate governance and the stated corporate goal of shareholder value maximization. We found that personal higher purpose promotes personal well-being, including greater happiness and lower stress from COVID-19, and this effect was stronger when the purpose statement was written down. This notwithstanding, while many individuals stated that they have a personal higher purpose, very few had a written statement of purpose. The incidence of written higher purpose statements is higher among organizations than among individuals. Employees of organizations with higher purpose statements were happier and prouder of their organizations. Two of the findings have potentially important implications for corporate governance: (i) The effects we documented were stronger when the purpose statement was written down and tied to society, employees, and customers, rather than shareholders; and (ii) employees trusted their leaders to make better *business* decisions when they endorsed the *social* value of the corporate higher purpose.

**JEL Classification Numbers:** D1, G3, G4, Z1

**Key words:** higher purpose, corporate governance, shareholder value, personal well-being.

# **PERSONAL AND ORGANIZATIONAL HIGHER PURPOSE, CORPORATE GOVERNANCE AND SHAREHOLDER VALUE: SURVEY RESULTS**

## **I. INTRODUCTION**

In the fall of 2019 we organized a conference on personal and organizational higher purpose on the campus of Washington University in St. Louis. It was a spectacular event that brought together academic researchers, consultants and organizational leaders to share their research findings and experiences.<sup>1</sup> We were particularly struck by a presentation by Vic Strecher from The University of Michigan who observed how stress levels and general dissatisfaction were rising even as economic conditions were improving and that suicidal ideation had doubled on U.S. college campuses in the past decade. He stressed the importance of personal higher purpose in coping with these stresses, noting that someone who does not “repurpose their life” at retirement is 2.4 times more likely to have Alzheimer’s than someone who adopts an authentic (revised) higher purpose.<sup>2</sup>

Bob Chapman, CEO of Barry Wehmiller, also spoke at the conference and emphasized the importance of organizational higher purpose for corporate governance and organizational performance in general. He mentioned that 65% of people would give up a salary increase if they could fire their boss, and that the person an employee reports to at work is more important to an employee’s health than the family doctor. He indicated that this is due to the lack of meaning people encounter in their jobs, something tied directly to the lack of an authentic organizational higher purpose and a consequently ineffective corporate culture. He stressed the need for an

---

<sup>1</sup> For a detailed description of the conference, see Bunderson, Quinn, Thakor and Wellinghoff (2020).

<sup>2</sup> See Strecher (2016). Strecher’s comments were consistent with the large sample of empirical evidence discussed in Danner, Snowden and Frisen (2001), for example.

authentic organizational higher purpose as a way to strengthen corporate governance, culture, employee satisfaction and overall productivity.

These remarks and other discussions at the conference made us curious to know more. What does personal higher purpose really do for people? How do individuals perceive the value of personal purpose in their lives? What is the role of an organization's higher purpose in corporate governance and in the lives of its employees? Are there any connections between personal and organizational higher purpose, and what are its implications for corporate governance and the objective function of the organization, specifically shareholder value maximization?

These questions speak to "Finding the Why in What You Do", as stated by the *Harvard Business Review* editors in the Spring 2020 issue of *The Best of HBR* titled, "How to Lead With Purpose." To learn about these questions, we conducted a survey of 1019 individuals in May 2020, all of whom were employed and were selected to be generally representative of the gender, racial, and geographic diversity of the American population. The purpose of this paper is to present our findings from that survey and discuss how these findings speak to the questions listed above.

Broadly speaking, our survey revealed that:

- A majority of those surveyed had a personal higher purpose, but most had not written it down.
- Having a written personal statement of purpose helped individuals in various ways, including coping with stress and finding happiness.
- Curiously, those with a written higher purpose statement also reported higher levels of anxiety.

- The incidence of written statements of higher purpose was higher among organizations than among individuals.
- Employees of organizations with higher purpose statements were more proud of working for their organizations and happier.
- Organizational higher purpose statements were more effective when written down and when they emphasized society, customers, employees, and stakeholders other than shareholders, reflecting a potential challenge for the explicit articulation of shareholder value maximization goals, and for the design of effective corporate governance.
- Employees in organizations with a written-down statement of higher purpose also trusted their leaders to make better business decisions. This suggests a positive correlation between organizational higher purpose and effective corporate governance (at least as perceived by employees).
- Employees of organizations with higher purpose statements are more likely to have personal statements of higher purpose, suggesting either a sorting effect or an influence effect.

In what follows, we present a granular look at our findings and discuss their implications for organizations and individuals. In addition, we discuss how we have used our findings to construct a *personal higher purpose index* and an *organizational higher purpose index*, which will enable us to examine how personal and organizational higher purpose and their perceived outcomes change over time.

This paper is related to the literature on how prosocial goals affect economic and other outcomes, e.g, Benabou and Tirole (2003)<sup>3</sup>. The research on organizational higher purpose is the most closely related; see, for example, Bartlett and Ghoshal (1994), Gartenberg, Prat and Serafeim (2019), Henderson and Van den Steen (2019), Grant et al (2007), Hedblom, Heckman and List (2019), and Quinn and Thakor (2018, 2019), and Thakor and Quinn (2020). Some of these papers are randomized controlled trials, some are empirical, some provide interview-based and survey-based evidence and some are qualitative or descriptive. They have provided valuable insights into corporate higher purpose and also some of the stylized facts that motivate our paper. Our paper differs from this literature in that we provide recent (during the Covid 19 crisis) survey-based evidence on both personal and organizational higher purpose and analyze the implications of the relationship between the two for corporate governance and goals.

Section II describes the sample and our findings on personal higher purpose. Section III describes the findings on organizational higher purpose, and the implications of the findings for corporate governance and corporate goals. Section IV introduces our personal and organizational higher purpose indices. Section V discusses the implications of the findings for corporate governance. Section VI connects the findings in Sections II and III and concludes. The survey instrument is included in the appendix.

## **II. PERSONAL HIGHER PURPOSE**

The sample of respondents for this survey was deliberately designed to capture a broad and representative cross-section of the American working population. We worked with an external polling organization to specifically recruit a balanced sample of respondents in terms of gender,

---

<sup>3</sup> Our discussion of the related literature here is brief. For a more extensive discussion, see Thakor and Quinn (2020).

ethnicity, income, and geography. Respondents also varied broadly in terms of education, work experience, managerial experience, and industry. The following table summarizes key sample demographics.

*Table 1: Demographics of Respondents*

Age	Median: 35 to 44. Distribution: 18 to 24 = 7.4%; 25 to 34 = 21.1%; 35 to 44 = 23.5%; 45 to 54 = 19.1%; 55 to 64 = 23.3%; 65 or older = 5.7%.
Education Level	Median: Bachelor's degree. Distribution: Some High School = 0.7%; High School or Equivalent = 12.0%; Trade School = 2.5%; Some college = 15.6%; Associate's = 11.8%; Bachelor's = 33.9%; Master's = 17.7%; Doctorate = 5.5%.
Years of Work Experience	Median: 10-15 years. Distribution: <5 = 15.4%; 5-10 = 23.1%; 10-15 = 19.6%; 15-20 = 13.2%; >20 = 28.8%
Title	Median: Associate Distribution: Intern = 1.5%; Entry Level = 17.2%; Analyst/Associate = 33.0%; Manager = 24.2%; Senior Manager = 6.3%; Director = 5.7%; VP = 1.8%; SVP = 1.2%; C-Level = 2.4%; President or CEO = 2.4%; Owner = 4.5%
Years of Management	Median: 5-10 years Distribution: None = 27.8%; <5 = 25.5%; 5-10 = 18.5%; 10-15 = 11.2%; 15-20 = 7.9%; >20 = 9.1%
Salary	Median: \$50,000 to \$100,000 Distribution: <\$25K = 9.0%; \$25K to \$50K = 30.9%; \$50K to \$100K = 32.6%; \$100K to \$200K = 15.1%; >\$200K = 7.8%
Gender	Distribution: 48.7% male, 51.3% female
Race	Distribution: 71% White; 17% Hispanic; 13% Black; 3% Asian; 1% American Indian
Organizational Type	Distribution: For profit = 49.9%; Non-profit = 8.1%; Government = 10.1%; Health Care = 12.2%; Education = 12.2%
Organization Size	Median: 500-999 employees Distribution: 1 = 4.1%; 2-9 = 6.9%; 10-24 = 8.5%; 25-99 = 13.6%; 100-499 = 16.2%; 500-999 = 10.9%; 1000-4,999 = 14.2%; 5,000+ = 25.5%

We made sure that every respondent had a job, so they could respond to questions about both personal and organizational higher purpose. Our respondents on average have a college education, are in managerial positions, are middle-income individuals split almost evenly between being employed by for-profit and other types of organizations, and roughly representative of the racial composition of the U.S. population.

The table below summarizes responses to questions about personal higher purpose. All of the differences in percentages across the three groups (no personal higher purpose, personal higher purpose not written down, and personal higher purpose written down) are statistically significant.

*Table 2: Responses on Personal Higher Purpose*

	A	B	C (All differences between B and C statistically significant)
1. Do you have a statement of personal higher purpose, and is it written down?	No  41.5%	Yes but not written down  44%	Yes and written down  14.5%
2. Are you totally committed to your higher purpose?	---	18% of those in 1B above said yes.	33% of those in 1C above said yes.
3. Does your higher purpose help you cope with the Covid-19 global health crisis and its requirement for social isolation and remote work?	---	16% of those in 1B said that it has been an invaluable anchor.	30% of those in 1C said that it has been an invaluable anchor.
4. How would you describe your state of personal happiness and well-being?	7% of those in 1A said they were extremely happy.	10% of those in 1B said they were extremely happy.	35% of those in 1C said they were extremely happy.
5. What is your level of anxiety about the future?	5% of those in 1A said they were extremely anxious.	6% of those in 1B said they were extremely anxious.	16% of those in 1C said they were extremely anxious.

The findings summarized in *Table 2* provide a number of insights. Compared to those with no personal higher purpose statement, those with a purpose statement are happier and better able to cope with the Covid-19 crisis. Among those with a personal higher purpose, those with a *written* purpose statement show a stronger commitment to their purpose, are better able to cope with the Covid-19 crisis and are happier. Surprisingly, those who have a written purpose statement are also more anxious about the future. We now consider each of these findings in more detail.

### **A Written Statement of Purpose:**

Our findings that a written statement of personal higher purpose helps individuals in many ways raises an important question: why do only 14.5% of our respondents have such a statement? While a definitive answer to that question will require follow-up research, here are a few possible answers<sup>4</sup>:

- (i) *Lack of belief and personal doubt*: There are people who simply do not believe that a written higher purpose statement will benefit them in any way. And even when they believe in the power of purpose, they may doubt their own ability to live a life of purpose.
- (ii) *The tyranny of the here and now*: The pressure of time and managing daily schedules are challenges that most people face. There are many for whom the introspection to create a written personal higher purpose statement is a luxury they do not perceive they have the time for.

---

<sup>4</sup> Some of these are discussed in Quinn and Thakor (2019).

- (iii) *Overconfidence*: Some people may believe that their personal higher purpose is clearly written in their hearts and minds and that writing it down on paper is therefore redundant. Paradoxically those who are highly successful in their professional lives may be particularly likely to assume that a written statement is unnecessary for them.

### **Commitment to Purpose:**

It was not surprising to us that the percentage of those who said they were committed to their personal higher purpose was almost twice as large in the group that had a written purpose statement compared to the group without a written statement. The mere act of writing a personal purpose statement is a reflection of commitment. It may also lead to more frequent reading and reflection on one's higher purpose, further reinforcing commitment (although the direction of causality probably runs from commitment to writing down the purpose statement).

### **Purpose and Coping with Stress like the Covid-19 Crisis:**

Our findings also confirm the findings of previous research that having a higher purpose helps individuals cope with stress. Here again the effect is almost twice as strong (30%) among those who had a written purpose statement compared to those who did not (16%). These findings are consistent with Strecher's (2016) work cited above, which suggests that clarity around one's higher purpose can serve as an anchor during periods of uncertainty, adversity, and stress.

### **Personal Happiness and Well Being:**

Our findings indicate that people who have a personal higher purpose are happier than those who do not. Only 7% of those without a personal higher purpose statement reported that they

were extremely happy. Those who had a personal statement of higher purpose that was not written down were only slightly happier, with 10% of them reporting that they were “extremely happy”. In contrast, 35% of respondents who had a written higher purpose reported being “extremely happy” – five times the percentage of those without a higher purpose statement and over three times the percentage of those with an unwritten higher purpose statement.

### **Anxiety about the Future:**

We were surprised to find that those with a written higher purpose statement were more anxious about the future than those without. This may be related to the fact that those who introspect about higher purpose may also introspect more about all of the uncertainties associated with the future. It is worth noting that having a higher purpose does not necessarily reduce the incidence of stressful situations one encounters, it simply increases one’s capacity to cope with those situations.<sup>5</sup>

### **Demographic Differences:**

Compared to those who stated they had no higher purpose, those with a higher purpose are:

- younger;
- more educated;
- more senior in managerial positions;
- earn higher salaries.

All of the differences between the two groups are statistically significant. Moreover, compared to those with no personal purpose statement, those with a personal purpose statement are more

---

<sup>5</sup> This is consistent with Bunderson and Thompson (2009) and Baumeister, Vohs, Aaker, and Garbinsky (2013).

likely to be male, minority (Black or Hispanic), and less likely to be employed by a for-profit organization.

### III. ORGANIZATIONAL HIGHER PURPOSE

In our survey, we defined organizational higher purpose as a prosocial goal that intersects with the organization's business goals and guides day-to-day decision-making.<sup>6</sup> As the pie chart below shows, the majority of firms that our respondents work at have a statement of purpose (56.5%), but only about 35% of the firms had a written statement of higher purpose.



Because organizational higher purpose statements are prosocial in nature, they typically articulate ways in which the work of an organization benefits particular organizational stakeholders. We therefore asked our respondents to tell us which stakeholders are explicitly

---

<sup>6</sup> Consistent with Quinn and Thakor (2018, 2019).

mentioned in their organization’s statement of higher purpose. *Table 3* summarizes their responses.

*Table 3: Elements of Organizational Higher Purpose*

	<b>A</b>	<b>B</b>	<b>C</b>
Element	Percentage of Organizations With Unwritten Higher Purpose Stating This as an Element of their Higher Purpose	Percentage of Organizations With Written Higher Purpose Stating this as an Element of their Higher Purpose	Statistical Significance of Difference Between A & B *** significant at ___ ** significant at ___ * significant at ___
Shareholders	22%	27%	not significant
Employees	60%	62%	not significant
Customers	51%	60%	*
Community	34%	54%	***
Society	18%	32%	***
Environment	20%	20%	not significant

We see from *Table 3* that employees, customers and community are the top three elements of organizational higher purpose statements, both written and unwritten. This is consistent with prior research which emphasizes that while organizational higher purpose initiatives are a subset of corporate social responsibility (CSR) initiatives, they are distinguished from general CSR initiatives by virtue of being linked to the firm’s day-to-day decision-making.<sup>7</sup> This kind of linkage is most evident when the elements of the organizational higher purpose deal with stakeholder groups that are likely to be included in the firm’s day-to-day decisions—employees, customers and the community in which the firm operates.

It is interesting that the focus of higher purpose statements on stakeholders *outside* the organization (customers, community, society) is significantly higher in organizations that have a

<sup>7</sup> See, for example, Gartenberg, Pratt and Serafeim (2019), Quinn and Thakor (2018, 2019) and Thakor and Quinn (2020).

written higher purpose than in those in which the higher purpose statement is unwritten. One possible explanation for this finding is that organizations that include external stakeholders in their statement of higher purpose may opt to write that statement down so that it can be shared with those external stakeholders, both for external relations and accountability reasons.

*Table 4* summarizes the relationship between organizational higher purpose and employee attitudes and behaviors.

*Table 4: Impact of Organizational Higher Purpose*

	<b>A</b>	<b>B</b>	<b>C</b>
<b>Effect</b>	<b>Percentage of Organizations With Unwritten Higher Purpose in Which Employees Strongly Agreed With the Statement</b>	<b>Percentage of Organizations With Written Higher Purpose in Which Employees Strongly Agreed With the Statement</b>	<b>Statistical Significance of Difference Between A &amp; B</b>
1) Is your organization's higher purpose inspiring and meaningful to you personally?	14%	26%	**
2) To what extent does your organization's purpose influence the decisions you make as a member of the organization?	17% said "extremely meaningful"	26% said "extremely meaningful"	**
3) Has Covid-19 made you more or less committed to your organization's higher purpose?	20% said "much more committed"	27% said "much more committed"	not significant
4) To what extent has your organization's statement of higher purpose served as a compass during Covid-19?	20% said "to a great extent"	28% said "to a great extent"	*
5) My organization is profitable	17%	29%	**
6) I am proud to work for my employing organization	31%	41%	***
7) To what extent do you trust your organization's top leaders to make intelligent and well-informed business decisions?	20% said "to a great extent"	26% said "to a great extent"	**
8) To what extent do you trust your organization to make socially-responsible business decisions?	24% said "to a great extent"	29% said "to a great extent"	***

We also compared the attitudes of employees in organizations without a stated higher purpose to those in organizations with a stated higher purpose. These results are shown in *Table 5* below.

*Table 5: Employee Attitudes in Organizations Without a Stated Higher Purpose Versus Those in Organizations With a Stated Higher Purpose*

<b>Effect</b>	<b>Percentage of Organizations Without Higher Purpose in Which Employees Strongly Agree With the Statement</b>	<b>Percentage of Organizations With Unwritten Higher Purpose in Which Employees Strongly Agreed with the Statement</b>	<b>Percentage of Organizations With Written Higher Purpose in Which Employees Strongly Agreed with the Statement</b>
1) I am proud to work for my organization	19%	31%	41%
2) To what extent do you trust your organization's top leaders to make intelligent and well-informed business decisions?	16% said "to a great extent"	20% said "to a great extent"	26% said "to a great extent"
3) To what extent do you trust your organization to make socially-responsible business decisions?	15% said "to a great extent"	24% said "to a great extent"	29% said "to a great extent"

*Tables 4 and 5* provide some interesting takeaways. First, organizational higher purpose appears to create greater pride in employees and also greater trust in leaders. As per *Table 5*, a significantly higher percentage of employees who work in purpose-driven organizations say they are proud to work for their organizations compared to employees in organizations that do not have a stated higher purpose, and this effect is stronger in organizations with a written statement of higher purpose. Interestingly, employees in purpose-driven organizations also trust their leaders to make both better business decisions and more socially-responsible decisions, compared to employees in organizations without a stated higher purpose. The effect is stronger

when the organizational higher purpose statement is written down. This means that, in the eyes of the employees, there is better corporate governance and leaders are trusted more when the organization is viewed as making more socially-responsible decisions. This finding represents a potentially fruitful avenue for future theoretical research to examine.

Second, *Table 4* provides a strong indication that organizational higher purpose has a stronger influence on employees when it is written down. It is statistically significantly more inspiring and meaningful to employees, influences their decisions more and also increases their commitment to the purpose of the organization during a crisis like Covid-19, serving as a compass for a greater percentage of employees in organizations with written higher purpose statements. It is also interesting that we found a positive correlation between organization profitability and a written higher purpose statement.<sup>8</sup> Although we cannot determine the direction of causality here—it may just be that more profitable organizations are more likely to have written higher purpose statements—it is nonetheless possible theoretically for the causality to run from purpose to profits.<sup>9</sup>

Finally, our research also uncovered an interesting correlation between personal higher purpose and organizational higher purpose. Seventy percent of those individuals with a written personal higher purpose statement work for organizations with a written organizational higher purpose statement. This relationship may be due to one of two—not necessarily mutually exclusive—reasons: an influence effect and a selection effect. It may reflect the influence of the organization on the individual. If an employee has experienced organizational higher purpose, it may encourage him or her to develop their own personal higher purpose statements. It may also

---

<sup>8</sup> This is consistent with Gartenberg, Pratt and Serafeim (2019) and Quinn and Thakor (2018, 2019).

<sup>9</sup> See Thakor and Quinn (2020) for example.

reflect a sorting or selection effect. Organizations with a higher purpose may tend to attract or consciously select individuals with higher purpose to work for them<sup>10</sup>.

Although our research suggested that personal higher purpose and organizational higher purpose are connected, we also found that personal and organizational higher purpose had independent and cumulative effects on an individual's personal happiness. That is, happiness was higher for those individuals who had a personal higher purpose statement and was higher yet if that individual also worked for an organization that had an organizational higher purpose statement. Moreover, personal and organizational higher purpose contributed to personal happiness over and above the effects of salary and title. In other words, personal happiness is enhanced not only when we feel that we as individuals have a clear "why", but also when we feel that the employing organizations within which we live out a large portion of our lives have a clear "why". We are both individual and social creatures. This reinforces the point made by Bob Chapman that was mentioned in the Introduction, namely that an authentic organizational higher purpose<sup>11</sup>--one that employees believe in--has the potential to improve employee satisfaction, productivity and morale. It thus becomes an important component of corporate governance.

#### **IV. IMPLICATIONS FOR CORPORATE GOVERNANCE AND SHAREHOLDER VALUE MAXIMIZATION**

It is interesting--albeit not surprising--that organizational higher purpose statements that emphasize society, customers and employees are valued more by employees than those that focus largely on shareholder value. There are many possible reasons for this. One is that

---

<sup>10</sup> This need not be an explicit question like "Do you have personal higher purpose?". Rather, an individual with a personal higher purpose may provide subtle cues in the interview process that the organization finds attractive.

<sup>11</sup> See Quinn and Thakor (2019) and Thakor and Quinn (2020) for extensive discussions of "authenticity of purpose" and why it matters.

employees may believe that organizational leaders will focus on shareholder value anyway (due to executive compensation contracts, investor pressures, etc.), and that it is unnecessary to explicitly include it in a higher purpose statement. Second, they may not view shareholder value as a *higher* purpose of the organization, one that transcends the usual business goals. Third, including shareholder value in a statement of organizational higher purpose may make employees suspicious that the purpose statement is not authentic<sup>12</sup>, and is being merely used as another motivational tool to elicit higher employee effort.

This finding does not necessarily imply that companies should not focus on shareholder value. Having that focus is still a part of good governance. But the finding does indicate that a higher purpose statement has to transcend the usual business goals. So, as Thakor and Quinn (2020) point out, employees have to believe that decisions are being made at the *intersection* of business goals (like shareholder value maximization) and higher purpose which is distinct from those business goals but still an integral part of day-to-day decisions. This provides a new perspective on corporate governance that seems worthy of further research.

Another finding of relevance for corporate governance is that when employees believe that the organization's leaders are embracing a prosocial goal in articulating an authentic higher purpose, they also have greater trust in their business decisions. This may be a perception spillover effect from genuine social responsibility to ethical behavior. That is, employees may believe that leaders who embrace an authentic higher purpose are also more likely to be ethical and hence trust them to make better business decisions. Put a little differently, employees may perceive that the agency problems caused by separation of ownership and control are less severe when the leaders of the organization are more socially responsible—higher purpose embrace

---

<sup>12</sup> For a formal analysis of this issue, see Thakor and Quinn (2020).

engenders trust. Whatever the reason, this finding is also a potentially fruitful area for further theoretical and empirical research.

## V. A HIGHER PURPOSE INDEX

Building on the above analyses and results, we developed two indices to capture the extent to which the individuals in our sample of respondents expressed 1) a sense of personal higher purpose and 2) a sense of organizational higher purpose. Our objective in developing these indices was to capture the extent to which the 1019 individuals who responded to our survey – individuals who represent the diversity of the United States population in terms of gender, ethnicity, age, and geographic location – felt guided by personal and organizational higher purpose. By measuring these indices over time, our intention is to document the prevalence of personal and organizational higher purpose in the broader U.S. population, and changes in higher purpose over time.

We first developed an index to measure the extent to which the 1019 individuals who responded to our survey reported that they had and were anchored by a personal sense of purpose. We measured personal higher purpose using the following index:

$$\mathbf{H_1\ Index} = 0.25x_1 + 0.25x_2 + 0.25x_3 + 0.25x_4$$

where,

$x_1$  = percentage of individuals stating they have a personal higher purpose

$x_2$  = percentage of individuals stating that they have a written higher purpose

$x_3$  = percentage of individuals stating that they are strongly committed to their personal purpose

$x_4$  = percentage of people stating that their purpose statement helps them cope with stress

Given the pattern of results that we observed among the 1019 individuals who responded to this survey, the value of  $H_1$  in May 2020 is:

$$\mathbf{H_1} = 0.25[58.5\%] + 0.25[14.5\%] + 0.25[51\%] + 0.25[46\%] = 42.5\%$$

We developed a second index to measure the extent to which an individual feels that their employing organization provides them with an inspiring and meaningful organizational higher purpose. Our organizational higher purpose index ( $H_2$ ) was constructed as follows:

$$\mathbf{H_2 \text{ Index}} = 0.25y_1 + 0.25y_2 + 0.25y_3 + 0.25y_4$$

where,

$y_1$  = percentage of individuals stating that their employing organization has a statement of higher purpose

$y_2$  = percentage of individuals stating that their employing organization has a written statement of higher purpose

$y_3$  = percentage of individuals stating that they are strongly inspired by their higher purpose

$y_4$  = percentage of individuals stating that they are strongly influenced by their higher purpose in making decisions

Given the pattern of results that we observed among the 1019 individuals who responded to this survey, the value of  $H_2$  in May 2020 is:

$$\mathbf{H_2} = 0.25[56.5\%] + 0.25[35.3\%] + 0.25[40\%] + 0.25[43\%] = 43.7\%$$

## VI. CONCLUSION

In conclusion, our research suggests that “why” matters. People need and want to know that their lives have purpose and meaning – both as individuals and as contributing members of the work organizations where they spend a significant portion of their lives. In our research, a statement of personal higher purpose was associated with greater personal happiness and better stress management. A statement of organizational higher purpose further enhanced happiness, and created a deep connection between an individual and his or her employing organization and its leaders, improving productivity and thereby implying enhanced organizational effectiveness. Employees also seem to prefer written-down statements of organizational higher purpose that are focused on external stakeholders like customers and society, rather than shareholders. These findings suggest that some types of organizational higher purposes lead to better corporate governance, at least in the eyes of the employees. The results of this survey suggest that organizational leaders can facilitate releasing the power of purpose, and in doing so they will create more meaningful lives and more motivating workplaces<sup>13</sup>.

---

<sup>13</sup> See Thakor and Quinn (2020).

## REFERENCES

- Bartlett, Christopher A., and Sumantra Ghoshal, “Changing the Role of Top Management: Beyond Strategy to Purpose”, *Harvard Business Review* 72-6, 1994, 79-88.
- Baumeister, R.F., Vohs, K.D., Aaker, J., and Garbinsky, E.N., “Some Key Differences between a Happy Life and a Meaningful Life”, *Journal of Positive Psychology*, 2013, Vol. 8, Issue 6, Pages 505-516.
- Bénabou, Roland and Jean Tirole, “Intrinsic and Extrinsic Motivation”, *Review of Economic Studies* 70(3), 2003, pp. 489–520.
- Besley, Timothy and Maitreesh Ghatak, “Competition and Incentives with Motivated Agents”, *The American Economic Review* 95(3), June 2005, pp. 616-636.
- Bunderson, J.S. and J.S. Thompson, “The Call of the Wild: Zookeepers, Callings, and the Double-Edged Sword of Deeply Meaningful Work”, *Administrative Science Quarterly*, 2009.
- Bunderson, Stuart, Robert Quinn, Anjan Thakor and Brian Wellinghoff, “Organizational Higher Purpose”, *See Far Executive Summaries*, Spring 2020, 12-23.
- Danner, D., D. Snowden, and W. Friesen, “Positive Emotions in Early Life and Longevity: Findings from the ‘Nun Study’”, *Journal of Personality and Social Psychology*, 2001.
- Gartenberg, Claudine, Andrea Pratt and George Serafeim, “Corporate Purpose and Financial Performance”, *Organization Science* 30(1), January-February 2019, 1-18.
- Grant, Adam M., Elizabeth M. Campbell, Grace Chen, Keenan Cottone, David Lapedis, and Karen Lee, “Impact and the Art of Motivation Maintenance: The Effects of Contact with Beneficiaries on Persistence Behavior”, *Organization Behavior and Human Decision Processes* 103-1, May 2007, 53-57.
- Henderson, Rebecca and Eric Van den Steen, “Why Do Firms Have “Purpose”? The Firm’s Role as a Carrier of Identity and Reputation”, *American Economic Review :Papers & Proceedings* 105-5, May 2015, 326-330.
- Hedblom, Daniel, Brent R. Hickman and John A. List, “Toward an Understanding of Corporate Social Responsibility: Theory and Field Experimental Evidence”, working paper, University of Chicago, March 26, 2019.
- Quinn, Robert E. and Anjan V. Thakor, “Creating a Purpose-Driven Organization”, *Harvard Business Review*, July-August 2018, 78-85 (reprinted in *Harvard Business Review Special Issue: How to Lead With Purpose*, The Best of HBR, Spring 2020).
- Quinn, Robert E. and Anjan V. Thakor, *The Economics of Higher Purpose*, Barret-Koehler Press, 2019.
- Strecher, Victor J., *Life on Purpose*, Harper Collins Publishers, 2016.
- Thakor, Anjan and Robert E. Quinn, “Higher Purpose, Incentives, and Economic Performance”, working paper, Washington University in St. Louis, May 2020.

## APPENDIX

### Our Survey Questions

#### **PERSONAL HIGHER PURPOSE:**

- (1) A statement of personal higher purpose is a personal statement about WHY you do what you do in your work and professional life. It goes beyond a description of your job or your monetary or promotion goals. It is central to what motivates you in your work. For example, a teacher stated: “It is my purpose to teach every student as if they were my own daughter.” Do you have a statement of personal higher purpose?

1 = No

2 = Yes, but not written down

3 = Yes, I have a written purpose statement

- (2) If you answered YES (option 2 or 3) to question #1 how strongly committed are you to your personal higher purpose?

1 = not at all and 5 = total commitment (it gives you passion and drives most of your decisions):

1    2    3    4    5

- (3) If you answered YES (option 2 or 3) to question #1, how has your personal higher purpose helped you to cope with the COVID-19 global health crisis and its requirement for social isolation and remote work? (choose one)

1. It did not help me at all in coping with this crisis

2. It was of limited usefulness in coping with this crisis

3. It was somewhat useful in coping with this crisis

4. It was quite useful in coping with this crisis

5. It has been an invaluable anchor to my professional and personal life through this crisis

- (4) How would you describe your state of personal happiness and well-being (1 = very unhappy and 5 = very happy):

1    2    3    4    5

- (5) What is your level of anxiety about the future? ( 1 = not anxious at all and 5 = very anxious):

1    2    3    4    5

## **ORGANIZATIONAL HIGHER PURPOSE:**

- (6) A statement of organizational higher purpose captures the higher social or human purpose served by an organization, beyond just the business objectives of the enterprise. That is, a statement of higher purpose makes it clear to all how the business of the organization helps society. For example, organizational purpose may be about solving a societal problem or operating with deep respect for the dignity of each employee. Does the organization you work for have a statement of higher purpose?
- 1 = No
  - 2 = Yes, but not formally written down
  - 3 = Yes, we have a written purpose statement
- (7) If you answered YES (option 2 or 3) to question #6, which of the following are beneficiaries of your organization's purpose? (Check all that apply)
- a. Shareholders
  - b. Employees
  - c. Customers
  - d. The local community
  - e. The broader society
  - f. The environment
  - g. Other
- (8) If you answered YES (option 2 or 3) to question #6, to what extent is your organization's higher purpose inspiring and meaningful to you personally?
- 1    2    3    4    5
- (9) If you answered YES (option 2 or 3) to question #6, to what extent does your organization's purpose influence the decisions you make as a member of the organization?
- 1    2    3    4    5
- (10) If you answered YES (option 2 or 3) to question #6, has your experience during the COVID-19 global health crisis made you more or less committed to your organization's higher purpose?
- 1 = much less committed
  - 2 = somewhat less committed
  - 3 = neither more nor less committed
  - 4 = somewhat more committed
  - 5 = much more committed

- (11) If you answered YES (option 2 or 3) to question #6, to what extent has your organization's statement of higher purpose served as a compass in guiding your organization's response to the COVID-19 global health crisis?  
(1 not an effective compass; 5 has been a meaningful guide for our co-workers, management and organization)  
1 2 3 4 5
- (12) To what extent do you agree or disagree with the following statement: My employing organization is profitable and financially successful.  
1 2 3 4 5
- (13) To what extent do you agree or disagree with the following statement: I am proud to work for my employing organization.  
1 2 3 4 5
- (14) To what extent do you trust your organization's top leaders to make intelligent and well-informed business decisions?  
1 2 3 4 5
- (15) To what extent do you trust your organization's top leaders to make socially responsible business decisions?  
1 2 3 4 5

## about ECGI

The European Corporate Governance Institute has been established to improve *corporate governance through fostering independent scientific research and related activities*.

The ECGI will produce and disseminate high quality research while remaining close to the concerns and interests of corporate, financial and public policy makers. It will draw on the expertise of scholars from numerous countries and bring together a critical mass of expertise and interest to bear on this important subject.

The views expressed in this working paper are those of the authors, not those of the ECGI or its members.

## ECGI Working Paper Series in Finance

### Editorial Board

Editor	Mike Burkart, Professor of Finance, London School of Economics and Political Science
Consulting Editors	Franklin Allen, Nippon Life Professor of Finance, Professor of Economics, The Wharton School of the University of Pennsylvania Julian Franks, Professor of Finance, London Business School Marco Pagano, Professor of Economics, Facoltà di Economia Università di Napoli Federico II Xavier Vives, Professor of Economics and Financial Management, IESE Business School, University of Navarra Luigi Zingales, Robert C. McCormack Professor of Entrepreneurship and Finance, University of Chicago, Booth School of Business
Editorial Assistant	Úna Daly, ECGI Working Paper Series Manager

## **Electronic Access to the Working Paper Series**

The full set of ECGI working papers can be accessed through the Institute's Web-site (<https://ecgi.global/content/working-papers>) or SSRN:

<b>Finance Paper Series</b>	<a href="http://www.ssrn.com/link/ECGI-Fin.html">http://www.ssrn.com/link/ECGI-Fin.html</a>
-----------------------------	---

<b>Law Paper Series</b>	<a href="http://www.ssrn.com/link/ECGI-Law.html">http://www.ssrn.com/link/ECGI-Law.html</a>
-------------------------	---

<https://ecgi.global/content/working-papers>