

***ROLE OF CORPORATE PURPOSE IN INFLUENCING
INDIVIDUAL PERFORMANCE; HOW PATHWAYS TO
PERFORMANCE DIFFER IN RATIONAL SOCIAL
ENTERPRISES AND FOR-PROFIT ENTERPRISES***

By Syed Hasan Ahmed, EFPM 2019

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Committee:

Prof Prakash Bagri, Chair

Prof. Abhishek Kathuria

Prof. Debolina Dutta

Prof. DVR Sheshadri

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ABSTRACT

Discussions on corporate purpose have gained momentum in the management field, with an increased focus on the need to create value for multiple stakeholders as against only shareholders. We have also seen the recognition of rational social enterprises in the academic literature that balance profit-making goals and social benefit goals in businesses. Corporations are seen as social agents with the responsibility to generate value for multiple stakeholders in society hence the need for organizations to be purpose-driven has been highlighted in academic and practitioner journals. While researchers have emphasized the significance of corporate purpose in influencing individual performance, empirical research in this area has been scarce.

Through a cross-sectional study covering over 1400 employees across four participating organizations, this research empirically establishes that corporate purpose is positively associated with individual performance and that this influence has both a direct effect on individual performance and an indirect effect on individual performance through transformational leadership and learning climate. This study also establishes that the direct influence of corporate purpose on individual performance is stronger in rational social enterprises when compared with for-profit enterprises, emphasizing the significance of well-embedded purpose in organizations. The findings also uncover the difference in pathways through which purpose influences individual performance in rational social enterprises when compared with for-profit enterprises.

Keywords Corporate purpose, social enterprises, for-profit enterprises, individual performance, transformational leadership, learning climate

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Table of contents

<u>Introduction</u>	4
<u>Theoretical background</u>	8
<u>Self-determination theory and corporate purpose</u>	8
<u>Prior research on corporate purpose</u>	9
<u>Prior research on rational social enterprises</u>	14
<u>Theory development</u>	16
<u>Methods</u>	31
<u>Context, sampling and data collection</u>	31
<u>Analysis and results</u>	37
<u>Measurement Model Assessment</u>	39
<u>Structural Model Assessment</u>	46
<u>Discussion</u>	56
<u>Contributions to research</u>	58
<u>Implications for practice</u>	59
<u>Limitations and future research</u>	64
<u>Bibliography</u>	65
<u>Appendix A – Common Method Bias Tests</u>	71
<u>Appendix B – Model Fit Analysis</u>	76
<u>Appendix C – Graphical output for MGA</u>	81
<u>Appendix D - Definitions</u>	83

INTRODUCTION

In a 1970 article in the New York Times, Milton Friedman highlighted that “there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.” Over the years rapid industrialization and capitalism brought about many benefits to society but also much harm in terms of income inequality, environmental degradation etc. (United Nations. Department of Economic and Social Affairs, 2020). This has necessitated a review of the purpose of businesses to also include their social responsibilities. Discussions around purpose in companies have become prominent in the business environment with an increased focus on the need to create value for multiple stakeholders as against only shareholders. Corporations are seen as social agents with the responsibility to generate value not just for the shareholders but for other stakeholders in society (Levillain & Segrestin, 2019). Hence companies are expected to have a purpose beyond profit-making. The World Economic Forum has been propagating a universal purpose for companies through its Davos Manifesto emphasising such a view (Schwab, 2019). The Ernst and Young report on the Debate on Purpose highlights a fivefold increase in the public discourse on purpose since 2008 (EY Beacon Institute, 2016). The above trends and the phenomenon of great resignation and quiet quitting in the wake of the pandemic are a clarion call to assess the role of corporate purpose in organizations. Criticism of shareholder primacy has been on the rise in the academic literature as well (Mejia & Bonaldi, 2024). The increased discussions on purpose have spurred academic research to explore the definition, antecedents and consequences of purpose in

business organizations. Collectively, these studies are enriching our understanding of purpose in companies, moving away from the shareholder primacy theory credited to Milton Friedman (Friedman, 1970), to the stakeholder theory popularized by the work of R Edward Freeman (R. E. Freeman, 1994).

Corporate purpose has been shown to be positively associated with the future financial performance of firms in academic research (Gartenberg et al., 2019). The role of corporate purpose in the performance of companies has also been emphasised in practitioner journals. Companies that had more fully pursued purpose were more likely than other companies to report growth over the previous three years (Keller, 2015). In another separate study of 28 high-growth companies, purpose was found to facilitate innovation and growth (Malnight et al., 2019). Given the contributions of purpose to firm performance, it is of particular interest to understand if purpose also contributes to increased individual performance. For corporate purpose to have a positive influence on firm performance, the employees may be motivated with this higher goal that leads to improved individual performance at work. While arguing about the influence of corporate purpose on performance, authors have spoken of purpose, potentially leading to increased effort, consequently leading to improved individual performance (Henderson & Van Den Steen, 2015), driving shared belief/vision, innovation and employee performance (Henderson, 2020), organizational commitment and Organizational Citizenship Behaviours (Gartenberg et al., 2019). However, there has not been much empirical research in this area (Gartenberg et al., 2019; George et al., 2021). Hence, the question about the role of corporate purpose in influencing individual performance and the pathways through which this influence is exerted remains unanswered.

Therefore, our first research question (RQ1) is, “What is the role of corporate purpose in influencing individual performance?”

Over the past two decades, we have seen the recognition of Social Enterprises in the academic literature that balance the profit-making goals and social benefit goals in businesses. In this paper, we refer to these forms of organizations as rational social enterprises as this better denotes the balance of both profit-making and social benefit goals. Such businesses are often formed to address relevant societal challenges while also rationally pursuing commercial profits. Researchers have argued that deeper purpose integration in organizations is likely to enhance individual-level outcomes of employees (Lleo et al., 2021). Rational social enterprises provide such an integration through the pursuit of both profit and purpose in their business models. This provides the context to explore answers to the question of whether well-embedded purpose provides an enhanced positive influence of purpose on individual performance. Our second research question (RQ2) is, “Do rational social enterprises provide a context that better supports the influence of corporate purpose on individual performance?”

Together, for-profit enterprises and rational social enterprises provide a rich context to study the evolution of the emerging role of corporate purpose in organizations. Additionally, not many empirical studies have been conducted to study the impact of employee perceptions of corporate purpose on individual outcomes such as individual performance simultaneously in both for-profit enterprises and rational social enterprises. An understanding of the relationship between corporate purpose and individual performance will help isolate the role of purpose in influencing individual performance and this would also explain the outcome of firm performance.

We use self-determination theory to explain the positive association of corporate purpose with individual performance. We operationalise the construct of corporate purpose through employee perceptions about corporate purpose in multiple organizations to assess how purpose is observed and understood by employees independent of what is merely stated in the corporate identity statements of organizations. We analyse the influence of perceived corporate purpose on individual performance and the role of perceived transformational leadership and perceived learning climate to understand the pathways through which corporate purpose may influence individual performance. We then compare these findings across the different forms of organizations. Since performance outcomes may be influenced by other aspects such as economic environment, and other external factors that are not under the control of the employee, conceptualisations of performance as performance behaviours are more appropriate to measure across teams and organizations. Performance behaviours have also been shown to be positively associated with the overall performance ratings of individuals (Borman & Motowidlo, 1997). By simultaneously studying employee responses from for-profit enterprises and rational social enterprises, we develop insights to fill the current gap on the effect of a well-embedded purpose, such as what is seen in rational social enterprises when compared with for-profit enterprises, on individual performance in organizations.

Our research adds to the body of work linking organizational contexts to individual outcomes. It addresses the current gaps in the literature on purpose by specifically providing empirical evidence on the positive influence of corporate purpose on individual performance. By simultaneously exploring the role of corporate purpose in for-profit enterprises and rational social

enterprises, this research provides a rich comparison across forms of enterprises and provides empirical evidence on the stronger positive association of corporate purpose on individual performance in rational social enterprises, where purpose is deeply embedded into the business model of the firm. It identifies different pathways through which corporate purpose influences individual performance by exploring the role of learning climate and transformation leadership, thereby providing managerial insights through which corporate purpose can be leveraged to improve productivity in organizations.

THEORETICAL BACKGROUND

Self-Determination Theory and Corporate Purpose

Self-determination theory (SDT) argues that individuals are able to grow and develop based on their ability to satisfy three basic psychological needs – autonomy, relatedness and competence, conditions that facilitate intrinsic motivation (Deci & Ryan, 2000). Competence is the degree to which an individual perceives the ability to have an effect on his or her surroundings; relatedness is the degree to which individuals feel a connection with others in a particular context, and autonomy is an internally perceived locus of causality (Gagné & Deci, 2005).

Self-determination has been shown to be positively associated with an array of outcomes: (1) constancy of changes in behaviour; (2) higher performance, especially when tasks involve creativity, the ability to understand concepts, and flexibility in cognition; (3) greater job satisfaction; (4) better attitude toward work; (5) organizational citizenship behaviours; and (6) individual well-being and psychological adjustment (Gagné & Deci, 2005). Under SDT, authors have shared empirical findings to argue that self-determination fuels autonomous motivation

which in turn has been associated with positive outcomes such as performance, satisfaction, trust and well-being at the workplace. Humans have an innate need to relate to others (Deci & Ryan, 2000). Purpose-driven organizations may provide a context in which individuals can feel a connection with others as purpose involves a goal, directed towards creating value for multiple stakeholders rather than merely a pursuit of profits for shareholders.

Through its impact on beneficiaries, purpose allows for more interactions with beneficiaries where individuals can experience the impact they are creating pursuing purpose and the feedback they receive from the stakeholders they interact with. With an organization-wide focus on stakeholders, more managers and employees are likely to experience successful interactions with stakeholders. This will give an opportunity for employees to receive immediate feedback on the worth of their work and enhance their perception of competence.

With its focus on value creation for multiple stakeholders, purpose would allow for more discretion to managers in decision-making. This would enhance a sense of autonomy in individuals. Research in self-determination demonstrates that prosocial behaviours are related to autonomy and are more likely to be internalized, whereas a profit focus can feel externally imposed and lead to lower perceptions of autonomy (Deci & Ryan, 2000)

Prior Research on Corporate Purpose

Prior literature on corporate purpose has broadly been around three themes. The first stream of literature explores the conceptualization of the construct. Various definitions have been proposed to differentiate corporate purpose from other organizational constructs, such as vision,

mission and values, among others contributing to construct clarity as academic interest in the construct has risen over the past few years. Corporate purpose has been defined as “the essence of an organization’s existence by explaining the value it seeks to create for its stakeholders” (George et al., 2021) and as “an organization’s reason for being in terms of an objective beyond profit maximisation to create value by contributing to the welfare of society and planet”(Brosch, 2023, p. 576). Elements such as a higher-order goal, core reason for existence, value creation to multiple stakeholders and responsibility to society consistently come up in the recent definitions of purpose (Brosch, 2023; George et al., 2021; Jasinenko & Steuber, 2022). This stream of conceptual papers also includes frameworks and theoretical models that explore the antecedents of corporate purpose and estimate the potential relationship of corporate purpose with individual and organizational consequences. For example, a framework that has been proposed consists of internal and external drivers of purpose, framing, formalizing, and realizing of purpose. Herein, the authors have highlighted that employee involvement in social initiatives increases motivation and commitment, and employee engagement is central to putting purpose into action (George et al., 2021).

At the micro-level, Purpose has been estimated to impact individuals most directly affected by the rhetoric and actions of an organization as other constructs, such as values, vision, culture, etc, have been recognized in prior literature to impact individual outcomes such as organizational commitment, turnover, employee attraction, and organization citizenship behaviour (George et al., 2021). Theoretical models have been proposed to explore the role of purpose in enhancing firm profitability (Henderson & Van Den Steen, 2015), which explore the role of identity and reputation of employees in enabling firm performance in purpose-driven firms. Due to the enhanced identity and reputation, employees may be willing to work for lesser pay and would exert more effort at work. It is theorized that Purpose would create a shared belief, authenticity & meaning in the

organization and attract employees with prosocial identity, and each of these effects will increase organization-wide trust (Henderson, 2020). Such a high-trust environment will promote learning and experimentation and, consequently, performance. Purpose-driven firms may enhance clarity through shared beliefs and credibility through demonstrated commitment to corporate goals beyond profitability. This may, in turn, lead to organization-wide trust, which is known to impact performance. Research has also uncovered intrinsic drivers of Purpose, such as the founder's prosocial identity and employee expectations (George et al., 2021). Changes in the environment and expectations of stakeholders may also influence and help define a firm's purpose (George et al., 2021). These studies do not provide any empirical evidence to support the theory presented, however, they invite research into the role of corporate purpose by providing arguments that support the theory. They highlight that empirical studies are required to explore the degree to which purpose-driven firms do indeed succeed in changing the perceptions and motivations of their employees.

A second stream of literature covers empirical studies that explore the organizational antecedents and consequences of corporate purpose. Founder's self-identity has also been found to be an antecedent to the strategic choices entrepreneurial firms make including the purpose of their firms (Fauchart & Gruber, 2011). Sudden shock events have been identified as a driver of purpose in organizations, and a moral purpose grounded in caring and providing for employees and their families has been associated with resilience and superlative performance in organizations (S. F. Freeman et al., 2003). Purpose statements are positively associated with the return on sales of companies (Bart & Baetz, 1998). Purpose, conceptualized as aggregate meaningfulness at work perceived by employees, has been shown to be positively associated with firm performance

(Gartenberg et al., 2019). However, there is a need for further research to understand how purpose may be linked to employee productivity and performance. Such studies could help establish the mechanism through which purpose may contribute to performance. After all, firm performance is delivered by individuals, and in order for the firms with a purpose to have superior financial performance, the employee's productivity must be higher.

Finally, the third stream of research covers empirical studies exploring individual outcomes of corporate purpose. These can be further categorized into two stacks. The first stack explores the influence of purpose and social responsibility on employee effort, and productivity in certain contexts. For instance, employer social responsibility emphasized through goal statements towards multiple stakeholders has been associated with lower wage expectations by employees on average, with a significant effect on the highest performers in an online labour marketplace context (Burbano, 2016). This triggers the question if corporate purpose may also influence individual performance within the boundaries of an organization and what are some of the pathways through which corporate purpose may influence performance. An individual's life's purpose has also been considered while researching about the role of purpose in the work environment. A positive relationship has been found between individual purpose and performance moderated by passion (Pradhan et al., 2017). A similar positive association may be expected between corporate purpose and individual performance. In the context of sustainability, corporate purpose conceptualised as a shared ethical reason for a company's existence, has been found to positively influence employee sustainability behaviours (Bhattacharya et al., 2023). Researchers have found that the perception of corporate purpose implementation, covering purpose knowledge, purpose contribution, and purpose internalization, drives sustainable behaviour through Organizational Citizenship

Behaviour in small and medium enterprises in the USA (Lleo et al., 2021). Their research does not consider overall performance, which would include task performance as well as contextual performance / organizational citizenship behaviour, and they have recommended that future studies could focus on larger companies with varying degrees of purpose implementation to compare and expand the data. These papers highlight the need for a comprehensive study on the role of purpose in influencing individual performance and for operationalizing purpose as per the emerging definitions and theoretical clarity around purpose.

The second stack of papers, under this stream of literature reviewed explores the influence of corporate purpose on other proximal individual outcomes such as employee engagement, job satisfaction and wellbeing. Purpose has been observed to have a positive association with employee engagement (van Tuin et al., 2020). A corporate objective based on creating value for multiple stakeholders has been observed to increase employee need satisfaction and self-determination as compared to one focused on increasing only shareholder value (Parmar et al., 2019). The influence of perceived organizational purpose on subjective well-being, job satisfaction, and meaningful work has been studied, and this association has been found to be positive (Jasinenko & Steuber, 2022). Herein, the authors also highlight that future research could explore the potential role of team culture and leadership styles on the relationship between perceived corporate purpose and meaningful work. A similar role may be explored for the association of perceived corporate purpose with individual performance. These findings provide a grounding for the expectation that corporate purpose may have a strong positive association with individual performance.

Prior Research on Rational Social Enterprises

Rational social enterprises have emerged as a form of organization that blends the profit-making objective of for-profit enterprises with the social benefit goals of Not-for-profit enterprises in the past two decades (Gee et al., 2023). Rational social enterprises conduct business not for private gain but to generate positive social and environmental externalities (Santos, 2012). Various other definitions have been proposed for rational social enterprises, from which two defining characteristics emerge about rational social enterprises. The first is the adoption of some form of commercial activity to generate revenue; the second is the pursuit of social goals (Doherty et al., 2014). Such organizations range from startups that seek to address the grand challenges of society to larger ventures that aim to provide a better environment for their workers, contribute to their communities, or lessen their environmental footprint (Doherty et al., 2014).

Prior work on rational social enterprises falls into two primary themes. The first stream of literature has been dominated by efforts to define the characteristics of rational social enterprises and explain the social and economic conditions facilitating their emergence. Social entrepreneurship has been identified as a social value-creating activity that can happen across nonprofit as well as for-profit businesses (Austin et al., 2006). There is a need to go beyond evaluating the entrepreneurial process for its economic value to include the social value that is generated as a consequence of private economic endeavour (Chell, 2007). The role of socially conscious entrepreneurs in addressing social problems has been recognized in the emergence of social entrepreneurship, as has the global movement of privatization that has led to gaps in the provision of social services amidst reduced funding for NGOs to deliver these (Zahra et al., 2009). Social entrepreneurship leads the formation of rational social enterprises with mixed motives that

have both social and economic considerations, and evaluation of such enterprises has been proposed to be done on the standard of ‘total wealth’, which includes both tangible outcomes such as products, clients served, or funds generated as well as intangible outcomes such as social value, happiness, and general well-being (Zahra et al., 2009).

The second stream of literature has been around research studying the management and performance of rational social enterprises. Rational social enterprises have been frequently highlighted to be strategically innovative and this has been attributed to managing the demands of multiple stakeholders (Bridgstock et al., 2010). Research has highlighted that the hybridity of profit and social goals may lead to mission drift, where rational social enterprises may end up prioritizing financial goals to remain viable (Pache & Santos, 2010). More recent research has identified how rational social enterprises address mission drift through stakeholder engagement and social accounting (Ramus & Antonio, 2021). Other researchers have identified that the success of rational social enterprises lies in the integration of the cultures of social charity and entrepreneurial problem-solving (Dees, 2012). Researchers have argued for looking at the hybridity of these firms as an opportunity to recombine apparently incompatible elements to innovate and create new resources that create impact by their commercial activities (Mongelli et al., 2019). Access to financial resources for rational social enterprises has been studied by researchers (Lumpkin et al., 2013), and fair profitability levels for rational social enterprises have been analyzed in the context of increasing pressure on financial viability. A fair profits framework has been proposed for microfinance institutions based on the dimensions of profitability, pricing, social mission, and surplus distribution to address ethical issues around excessive profitability in microfinance institutions seeking to balance social and economic motives (Hudon et al., 2020).

The degree of social-environmental mission integration in the business model of rational social enterprises has been studied to understand how these organizations balance their social and economic objectives. A three-category typology of the degree of business model integration has been proposed comprising non-integrated, partially integrated and integrated; a measure to identify the type has been developed (Gamble et al., 2020). Research has also focused on human resource practices in rational social enterprises; the social component of the objectives of rational social enterprises was found to be instrumental in recruiting (Battilana & Dorado, 2010) and mobilizing the efforts of managers (Besley & Ghatak, 2017). Leadership styles have been studied in the context of rational social enterprises, and transformational leadership has been found to be most effective, positively influencing job satisfaction at the individual level and economic & social performance at the firm level (Jeong, 2024).

Overall, while researchers have highlighted the difference in the management of rational social enterprises when compared to for-profit enterprises, there have been limited simultaneous comparative studies on the management practices of rational social enterprises and for-profit enterprises.

THEORY DEVELOPMENT

We first propose a set of baseline hypotheses that propose the relationships between perceived corporate purpose, perceived transformational leadership, perceived learning climate, and individual performance. In the second set of hypotheses, we propose that the strength of these relationships differs between rational social enterprises and for-profit enterprises.

Our first hypothesis covers how perceived corporate purpose influences individual performance. Our logic builds upon prior research that has shown that purpose will provide meaning at work, and this could affect individual outcomes such as willingness to forego wages or lead to higher performance (Burbano, 2016; Gartenberg et al., 2019; Pradhan et al., 2017).

Purpose has been found to be associated with employee psychological well-being (Parmar et al., 2019). Employee psychological well-being has been linked to a variety of individual outcomes, such as higher performance, flexibility in cognition, and organizational citizenship behaviours (Gagné & Deci, 2005). Additionally, research on self-determination at work has established that “the experience of autonomy, competence, and relatedness improves employee satisfaction and autonomous motivation, which are themselves linked to retention and job performance (Gagné & Deci, 2005)

The adoption of purpose must be observable by employees to be credible. Employees should be able to personally relate to it in order to be motivated to take action oriented towards the stated purpose. Thus, “Purpose is only as strong as employees and other stakeholders believe in it” (van Tuin et al., 2020, p. 2). Hence, perceived corporate purpose is important to understand the role and influence of corporate purpose on individuals.

Such a conceptualization and individual level of analysis has been found to be relevant in research on purpose, and other researchers have used this approach to find empirical evidence on the outcome of purpose (Gartenberg et al., 2019; Lleo et al., 2021; van Tuin et al., 2020). Purpose

implementation has been positively associated with Organizational Citizenship Behaviour (Lleo et al., 2021), which is in turn positively associated with individual performance ratings as per evidence from meta-analytic reviews (Podsakoff et al., 2009).

Building on prior research, we propose that perceived corporate purpose will fuel intrinsic motivation among employees, leading to higher performance. We therefore hypothesize our first baseline hypothesis that:

H1. Perceived corporate purpose is positively associated with individual performance

We next consider how perceived corporate purpose enables transformational leadership behaviour in organizations by providing a shared objective and meaning at work in organizations. Prior literature emphasizes that “the core role of leadership in organizations is mobilizing and motivating people for the pursuit of organizational purpose” (van Knippenberg, 2020, p. 7). Meaning-based leadership is critical for the pursuit of organizational purpose and drives purpose pursuit through three elements – i) leader advocacy concerning organizational purpose inspires, ii) shared purpose and meaning in the group and thus motivates, iii) group-specific actions to purpose pursuit (Knippenberg, 2020). Corporate purpose provides such a meaningful context in organizations and enables leaders to advocate this shared purpose in the organization. The corporate purpose will provide a compelling purpose and meaning for the managers and enable them to authentically display transformational leadership behaviours in the organization.

Corporate purpose will provide a shared objective that goes beyond financial goals enabling managers to articulate a compelling corporate objective to employees that is more meaningful to individuals than enhancing shareholder wealth. As managers find the purpose meaningful to them they will also be able to clarify key values associated with the corporate purpose. Leaders will be able to personalise the interactions with employees as the multistakeholder orientation inherent in corporate purpose would imply creating value for employees as well. In sum, corporate purpose would enable transformational leadership behaviours among leaders in the firm. We therefore hypothesize that:

H2: Perceived corporate purpose is positively associated with perceived transformational leadership

We next consider the role of transformational leadership in driving individual performance. Transformational leadership is defined as “the process of influencing major changes in the attitudes and assumptions of organization members and building commitment for the organization's mission, objectives, and strategies” (Yukl, 1989, p. 269). Transformational leadership is typically conceptualized as a collection of four dimensions of leader behaviour: inspirational motivation, idealized influence, intellectual stimulation, and individualized consideration (Bass & Avolio, 1993). Inspirational motivation involves articulating a compelling vision of the future. Idealized influence involves engaging in charismatic actions that earn respect and cultivate pride, such as discussing important values and beliefs, communicating a sense of purpose, and encouraging a focus on collective interests. Intellectual stimulation involves challenging followers to question their assumptions and think differently. Individualized consideration involves personalizing

interactions with followers by providing relevant mentoring, coaching, and understanding (Grant, 2012).

Transformational leadership behaviours as explained above will help employees build clarity about the goals and would make the pursuit of these goals personally meaningful by encouraging the pursuit of collective interests. This would spur intrinsic motivation to accomplish the goals as work activities get aligned to personal values (Bono & Judge, 2003). In addition, transformational leaders would encourage the employees to question the prevailing assumptions and promote experimentation. Together these behaviours would promote employee behaviours aimed at achieving the goals leading to improved performance. Transformational leadership has been identified as a predictor of individual performance in prior research (Charbonnier-Voirin et al., 2010; Grant, 2012). We therefore hypothesise that:

H3. Perceived transformational leadership is positively associated with individual performance

We further evaluate the influence of corporate purpose on the learning climate in organizations. Purpose creates a shared belief, authenticity & meaning in the organization and attracts employees with prosocial identity. Each of these effects will increase organization-wide trust and innovation (Henderson 2020). However, no empirical evidence has as yet been collected to support this argument based on the literature reviewed.

Purpose-driven organizations need to constantly take into consideration the changing stakeholder expectations and how the firm is adding value to its multiple stakeholders. Hence such organizations need to have a learning environment to facilitate work activities that meet the expectations of stakeholders. In a purpose-driven organization, there is likely to be a shared understanding of what the organization wants to accomplish for its stakeholders. Such a shared understanding promotes systemic thinking (Mcgill et al., 1992; Senge, 1990), Systemic thinking is defined as making systemic connections and creating embedded systems to capture and share knowledge (Marsick & Watkins, 2003, p. 140). It is a characteristic of a learning organization. A well-implemented corporate purpose would enable a learning climate to facilitate a shared understanding of the business-relevant needs of multiple stakeholders so that these needs can be addressed through the business. Further, if employees have access to learning resources they will be empowered with know-how and improved motivation to work on achieving the goals of the organization.

We expect that corporate purpose would create a shared belief and meaning in the organization as highlighted in the literature reviewed. The multi-stakeholder orientation will facilitate experimentation and thinking on balancing profit and purpose as employees work towards generating value for different categories of beneficiaries. We therefore hypothesise that:

H4. Perceived corporate purpose is positively associated with perceived learning climate

We further evaluate the role of learning climate in driving individual performance. It has been empirically established that a learning climate is positively associated with individual performance (Eldor & Harpaz, 2016; Han & Williams, 2008).

Continuous learning at an individual level is achieved while working in a learning environment that provides opportunities for learning, and application while also providing recognition to support learning, leading to a stronger perception of competence, self-efficacy, and motivation at an individual level and is positively associated with organizational effectiveness (Tannenbaum, 1997). Self-efficacy has been positively associated with task performance (Locke et al., 1984). We therefore hypothesise that:

H5. Perceived learning climate is positively associated with individual performance

We next consider the role of transformational leadership in enabling a learning climate in organizations. Transformational leadership behaviour of intellectual stimulation involves challenging followers to question their assumptions and think differently. Through the dimension of Individualized consideration leaders personalize interactions with followers by providing relevant mentoring, coaching, and understanding (Grant, 2012).

“Perceived learning climate refers to the perception of employees about the organization’s beneficial activities in helping them create, acquire and transfer knowledge” (Eldor & Harpaz, 2016, p. 2). Transformational leadership behaviours should help create a learning climate in the organization by providing employees an environment that helps them understand how they are

contributing to the objectives of the organization, providing a supportive environment for learning and by challenging employees to question their assumptions, and help employees by coaching them to acquire and apply relevant knowledge at work.

Prior literature establishes that transformational leadership is positively associated with a supportive climate for innovation in organizations (Eisenbeiss et al., 2008). We hold the view that transformational leadership will have a similar positive association with the learning climate. Accordingly, we assert that:

H6. Perceived transformational leadership is positively associated with perceived learning climate

Rational Social Enterprises Versus For-Profit Enterprises

Next, we argue that there is a stronger direct influence of corporate purpose on performance in rational social enterprises in comparison to for-profit enterprises. Prior research has identified a typology of forms of organization – enterprises focused on creating value for shareholders, hybrid / rational social enterprises that focus on generating value for multiple stakeholders where the organizations seek a balance between profit and purpose, and Not-for-profit enterprises that are focused on generating value for society (Gamble et al., 2020). Since value creation for multiple stakeholders is integral to the business of hybrid firms (Doherty et al., 2014; Gamble et al., 2020) and value creation for multiple stakeholders is integral to the definition of purpose (George et al., 2021; Parmar et al., 2019), this mix of companies would give us rich data to compare the influence of purpose across rational social enterprises, and for-profit enterprises where the focus is primarily

on creating value for shareholders. We expect a stronger influence of corporate purpose on individual performance in rational social enterprises when compared with for-profit enterprises for the following reasons.

Firstly, rational social enterprises are Hybrid organizations (Besley & Ghatak, 2017; Chaturvedi et al., 2024) that seek to balance both the profit and purpose objectives of the firm and purpose is integrated into the business model of these organizations (Doherty et al., 2014; Gamble et al., 2020). Such firms seek to address grand challenges of society, provide a better environment to their workers, contribute to their communities or lessen their environmental footprint, which makes it different from not-for-profit enterprises that prioritize social benefits or for-profit enterprises that prioritize maximizing financial returns to shareholders (Doherty et al., 2014). In other words, purpose is integrated into their business models. Such an integration of purpose in the business model of the rational social enterprise would lead to higher awareness of purpose, visibility of contribution of purpose and internalization of purpose will be higher (Lleo et al., 2021). Hence purpose will lead to a higher sense of meaning at work for employees.

Secondly, employees in rational social enterprises will be more intrinsically motivated by the sense of purpose and would depend less on their managers to provide meaning to their work as they would derive meaning directly from the corporate purpose integrated into the company's business model.

Thirdly, employees will personally relate to the purpose due to the wider range of beneficiaries the organization intends to positively impact in hybrid organizations when compared

to the more rigid notion of the ultimate beneficiary in for-profit enterprises. Under Self-determination theory, individuals develop an intrinsic motivation when their psychological needs of autonomy, competence and relatedness are met (Ryan & Deci, 1985). rational social enterprises would provide a higher level of autonomy to employees because employees can make decisions on meeting the needs of multiple stakeholders rather than the rigid notion of ultimate beneficiaries in for-profit or not-for-profit enterprises. They can develop their competence through feedback from multiple stakeholders to whom they directly aim to provide value and they can also develop a higher sense of relatedness by attempting to impact multiple beneficiaries they regularly interact with. Intrinsic motivation is positively associated with performance in prior literature.

Since rational social enterprises are likely to provide a higher purpose-driven environment by balancing profits with social, environmental, and employee needs, we hypothesize that:

H7. The positive direct effect of perceived corporate purpose on individual performance will be stronger in rational social enterprises in comparison with for-profit enterprises

We further study the role of corporate purpose in influencing transformational leadership between rational social enterprises and for-profit enterprises. While it has been hypothesized that leaders of Not-for-profit enterprises would be more transformational than leaders of for-profit enterprises, no direct evidence has been found to support this argument (Riggio, 2004 as cited in Bass & Riggio, 2005, p. 95). Rational social enterprises pursue the objectives of both for-profit enterprises and not-for-profit enterprises.

Since transformational leadership is associated with providing a shared objective, communicating a sense of purpose, and encouraging employees to think differently, corporate purpose will enable transformational leadership behaviours in all organizational forms. However, we posit that leaders in for-profit enterprises will display stronger transformational leadership behaviours in order to build a shared objective and inspire people. We expect this because rational social enterprises have a well-integrated purpose in the business model of the firm, the role of leaders in explaining the meaning of the work to their team members, making purpose individually relatable, is reduced. Whereas, leaders and managers will need to consciously exhibit transformational leadership behaviours to influence positive employee behaviours in for-profit enterprises, by providing them clarity on the corporate purpose and vision; and explaining the importance of the same. We therefore hypothesize that:

H8. Perceived corporate purpose has a weaker positive relationship with perceived transformational leadership in rational social enterprises when compared with for-profit enterprises

Next, we consider the role of transformational leadership in influencing individual performance between for-profit enterprises and rational social enterprises. Consistent with our arguments so far, we expect transformational leadership to influence individual performance in both forms of organizations. The role of transformational leadership in influencing outcomes such as job satisfaction and performance has been studied and found to be positive in rational social enterprises as well (Amin et al., 2019; Jeong, 2024). However, we expect a lower influence of transformational leadership in driving the performance of individuals in rational social enterprises

compared with for-profit enterprises. We expect this because a well-implemented purpose will also enable a sense of shared objective, and meaning at work and encourage employees to consider how they can create value for multiple stakeholders, managers' need to display transformational leadership behaviours to drive individual performance will be lower in such firms when compared with for-profit enterprises.

Further, in line with the above argument, we explore the role of transformational leadership in enabling a learning climate in for-profit enterprises in comparison to rational social enterprises. Transformational leadership has been found to be positively associated with organizational learning in the specific context of social entrepreneurship (Sari et al., 2021) while also more generally across organizations with a supportive climate for innovation (Eisenbeiss et al., 2008). We posit that transformational leadership will be positively associated with the learning climate and this association will be stronger in for-profit enterprises in comparison with rational social enterprises.

We expect this for the following reason: Transformational leadership behaviours should enable a learning climate in the organization by providing employees with an environment that helps them understand how they are contributing to the objectives of the organization, providing a supportive environment for learning and challenging employees to question their assumptions. A well-integrated purpose in the business model of rational social enterprises directly provides an environment of high trust and experimentation as argued in prior literature (Henderson, 2020). Whereas in a for-profit enterprise, transformational leadership behaviours will be more influential in explicitly explaining the purpose of the firm to the employees and encouraging them to question

assumptions and experiment towards achieving the purpose. Thus, the need for managers' display of transformational leadership behaviours in building a learning climate is lesser in rational social enterprises and more in for-profit enterprises. We therefore propose the following:

H9. The positive relationship between perceived transformational leadership and individual performance is weaker in rational social enterprises when compared with for-profit enterprises

H10. The positive relationship between perceived transformational leadership and perceived learning climate is weaker in rational social enterprises when compared with for-profit enterprises

Next, we study the role of corporate purpose in influencing the learning climate in rational social enterprises and for-profit enterprises. As highlighted by prior literature corporate purpose should support a learning climate in organizations by enabling high trust and experimentation (Henderson, 2020).

While this association is expected to be positive in all organizations, we argue that this association will be stronger in rational social enterprise in comparison with for-profit enterprise. We expect this because, firstly, employees in rational social enterprises will be required to actively experiment in balancing the dual objectives of the firm and seek to create a stronger value for multiple stakeholders. Secondly, clarity on the commitment to society, environment, employee well-being and community through visible action will provide a higher authenticity to the stated

purpose in rational social enterprises. This would encourage a safer environment for employees to experiment while trying to balance goals of profit and social good. The pursuit of both financial and social goals in organizations has been positively associated with organizational learning (Sari et al., 2021). We therefore expect a stronger association of corporate purpose on learning climate in rational social enterprises. Accordingly, we propose:

H11. The positive association between perceived corporate purpose and perceived learning climate is stronger in rational social enterprises when compared with for-profit enterprises

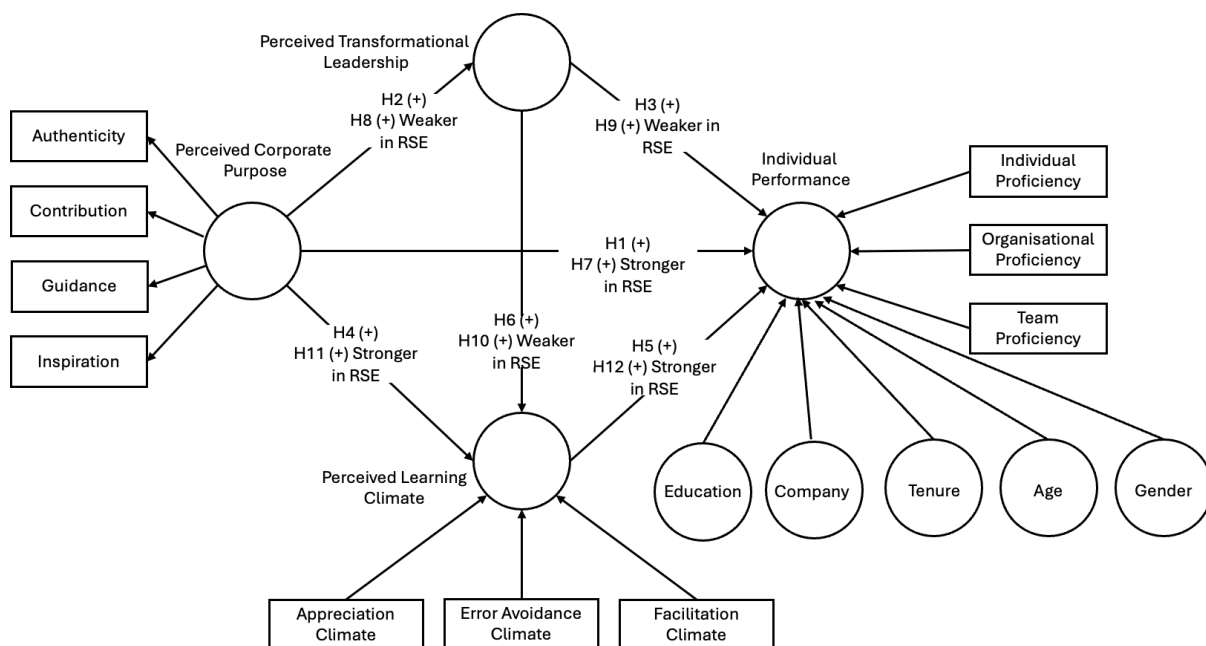
We next consider the relationship between learning climate and individual performance. Prior literature has established a positive association between learning climate with performance in organizations (Eldor & Harpaz, 2016; Han & Williams, 2008).

Literature specific to organizations pursuing both social and profit objectives also establishes a positive association between organizational learning and performance (Sari et al., 2021). We expect a stronger association between learning climate and individual performance in rational social enterprises when compared with for-profit enterprises. This is likely because the business model for rational social enterprise is aimed at providing value to multiple stakeholders and this multiplicity of goals will provide for more experimentation and creativity to balance the needs of different stakeholders. A learning climate will therefore fuel a higher level of creativity and innovation in such organizations. When tasks involve creativity, employees are intrinsically motivated, and such motivation has been positively associated with performance (Gagné & Deci,

2005). The climate of innovation has been positively associated with performance (Charbonnier-Voirin et al., 2010; Chiaburu et al., 2013) and therefore enhanced creativity and innovation would lead to higher performance. We therefore hypothesize that:

H12. There is a stronger positive association between perceived learning climate and individual performance in rational social enterprises in comparison with for-profit enterprises

Figure 1. Research Model



METHODS

Context, Sampling and Data collection

Participating companies: We collected data from 4 companies from different industries.

Table 1 below gives a summary of the company profiles:

Table 1. Description of Companies Participating in the Study

Company	Description	Approximate employees
Company A	A healthcare services firm	1500
Company B	A technology services company	630
Company C	A large & diversified manufacturing, sales and distribution company	3000
Company D	An education services team of a large, diversified technology platform company	200

These four companies represented different industries and types of organizations we were interested in studying – for-profit enterprises focusing on a purpose aligned with creating value for shareholders through financial/customer benefits, Not-for-profit enterprises focusing on creating value for society, and for-profit rational social enterprises that are hybrid firms creating value for multiple stakeholders. To identify the typology of the firm we studied their corporate identity statements for multistakeholder orientation in addition to whether the companies were formed as for-profit or not-for-profit.

Not-for-profit organization form was identified based on the nature of incorporation of the firm along with our analysis of their corporate identity statement publicly available. We observed that the stakeholder value focus of these firms was exclusively towards providing service to society. Rational social enterprises were set up as a commercial enterprise but emphasized focus on creating value for multiple stakeholders in the society. The participant company in our study categorized as rational social enterprise emphasized that the first primary role of entrepreneurship was contribution to society. For-Profit Enterprise, were seen to be set up as a commercial enterprise too but the stakeholder value focus emphasized in their corporate identity statement was towards customers apart from the shareholders. We therefore made judgements on the basis of publicly available information and categorized the 4 companies into the different forms of the organization (refer to Table 2).

Table 2. Typology of Organization Form

Company	Stakeholder value focus	Typology of Organization form
Company A	Society, public benefit	Not-for-profit Enterprise
Company B	Shareholders & Customers	For-profit Enterprise
Company C	Shareholders, customers, employees & society	Hybrid/Rational Social Enterprise
Company D	Shareholders & Customers	For-profit Enterprise

Data collection: We conducted a cross-sectional field survey of employees in four different companies. We adapted and adopted existing scales from prior research to develop the survey instrument covering the four constructs of interest – perceived corporate purpose, perceived transformational leadership, perceived learning climate, and individual performance. The

responses to the questions in the survey were measured using a 5-point Likert scale. This is consistent with the practice adopted by other researchers using the adopted scales in prior research. A vertically unidirectional ascending response option was utilized as this is considered to be most appropriate for reliability and response time for Likert scales for absolute response questions (Maeda, 2015). To ensure content validity, we obtained feedback from four practitioner experts closely involved in the design and administration of employee surveys, to understand their interpretation of questions, and minor word changes were made based on their feedback. The survey was divided into four sections with each section explaining the context and key definitions for terms used in the section.

We also obtained HRMS data on demographics and performance from the 4 companies. We approached these companies for participation in the survey and offered them an executive summary of our findings. We obtained No Objection Certificates from these companies for participating in the survey after ensuring data confidentiality. Non-disclosure agreements were signed as required by the companies. Finally, 3 of the companies administered the unique survey links through their internal HR teams and 1 company permitted the administration of survey links directly by us. Employee codes were masked with dummy codes to maintain the confidentiality of personally identifiable information provided by the companies. Data was collected from these companies between November 2023 and May 2024. In addition to the survey, HRMS data on age, gender, department, grades, and employee codes (masked) were obtained from the HR team for the respondents. The survey covered white-collared employees of the participating companies to facilitate comprehension of the survey items as the grey-collared employees may not be proficient

in the English language. Besides, personal access to computer and email IDs may not be available to blue-collar employees.

Sample size: Multiple approaches have been suggested for estimating the sample size and a range of 160-300 valid observations has been recommended as suitable for most multivariate statistical analysis (Memon et al., 2020). Sample size based on independent variables: Apart from the population that the sample is expected to represent, the sample size also depends on the number of survey variables. It is recommended that there should be 10 observations for each independent variable being studied (Bartlett et al., 2001). Since the independent variable in the proposed survey has 12 observed variables, a min sample size of 120 is needed as per this approach. Sample size based on no. of items: It is recommended that the sample size is at least 5 times the no. of items in the survey (Gorsuch, 1983; Hatcher, 1994; Suhr, 2006 as cited in Memon et al., 2020) and more conservative recommendation of 20 times the number of items has also been suggested (Costello & Osborne, 2005). This approach is recommended for Exploratory Factor Analysis. Since in this research, we are using existing scales we do not need exploratory factor analysis and the higher survey item-to-sample ratio. Considering the thumb rule followed of 1:10 ratio of variable to sample size (Nunnally, 1967 as cited in Wolf et al., 2013), a total sample size of 370 respondents would be required based on a total of 37 observed variables in the survey. Considering the above the total sample size of respondents in this research should be greater than 370. We obtained responses from 1609 respondents, which is much higher than the sample requirement for the survey analysis.

Further, as per literature on sample size requirements for PLS we must “multiply 10 times the scale with the largest number of formative (e.g., causal) indicators, or multiply 10 times the

largest number of structural paths directed at a particular construct in the structural model” (Lowry & Gaskin, 2014, p. 132). Our model has 14 constructs and at most 4 structural paths directed at any construct; therefore, a sample size of 140 is sufficient.

Table 3. Survey Responses From Employees

	Invitations	Responses
Company A	139	62
Company B	635	283
Company C	2006	1276
Company D	187	70
Total	2967	1691
Consent provided		1609

Measures:

Perceived corporate purpose is measured using a 12-item scale developed by Jasinenko et al (2022). This is a recently developed scale published in the Journal of Management Studies. It’s a multidimensional scale developed by the authors after reviewing the literature on the definition of organizational purpose. Based on this review four dimensions of purpose were arrived at – contribution, authenticity, guidance and inspiration. This scale is found to be more consistent with the recent literature on corporate purpose.

Individual performance is measured using the proficiency scale developed by Griffin et al., (2007). In this research, we use proficiency role behaviour as this covers both task and contextual performance across the individual, team and organizational levels under the integrated model for performance used by Griffin et al (2007). Self-reporting tends to be more favourable to employees than other evaluations (DeNisi & Murphy, 2017), however, they have the following benefits – i)

they allow measuring job performance in occupations where other measures are difficult to obtain (e.g., high-complexity jobs); ii) unlike the remaining stakeholders, employees have the opportunity to observe all their own behaviours; iii) peers and managers rate performance considering their general impression of the employee (i.e., halo effect); and iv) they are easy to collect and reduce problems with missing data and confidentiality problems (Koopmans et al., 2013).

Perceived learning climate is measured using the three-dimensional scale developed by Nikolova et al. (2014). This nine-item scale was developed across the dimensions of facilitation, appreciation and error avoidance, after a comprehensive review of the literature on existing conceptualisations of learning climate.

Perceived Transformational leadership is measured using the Global Transformational Leadership scale developed by (Carless et al., 2000). GTL was developed to provide a short scale that measured Transformational leadership at a broad level while being consistent with the theoretical conceptualisation of transformational leadership. GTL is a seven-item scale and was developed by Carless et al. (2000) after a comprehensive review of the literature on transformational leadership.

Control variables:

To avoid alternative explanations for the employee outcomes, we need to control for the employees' age, tenure, and educational levels, which have been identified as significant predictors of various employee outcomes such as proactivity and extra-role behaviours (Organ &

Ryan, 1995; Van Veldhoven & Dorenbosch, 2008). These control variables have been used by researchers while studying individual performance as the outcome variable (Chaurasia & Shukla, 2014; Eldor & Harpaz, 2016). Gender is included as a control variable as this may influence certain contextual performance behaviours as highlighted in prior research (Organ & Ryan, 1995). Industry has also been used as a control measure while measuring employee outcomes such as organizational commitment and perception of justice (Bernierth & Aguinis, 2016). Industry could explain differences in perception of purpose among industries such as NGOs where the connection to beneficiaries is more direct versus BPOs where the connections to beneficiaries are remote. Service firms, not-for-profit organizations and firms involved in social investment are argued to place a higher emphasis on people, training and knowledge (Ashley Fulmer & Gelfand, 2012). Hence we also include industry as a control measure.

Survey tool and administration:

The employee survey was administered using Qualtrics. All white-collared employees of the identified group in the companies were sent an email invitation to participate highlighting the nature of the survey. Employees were asked to share their online consent before they started the survey. This online consent form informed them about the nature of the survey in more detail and highlighted that there are no material risks to them from participating in the survey. It also informed them of the confidentiality of their responses and the option for them to exit the survey. All questions were made non-mandatory to allow for a higher participation rate. Unique links were shared with the employees to take the survey. The survey window was made open for employees for 2-3 weeks with 3-4 reminders sent to them to take part in the survey. The survey

response rate was reviewed every 3-4 days and highlighted to the HR team of the participating companies.

Descriptive Statistics:

The final sample has 1491 responses from employees of 4 different companies. This was after removing the responses with less than 85% completion rate as per the recommended procedure in the literature reviewed (Hair Jr. et al., 2016).

Table 4. Descriptive Statistics

Name	N	Missing	Mean	Median	Standard deviation
Tenure	1491	0	9.082	6.09	8.709
Age	1491	0	38.12	38	8.773
Male	1217	0	-	-	-
Female	274	0	-	-	-

Company	N
Company A	53
Company B	254
Company C	1123
Company D	61

Education	N
HSC/SSC	30
Graduate	862
Post Graduate	580
PhD/M.Phil	17
Missing	2

Common methods bias:

To reduce common method bias we used different labels for the 5-point Likert scale in the survey design. For the post-survey analysis of common method bias, we performed three analyses

to assess it (Appendix A). First, we conducted Harman's one-factor test (Tehseen et al., 2017). We entered all the variables for exploratory factor analysis; no single major factor emerged, with only 32.9 per cent of variance accounted for by the first factor. Second, we used the partial correlation method and added the highest factor from the factor analysis to the PLS model as a control variable. It did not produce a significant change in the variance explained. This approach has been used as a reliable means to assess common method bias (Kathuria et al., 2018). Finally, we conducted a collinearity assessment and the VIF observed was below 3.3 (Kock, 2015). The results suggest that common method bias is not a concern.

Analysis and Results

We performed partial least squares (PLS) analysis using Smart-PLS 4 to validate the measurement model and test the structural model of our hypothesis. We used PLS as it makes no prior assumptions about the normality of data. It enables the assessment of the measurement model in the context of the theoretical model and provides the evaluation of the complete path model inclusive of all variables. This is important for our analysis as three of the constructs we measure are higher-order constructs. It also allows for the analysis of data groups. It also handles second-order formative constructs better than Covariance-based SEM. While PLS is known to handle small sample sizes, we have a significant sample size of over 1400 responses.

Measurement Model Assessment

The constructs were reviewed based on the theory and causal pathways of the constructs as well as the respective measurement items' structure. Accordingly, the constructs were identified as reflective or formative.

Table 5. Construct Type: Reflective or Formative

Perceived corporate purpose	Reflective – Reflective (Reflective lower order and reflective higher order)
Perceived learning climate	Reflective – Formative (Reflective lower order and formative higher order)
Perceived transformational leadership	Reflective
Individual performance	Reflective – Formative (Reflective lower order and formative higher order)

We evaluated construct reliability, convergent validity and discriminant validity of the measures as per the steps highlighted in prior literature (A. Kathuria et al., 2018, Hair et al, 2017). We followed the procedures highlighted to first do the lower order measurement model assessment followed by the higher order measurement model.

Lower order and general constructs:

We first assessed the reflective constructs of Contribution, Authenticity, Guidance, Inspiration, perceived transformational leadership, Facilitation climate, Appreciation Climate, Error Avoidance Climate, Individual proficiency, Team proficiency, and Organizational proficiency.

Table 6. Lower Order Constructs; Reliability and Validity Before Item Deletion

	Cronbach's alpha	Composite reliability (rho_c)	Average variance extracted (AVE)
Appreciation Climate	0.876	0.924	0.802
Authenticity	0.854	0.911	0.774
Contribution	0.827	0.897	0.745
Error Avoidance Climate	0.659	0.265	0.317
Facilitation Climate	0.86	0.915	0.782
Guidance	0.887	0.93	0.816
Individual Proficiency	0.736	0.85	0.655
Inspiration	0.857	0.913	0.777
Organizational Proficiency	0.621	0.796	0.567
Team Proficiency	0.63	0.802	0.576

Internal consistency reliability is evaluated via the composite reliability scores, which were satisfactory except for Error Avoidance Climate (Table 6). All variables other than Error Avoidance Climate, Organizational Proficiency and Team Proficiency exhibited sufficiently high reliability, with Cronbach's α always above the minimum recommended. We then assessed convergent validity based on outer loadings and average variances extracted (AVEs). Loadings of all indicators on their related theoretical constructs were significant ($p < 0.01$) and exceeded the recommended 0.70 thresholds in the measurement model except in the case of Error Avoidance Climate. All AVEs were greater than 0.50. Finally, we assessed discriminant validity via cross-loading analysis and the heterotrait-monotrait ratio. The heterotrait-monotrait ratio's value should be below 0.90 for inferring discriminant validity (Hair Jr. et al., 2016). Recent research has highlighted that for conceptually similar constructs the value can be 0.95 or closer to even 1 (Sarstedt et al., 2023). We observe that the HTMT value for all constructs other than two pairs is below the value of 0.90 (Table 9). Contribution and Authenticity are conceptually similar constructs measuring the higher-order construct of corporate purpose. Similarly, Inspiration and Guidance are conceptually similar constructs measuring the higher-order construct of corporate purpose. We retain these constructs as the HTMT values are below 0.95 in accordance with the recommendation by Sarstedt et al. (2023). Discriminant validity is therefore established for all constructs.

Overall review of the Measurement Model at the lower order constructs indicated a review of Error Avoidance items. As per the recommended procedure in such cases, the lowest loading item was removed, and the impact was observed on the consistency and reliability of the latent

construct. Similarly, some items under Team Proficiency and Organizational Proficiency were to be reviewed.

As per the recommended procedure, item EA3 measuring Error Avoidance Climate was removed. This increased the scores for Composite reliability, Cornbach's alpha and AVE within acceptable levels (Table 8). Removal of PRO O2 and PRO T3 did not improve the Cronbach's alpha score. Since Cronbach's alpha is between 0.4 and 0.7 and since the items are consistent with the definition of the construct, we can retain the items for organizational proficiency and team proficiency (Hair Jr. et al., 2016). After addressing these issues the updated outer model loadings were all greater than or equal to 0.7 (Table 7)

Table 7. Lower Order Constructs; Outer Loadings

	Appreciation Climate	Authenticity	Contribution	Error Avoidance Climate	Facilitation Climate	Guidance	Individual Proficiency	Inspiration	Organizational Proficiency	perceived transformational leadership	Team Proficiency
GTL1										0.862	
GTL2										0.881	
GTL3										0.882	
GTL4										0.896	
GTL5										0.864	
GTL6										0.829	
GTL7										0.863	
PLC-A1	0.907										
PLC-A2	0.887										
PLC-A3	0.893										
PLC-E1				0.806							
PLC-E2				0.941							
PLC-F1					0.863						
PLC-F2					0.908						
PLC-F3					0.881						
PRO-I1							0.798				
PRO-I2							0.833				
PRO-I3							0.795				
PRO-O1									0.752		
PRO-O2									0.676		
PRO-O3									0.823		
PRO-T1											0.768
PRO-T2											0.812
PRO-T3											0.692
Pur-A1		0.903									

Pur-A2		0.882									
Pur-A3		0.855									
Pur-C1			0.891								
Pur-C2			0.914								
Pur-C3			0.778								
Pur-G1						0.885					
Pur-G2						0.922					
Pur-G3						0.902					
Pur-I1								0.875			
Pur-I2								0.889			
Pur-I3								0.88			

Table 8. Lower Order Constructs; Reliability and Validity After Item Deletion

	Cronbach's alpha	Composite reliability (rho_c)	Average variance extracted (AVE)
Appreciation Climate	0.876	0.924	0.802
Authenticity	0.854	0.911	0.774
Contribution	0.827	0.897	0.745
Error Avoidance Climate	0.715	0.867	0.767
Facilitation Climate	0.86	0.915	0.782
Guidance	0.887	0.93	0.816
Individual Proficiency	0.736	0.85	0.655
Inspiration	0.857	0.913	0.777
Organizational Proficiency	0.621	0.796	0.567
Perceived Transformational Leadership	0.946	0.956	0.754
Team Proficiency	0.63	0.802	0.576

Table 9. Lower Order Constructs; Heterotrait-Monotrait Ratio (HTMT)

	Appreciation Climate	Authenticity	Contribution	Error Avoidance Climate	Facilitation Climate	Guidance	Individual Proficiency	Inspiration	Organizational Proficiency	perceived transformational leadership
Appreciation Climate										
Authenticity	0.524									
Contribution	0.43	0.951								
Error Avoidance Climate	0.138	0.091	0.032							
Facilitation Climate	0.821	0.642	0.533	0.134						

Guidance	0.659	0.871	0.745	0.119	0.742					
Individual Proficiency	0.391	0.253	0.195	0.131	0.409	0.363				
Inspiration	0.73	0.82	0.713	0.098	0.78	0.926	0.377			
Organizational Proficiency	0.316	0.244	0.238	0.115	0.296	0.296	0.512	0.35		
perceived transformational leadership	0.664	0.362	0.306	0.174	0.554	0.486	0.425	0.522	0.414	
Team Proficiency	0.313	0.242	0.19	0.148	0.362	0.352	0.694	0.335	0.564	0.403

Higher order constructs:

We next conducted the outer model testing for the higher-order constructs of perceived corporate purpose, individual performance and perceived learning climate. For the perceived corporate purpose, which is a reflective construct, we evaluated internal consistency reliability via the composite reliability score which was satisfactory at 0.94. The variable exhibited sufficiently high reliability with Cornbach's alpha above the minimum recommended value of 0.7. We assessed the convergent validity using the outer loadings and Average Variance Extracted. Outer loadings were above the minimum required (Table 10) and AVE was above 0.5 meeting the requirements and establishing convergent validity (Table 11). HTMT was below 0.85 establishing divergent validity (Table 12).

Table 10. Outer Loadings (Higher Order Reflective Constructs):

	Perceived corporate purpose
Authenticity	0.897
Contribution	0.815
Guidance	0.924
Inspiration	0.906

Table 11. Construct Reliability and Validity (Higher Order Reflective Constructs)

	Cronbach's alpha	Composite reliability (rho_c)	Average variance extracted (AVE)
Perceived corporate purpose	0.911	0.936	0.786

Table 12. Heterotrait-Monotrait Ratio (Higher Order Reflective Constructs)

	Perceived corporate purpose
Perceived transformational leadership	0.449

Finally, we assessed the formative constructs – perceived learning climate and individual performance. Evaluations of reflective constructs do not apply to formative constructs (Hair Jr. et al., 2016). We assessed convergent and discriminant validity by evaluating the weight, sign, and magnitude of items for the formative constructs rather than item loadings. The weightings of indicators on their related theoretical constructs were significant at $p < 0.01$, the signs of the item weight were consistent with the underlying theory, and the magnitude of the item weights was greater than 0.10 (Table 14). We also evaluated the variance inflation factors were less than the 3 threshold (Table 13); therefore, multicollinearity is not a concern (Hair Jr. et al., 2016). The model provided a satisfactory fit across all indices, and the measures had adequate validity, reliability, and discriminant validity.

Table 13. Collinearity Statistics (Higher Order Formative Constructs)

	VIF
Appreciation Climate	2.053
Error Avoidance Climate	1.016
Facilitation Climate	2.05
Individual Proficiency	1.362
Organizational Proficiency	1.215

Team Proficiency	1.367
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Note - VIF < 3 is appropriate

Table 14. Outer Weights (Higher Order Formative Constructs)

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Appreciation Climate → Perceived Learning Climate	0.463	0.464	0.096	4.809	0
Error Avoidance Climate → Perceived Learning Climate	0.169	0.168	0.061	2.775	0.006
Facilitation Climate → Perceived Learning Climate	0.577	0.572	0.095	6.056	0
Individual Proficiency → Individual performance	0.552	0.551	0.075	7.333	0
Organizational Proficiency → Individual performance	0.419	0.415	0.082	5.139	0
Team Proficiency → Individual performance	0.31	0.309	0.065	4.75	0

Structural Model Assessment

We assessed the hypothesized PLS structural model and bootstrapping procedure with replacement using 5,000 subsamples. In PLS, the structural model specifies the relationship between the theoretical constructs. Our hypotheses were tested using a two-tailed t-test. The analysis was performed with SmartPLS 4.0 (Figure 2).

Figure 2. Structural Model

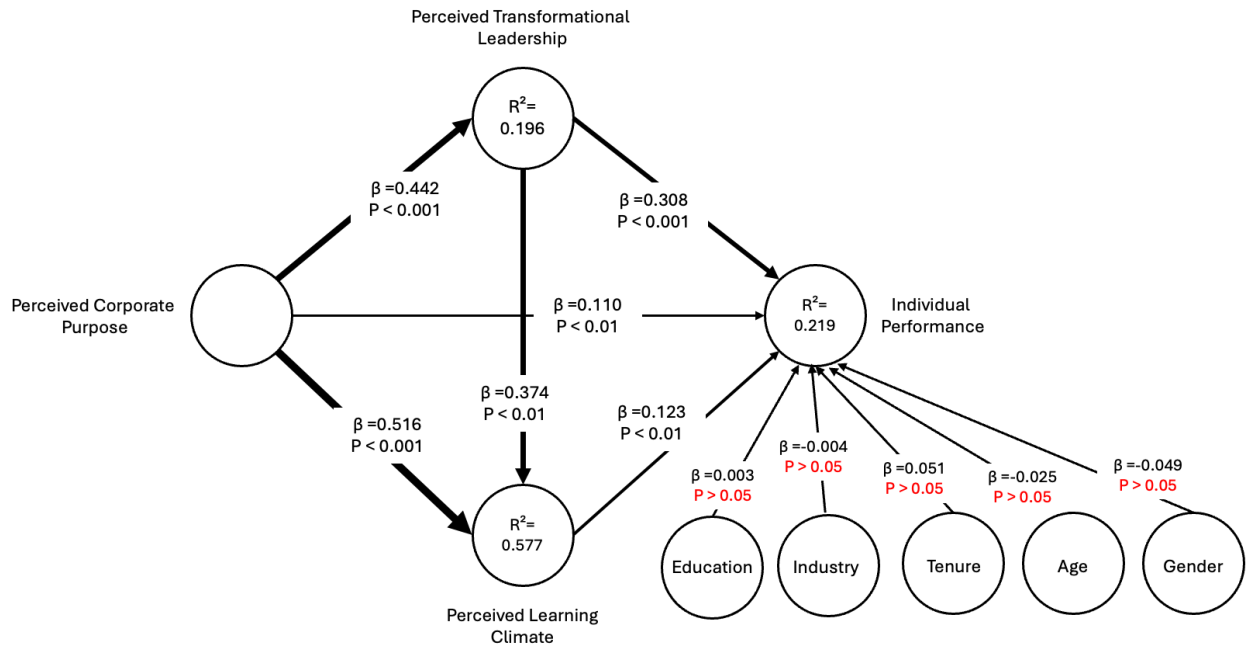


Table 15. Correlation Matrix

	Age	Education	individual performance	Industry	perceived corporate purpose	perceived learning climate	perceived transformational leadership	Tenure	Gender
Age	—								
Education	0.074 **	—							
individual performance	0.025	-0.033	—						
Industry	0.109 **	0.004	-0.047	—					
perceived corporate purpose	0.047	0.030	0.334 ***	0.071 **	—				
perceived learning climate	0.046	0.089 **	0.387 ***	0.088 *	0.679 **	—			
perceived transformational leadership	0.005	0.049	0.431 ***	0.103 *	0.445 **	0.596 **	—		

Correlation Matrix

	Age	Education	individual performance	Industry	perceived corporate purpose	perceived learning climate	perceived transformational leadership	Tenure	Gender
Tenure	0.728 **	0.060 *	0.040	0.138 **	0.046	0.061 *	-0.022	—	
Gender	0.242 **	0.058 *	-0.009	0.158 **	0.005	0.046	0.014	0.124 **	—

Note. * $p < .05$, ** $p < .01$, *** $p < .001$

Gender – Male =0, Female =1

Our results indicate that perceived corporate purpose has a positive relationship with individual performance (beta = 0.11, p-value <0.01), supporting Hypothesis – H1. Perceived corporate purpose is positively associated with perceived transformational leadership (beta = 0.44, p-value <0.01), supporting Hypothesis – H2. We also observe that perceived transformational leadership is positively associated with Individual performance (beta = 0.31, p-value <0.01), supporting Hypothesis – H3. Perceived corporate purpose has a positive association with perceived learning climate (beta = 0.51, p-value <0.01) supporting Hypothesis – H4 and perceived learning climate has a positive association with individual performance (beta = 0.12, p-value <0.01), in support of Hypothesis – H5. Our results also indicate a positive association between Perceived Transformation Leadership and perceived learning climate (beta = 0.37, p-value <0.01), supporting Hypothesis – H6. The control variables of Age, Education, Gender, Industry and Tenure did not have a statistically significant association with individual performance (Table 16)

Table 16. Significance Testing

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Age → individual performance	-0.025	-0.024	0.038	0.651	0.515
Education → individual performance	0.003	0.003	0.022	0.153	0.878
Gender → individual performance	-0.049	-0.048	0.061	0.807	0.420

Industry → individual performance	-0.004	-0.004	0.024	0.169	0.866
Perceived corporate purpose → individual performance	0.110	0.110	0.037	2.962	0.003
Perceived corporate purpose → perceived learning climate	0.516	0.517	0.039	13.326	0.000
Perceived corporate purpose → perceived transformational leadership	0.442	0.444	0.031	14.300	0.000
Perceived learning climate → individual performance	0.123	0.124	0.043	2.878	0.004
Perceived transformational leadership → individual performance	0.308	0.310	0.035	8.741	0.000
Perceived transformational leadership → perceived learning climate	0.374	0.374	0.033	11.428	0.000
Tenure → individual performance	0.051	0.051	0.033	1.526	0.127

Table 17. Confidence Interval Analysis

	Original sample (O)	Sample mean (M)	2.5%	97.5%
Age → individual performance	-0.025	-0.024	-0.101	0.049
Education → individual performance	0.003	0.003	-0.041	0.046
Gender → individual performance	-0.049	-0.048	-0.168	0.071
Industry → individual performance	-0.004	-0.004	-0.051	0.042
Perceived corporate purpose → individual performance	0.110	0.110	0.037	0.183
Perceived corporate purpose → perceived learning climate	0.516	0.517	0.437	0.590
Perceived corporate purpose → perceived transformational leadership	0.442	0.444	0.384	0.505
Perceived learning climate → individual performance	0.123	0.124	0.038	0.208
Perceived transformational leadership → individual performance	0.308	0.310	0.242	0.378
Perceived transformational leadership → perceived learning climate	0.374	0.374	0.311	0.441
Tenure → individual performance	0.051	0.051	-0.014	0.117

Our bootstrap confidence interval analysis further supports our findings (Table 17). Next, we consider the significance of the test results for the structural model's path coefficients. Overall, the model explained ~22 per cent of the variance in individual performance.

We studied the multiple mediating effects in our model, and all the mediating effects are positive and statistically significant (<0.01). Our results indicate a larger effect size for the Path perceived corporate purpose $\rightarrow$ perceived transformational leadership $\rightarrow$ individual performance when compared to all direct and indirect paths from perceived corporate purpose to individual performance. We also evaluated our model for model fit and it was found to meet the specified requirements ($R^2 = 0.219$, SRMR = 0.044, NFI = 0.914). Standardised Root Mean Squared Residual (SRMR) value less than 0.08 is considered a good fit (Henseler et al., 2014; Hu & Bentler, 1998). NFI values above 0.9 represent an acceptable fit (Lohmöller, 2013)

Table 18. Significance Testing for Mediating Effects

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Perceived corporate purpose $\rightarrow$ perceived transformational leadership $\rightarrow$ individual performance	0.136	0.137	0.017	7.954	0.000
Perceived corporate purpose $\rightarrow$ perceived transformational leadership $\rightarrow$ perceived learning climate $\rightarrow$ individual performance	0.020	0.021	0.008	2.673	0.008
Perceived corporate purpose $\rightarrow$ perceived learning climate $\rightarrow$ individual performance	0.064	0.064	0.022	2.838	0.005
Perceived corporate purpose $\rightarrow$ perceived transformational leadership $\rightarrow$ perceived learning climate	0.165	0.166	0.019	8.676	0.000
Perceived transformational leadership $\rightarrow$ perceived learning climate $\rightarrow$ individual performance	0.046	0.047	0.017	2.756	0.006

Next, we created three data groups – the first containing rational social enterprises (RSE), the second containing for-profit enterprises (FPE) to enable comparisons for Hypothesis – 7 to 12. A third group was also created of not-for-profit enterprises (NPE) to compare against RSE for a robustness check. We then conducted a Measurement Invariance Assessment (MICOM) to ensure the composite variables were comparable across the different groups as per the recommended procedure in the literature on Multi Group Analysis using PLS-SEM.

Table 19. MICOM Analysis

MICOM Procedure		Configural Invariance	Compositional Invariance		Partial Invariance Established
			Original Correlation	Permutation P -value	
RSE- FPE	Individual performance	Yes	0.971	0.3	Yes
	Perceived corporate purpose	Yes	1	0.18	Yes
	Perceived learning climate	Yes	0.999	0.817	Yes
	Perceived transformational leadership	Yes	1	0.375	Yes
RSE –NPE	Individual performance	Yes	0.86	0.366	Yes
	Perceived corporate purpose	Yes	0.999	0.584	Yes
	Perceived learning climate	Yes	0.942	0.103	Yes
	Perceived transformational leadership	Yes	0.999	0.277	Yes

We can proceed with MGA analysis if Partial Invariance is established with MICOM (Hair Jr. et al., 2016). Hence we next conducted Multi-Group Analysis (Table 21, Figure 3-4). Our results indicate that the positive direct effect of perceived corporate purpose on individual performance is stronger in RSE (beta = 0.108, p-value <0.5) when compared with FPE, where this association is not statistically significant (beta = 0.086, p-value n.s.). This supports our Hypothesis – H7. We further observe that perceived corporate purpose has a weaker positive association with

perceived transformational leadership in RSE ($\beta = 0.420$, $p\text{-value} < 0.05$) when compared with FPE ($\beta = 0.594$, $p\text{-value} < 0.05$), supporting our Hypothesis – H8. Perceived transformational leadership was observed to be positively associated with individual performance in both groups but this association was marginally weaker in RSE ($\beta = 0.3$, $p\text{-value} < 0.05$) when compared with FPE ($\beta = 0.341$, $p\text{-value} < 0.05$). This supports Hypothesis – H9. We also observed that the positive association between perceived transformational leadership and perceived learning climate was weaker in RSE ($\beta = 0.336$, $p\text{-value} < 0.05$) when compared with the FPE group ($\beta = 0.543$, $p\text{-value} < 0.05$), supporting Hypothesis – H10. We find that the positive association between perceived corporate purpose and perceived learning climate is stronger in RSE ($\beta = 0.571$, $p\text{-value} < 0.05$) when compared with the FPE group ($\beta = 0.342$, $p\text{-value} < 0.05$), in support of the Hypothesis – H11. Finally, we observed that perceived learning climate has a strong positive association with individual performance in RSE ($\beta = 0.108$, $p\text{-value} < 0.05$), however, this association was not statistically significant in FPE ($\beta = 0.175$, $p\text{-value n.s.}$), supporting Hypothesis – H12.

We observe that perceived corporate purpose is positively associated with individual performance through the fully mediating path perceived corporate purpose $\rightarrow$ perceived transformational leadership $\rightarrow$ individual performance in FPE. In the case of RSE the relationship between perceived corporate purpose and individual performance is positively associated through the direct path of perceived corporate purpose $\rightarrow$ individual performance, as well as through the mediated paths - a) perceived corporate purpose $\rightarrow$ perceived transformational leadership $\rightarrow$ individual performance, b) perceived corporate purpose $\rightarrow$ perceived learning climate $\rightarrow$ individual performance and c) perceived corporate purpose $\rightarrow$ perceived transformational

leadership → perceived learning climate → individual performance. We also observe overall that the mediated path perceived corporate purpose → perceived transformational leadership → individual performance is stronger in the FPE group when compared with RSE drawing managerial attention to the higher dependence on managers to influence performance in FPEs compared to RSEs where we observe a strong direct effect of corporate purpose on individual performance.

Table 20. Multigroup Analysis

MULTIGROUP ANALYSIS	Difference (RSE - FPE)	Difference (RSE - NPE)	2-tailed (RSE - FPE) p- value	2-tailed (RSE - NPE) p- value
Perceived corporate purpose → individual performance	0.022	0.302	0.759	0.192
Perceived corporate purpose → perceived learning climate	0.228	-0.395	0.01	0.069
Perceived corporate purpose → perceived transformational leadership	-0.174	-0.217	0.015	0.315
Perceived learning climate → individual performance	-0.067	0.469	0.56	0.106
Perceived transformational leadership → individual performance	-0.04	-0.455	0.671	0.163
Perceived transformational leadership → perceived learning climate	-0.207	0.214	0.012	0.242
Perceived transformational leadership → perceived learning climate → individual performance	-0.059	0.281	0.336	0.058
Perceived corporate purpose → perceived transformational leadership → individual performance	-0.076	-0.158	0.2	0.131
Perceived corporate purpose → perceived learning climate → individual performance	0.002	0.04	0.954	0.985
Perceived corporate purpose → perceived transformational leadership → perceived learning climate → individual performance	-0.041	0.049	0.237	0.218
Perceived corporate purpose → perceived transformational leadership → perceived learning climate	-0.182	-0.03	0	0.623

Table 21. Path Significance Across Groups

	p-value (RSE)	p-value (FPE)	p-value (NPE)
Perceived corporate purpose → individual performance	0.019	0.183	0.059

Perceived corporate purpose → perceived learning climate	0	0	0.388
Perceived corporate purpose → perceived transformational leadership	0	0	0.268
Perceived learning climate → individual performance	0.03	0.092	0.036
Perceived transformational leadership → individual performance	0	0	0.638
Perceived transformational leadership → perceived learning climate	0	0	0.002
Perceived transformational leadership → perceived learning climate → individual performance	0.036	0.107	0.038
Perceived corporate purpose → perceived transformational leadership → individual performance	0	0	0.769
Perceived corporate purpose → perceived learning climate → individual performance	0.032	0.122	0.516
Perceived corporate purpose → perceived transformational leadership → perceived learning climate → individual performance	0.045	0.105	0.177
Perceived corporate purpose → perceived transformational leadership → perceived learning climate	0	0	0.195

Figure 3. Multigroup Analysis - RSE

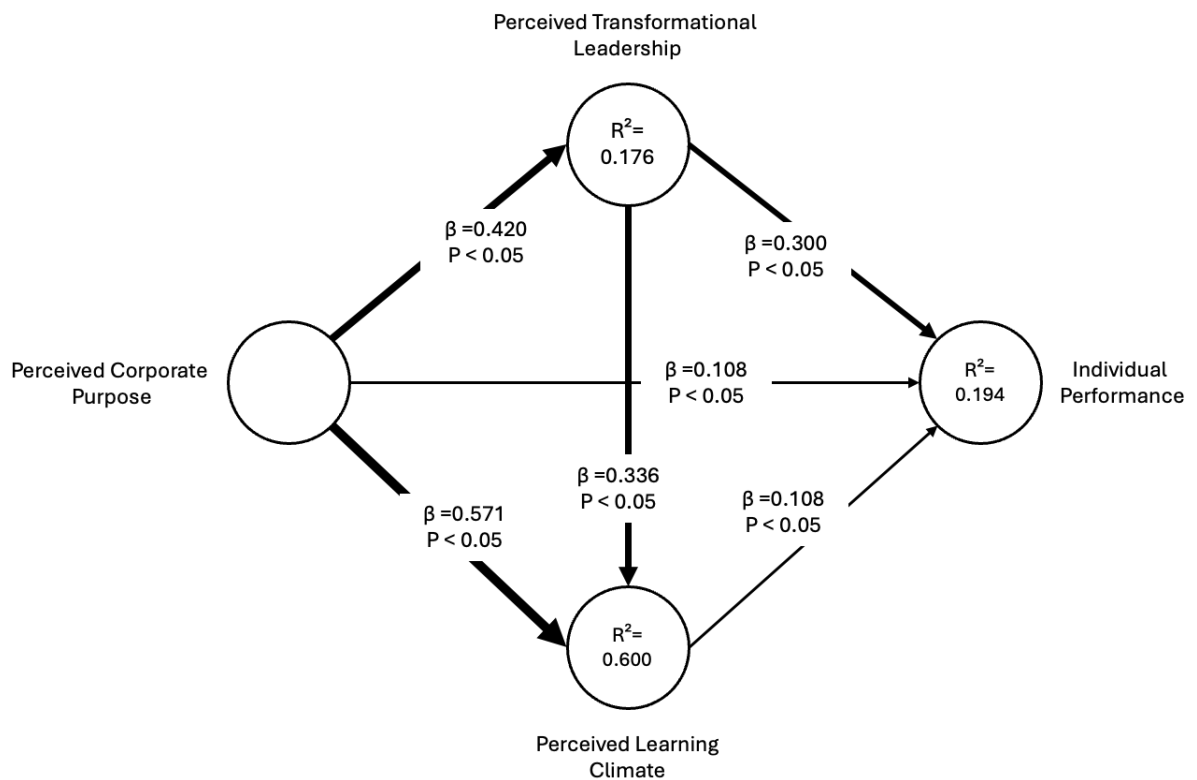
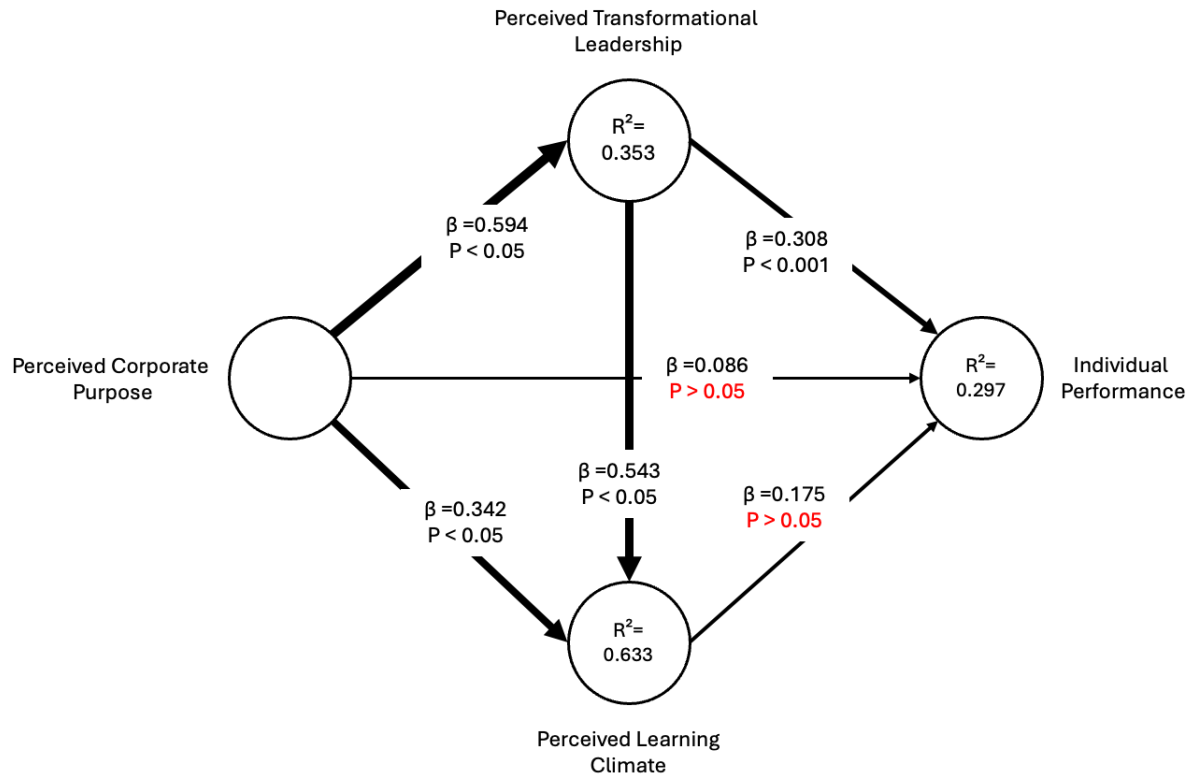


Figure 4. Multigroup Analysis - FPE



Robustness Analysis

Validation of RSE with NPE:

We conducted an MGA analysis between rational social enterprises and not-for-profit enterprises. No significant differences were observed in the path coefficients across any of the paths between RSE and NPE groups (Table 20) indicating that both models have the same fit.

Model fit analysis:

We conducted model fit analysis with different pathways to evaluate theoretical and statistical fit. Nine different model variations were evaluated on the R^2 value of the dependent variable to identify models explaining maximum variance. In addition, their model fit was compared using Standardized Root Mean Square Residual (SRMR) and Normed Fit Index (NFI) values (Appendix B). As per the prevailing literature, models with SRMR value of <0.08 and NFI value of >0.9 were shortlisted for further review. Out of the 9 models 6 models were reviewed further for their theoretical fit. Our proposed model (Appendix B, Figure B9) explained strong variance on the dependent variable ($R^2 = 0.22$) along with low SRMR (0.044) and high NFI (0.914), while also being consistent with theory as per our literature review.

DISCUSSION

Overview of key findings:

Our objective was to identify the association of corporate purpose with individual performance in line with questions emerging from recent literature on corporate purpose. Academic and practitioner interest in rational social enterprises has been on the rise. We therefore studied the role of corporate purpose in rational social enterprises as well as in for-profit enterprises. This study uncovers the role of corporate purpose in organizations and also identifies the path through which corporate purpose influences individual performance. Our results suggest that corporate purpose plays a significant direct role in positively influencing individual performance. In addition, we observe that corporate purpose enables individual performance through the mediating effects of transformational leadership and learning climate. We also observe

that the path through which corporate purpose influences individual performance is different between rational social enterprises and for-profit enterprises. The direct effect of corporate purpose on individual performance is stronger in rational social enterprises, whereas the path perceived corporate purpose → perceived transformational leadership → Individual performance is stronger in the case of for-profit enterprises. While we found support to indicate a stronger positive association of perceived learning climate on individual performance as per our expectation, we did not find a significant positive relationship between perceived learning climate and individual performance when it came to the for-profit enterprise.

Further the direct effects of perceived corporate purpose on individual performance supported the theoretical explanation that self-determination can explain the influence of corporate purpose on individual performance in line with prior research (Parmar et al., 2019). However the direct effect of perceived corporate purpose on individual performance was not found to be significant in the for-profit enterprises group indicating that for corporate purpose to enable the fulfillment of basic psychological needs the multistakeholder focus is important. This is also aligned with the literature estimating the influence of multistakeholder oriented corporate purpose with psychological needs fulfillment, wherein multistakeholder orientation has been shown to increase self determination and instrumental stakeholder orientation has been associated with decreased self determination (Parmar et al., 2019)

Table 22. Summary of Hypothesis and Findings

Hypothesis	Finding
H1. Perceived corporate purpose is positively associated with individual performance	Supported
H2. Perceived corporate purpose is positively associated with perceived transformational leadership	Supported
H3. Perceived transformational leadership is positively associated with individual performance	Supported
H4. Perceived corporate purpose is positively associated with perceived learning climate	Supported
H5. Perceived learning climate is positively associated with individual performance	Supported

H6. Perceived transformational leadership is positively associated with the perceived learning climate	Supported
H7. The positive direct effect of perceived corporate purpose on individual performance will be stronger in rational social enterprises in comparison with for-profit enterprises	Supported
H8. perceived corporate purpose has a weaker positive relationship with perceived transformational leadership in rational social enterprises when compared with for-profit enterprises	Supported
H9. The positive relationship between perceived transformational leadership and individual performance is weaker in rational social enterprises when compared with for-profit enterprises	Supported
H10. The positive relationship between perceived transformational leadership and perceived learning climate is weaker in rational social enterprises when compared with for-profit enterprises	Supported
H11. The positive association between perceived corporate purpose and perceived learning climate is stronger in rational social enterprises when compared with for-profit enterprises	Supported
H12. There is a stronger positive association between perceived learning climate and individual performance in rational social enterprises with comparison with for-profit enterprises	Supported

Contribution to Research

Our research provides several contributions to research on corporate purpose. First, it adds to the sparse empirical research on corporate purpose. While the topic of corporate purpose has been gaining interest among researchers recently and many have provided theoretical frameworks and arguments on corporate purpose, there have been limited empirical studies on this topic, particularly about its influence on individual performance(Gartenberg et al., 2019).

Second, our study indicates that there are multiple pathways through which corporate purpose positively influences individual performance. Specifically, we observe that corporate purpose is a deeply enabling construct as it influences performance through the mediating role of transformational leadership and learning climate. This provides empirical evidence for theoretical arguments presented in prior literature(Henderson, 2020). We also observe a serial mediation through the path of perceived corporate purpose → perceived transformational leadership → perceived learning climate → individual performance. These indirect paths move the research

forward by identifying and testing mechanisms that explain how to make it feasible for organizations to improve employee productivity and performance.

Third, our study establishes a new organizational context of corporate purpose as an antecedent to individual performance. Prior research has highlighted organizational contexts as antecedents to individual performance. These antecedents include task significance (Allan et al., 2018; Grant, 2008), Value congruence (Rich et al., 2010), Support from co-workers (Chiaburu et al., 2013), Transformational leadership (Charbonnier-Voirin et al., 2010), Clear vision (Griffin et al., 2010), Climate of innovation (Hammond et al., 2011) and Learning climate (Han & Williams, 2008). Our study adds corporate purpose as an additional organizational context positively influencing individual performance.

Fourth, our study highlights the differences in contexts of rational social enterprises and for-profit enterprises and provides pioneering empirical data on the different paths through which corporate purpose influences individual performance among rational social enterprise and for-profit enterprise groups. By providing a simultaneous comparison between the contexts of rational social enterprises and for-profit enterprises, our study fills in the gap identified in prior literature about how employees respond to the hybrid management context in rational social enterprises pursuing both purpose and profits (Doherty et al., 2014).

Implications for Practice

Our study has four practical implications. First, it complements existing viewpoints on the role of corporate purpose in influencing performance and creativity in organizations, along with

the role of purpose-driven leadership (Bulgarella, 2018; EY Beacon Institute, 2016; EY Global, 2018; Kantar, 2020; Quinn & Thakor, 2018), by providing empirical evidence on the role of corporate purpose in directly influencing performance as well as transformational leadership and learning climate. These empirical findings provide a strong case for organizations to define and implement a corporate purpose to create value for multiple stakeholders and not merely focus on shareholder value. This would promote individual performance and thereby contribute to firm performance, providing a business case for organisations to define and implement their corporate purpose. By tracking how different functions in the organisation contribute to the value generated for their stakeholders aligned to the corporate purpose, they can reinforce the perception of corporate purpose in the organisation. Such an authentic approach is required to allay fears of purpose washing and avoid situations where eventually there is a strong push back from stakeholders because of a lack of authenticity and concern for different stakeholders. A case in point being the strong pushback on DEI programs that were forced through controls as a reaction to lawsuits in large reputed firms but haven't yielded any improvement in diversity.

Second, it provides practical information to organizations to strengthen the influence of corporate purpose by appreciating the indirect effects of corporate purpose on individual performance through the paths perceived corporate purpose → perceived transformational leadership → individual performance, perceived corporate purpose → perceived learning climate → individual performance and perceived corporate purpose → perceived transformational leadership → perceived learning climate → individual performance. By being more aware of these relationships organizations can consciously nurture purpose-driven leadership, train leaders on

transformational behaviours and build a learning climate that allows for experimentation and risk-taking in order to fuel performance in the organization.

Third, our study highlights the importance of pursuing hybrid goals of profit and social value in influencing individual performance by simultaneously comparing rational social enterprise with for-profit enterprise. Management literature has called out for the rise of rational social enterprises and the need for organizations to adopt purpose-driven leadership (Deloitte, 2018). Our results indicate that there is a stronger direct effect of corporate purpose on individual performance in rational social enterprises when compared with for-profit enterprises. In for-profit enterprises, corporate purpose positively influences performance with a larger effect size through the path of perceived corporate purpose → perceived transformational leadership → individual performance. This is indicative of the larger dependency of for-profit enterprises on their managers to influence employee performance. Corporate purpose in rational social enterprises seems to appeal directly to the intrinsic motivation of employees, whereas, in for-profit enterprises, managers need to exhibit transformational leadership behaviours to help employees connect to the corporate purpose. In the context where finding and retaining strong managers who can keep employees engaged is a challenge, integrating social and profit goals in the business model of the firm seems to have yet another business case. With more organisations adopting such an approach, we can make rapid progress towards achieving the 17 SDG goals identified by the United Nations.

Finally, our research emphasises the importance of corporate purpose in positively influencing individual performance behaviours in the organization, which can be a strong way to address phenomena such as great resignation and quiet quitting observed in the wake of the

pandemic. Today's workforce comprises different generational cohorts ranging from the traditionalists, baby boomers, Gen X, Gen Y, and Gen Z with some differences in expectations from the workplace making it hard for leaders to influence performance across generations. GenY and Gen Z who comprise a large section of the workforce, have been attributed to seeking higher well-being and purpose at work. Corporate purpose provides a unified shared objective that aligns different generational cohorts by appealing to the intrinsic motivation of employees. After all, as Friedrich Nietzsche once said "he who has a why to live can bear almost any how". In organizational contexts, corporate purpose provides such a 'why' to employees that makes them resilient towards their performance goals as corporate purpose aims to add value to the society including employee, not just the shareholders.

Table 23. Key findings with implications for practice

Key findings	Potential impact	Recommendations
Corporate purpose positively influences individual performance	Improving employee performance by increasing intrinsic motivation and engagement	Organisations should introspect and look within to identify and define a corporate purpose relevant to them, that is authentic, contributes to society, guides their decision making and inspires employees to boost performance and engagement. Monitor employee alignment with corporate purpose through engagement surveys.
Corporate purpose enables transformational leadership	Enables development of stronger leaders	To build transformational leaders organisations can start by looking inwards to identify a compelling corporate purpose that enables their leaders and managers to inspire their employees.

Transformational leadership mediates the influence of corporate purpose on individual performance	Leaders drive performance by aligning corporate purpose to individual goals	Leaders can be trained to focus on competencies for inspiring, mentoring, storytelling, empowering and developing employees to translate purpose into action and achieve organisational goals. Look for contributions to purpose when promoting employees to leadership positions
Corporate purpose positively influences a learning climate	Corporate purpose facilitates experimentation and learning	Clarify corporate purpose to employees to provide them a higher goal and stimulate them with challenges balancing multiple stakeholder needs.
Learning climate mediates the influence of corporate purpose on individual performance	Learning climate boosts multistakeholder oriented innovation and performance	Embed corporate purpose in innovation and R&D process to create long term value for the stakeholders
The direct effect of corporate purpose on individual performance is stronger in RSE compared with FPE	A well-integrated, multistakeholder oriented corporate purpose may boosts individual performance by providing more opportunities for employees to align their own purpose with that of the company	Organisations can make their pursuit more authentic by tracking the value created for different stakeholders. World Economic Forum's stakeholder metrics can be used (WEF, 2020)
The positive effect of corporate purpose on individual performance is serially mediated through transformation leadership and a learning climate	Purpose also has a relational impact through building trust between employees and leaders to experiment, learn and take risks. It can galvanise managers and their teams towards shared organisational objectives	Leaders should emphasise their corporate purpose and encourage risk taking and questioning status quo among their teams towards the pursuit of organisational goals. Evaluate the impact on aspects such as trust and learning culture through climate surveys
Transformational leadership plays a more significant role in mediating the effect of corporate purpose on individual performance in FPE compared with RSE	Transformational leadership will boost the influence of corporate purpose on performance across all organisation forms	Focus on building transformational leadership skills in the company till organisations have defined a meaningful purpose pursuing both profit and societal goals.

Learning climate plays a more significant role in mediating the effect of corporate purpose on individual performance in RSE compared with FPE	Corporate purpose with a strong focus on creating value to the society in addition to shareholders will enable strong experimentation to fuel creativity, innovation and performance	Adopt a stakeholder metric driven approach to boost learning and creativity across various functions in the company and not only towards achieving financial goals
Corporate purpose influences individual performance across age or gender differences	Corporate purpose universally promotes productivity across generational cohorts and gender	Engage workforce by emphasising and consistently communicating the corporate purpose. Celebrate the achievements in creating value for the different stakeholders.

Limitations and Future Research

The sample of respondents from some of the participating companies has been small leading to significant differences in the employee size comparison between groups. Future research could evaluate the relationship of corporate purpose with individual performance across a wider employee base across all participating companies. Further, participation from more companies representing RSE and FPE would help in generalisations. In addition, qualitative research will help provide a richer understanding of how leadership behaviours and corporate purpose in action influence performance and learning climate differently in RSE and FPE. Contrary to estimations we have observed no significant relationship between learning climate and individual performance in FPE – there are perhaps other variables that limit this influence in some organizations and this could be an area for further inquiry.

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Appendix A

Tests for Common Method Bias

1. Harman single-factor test

Table A1. Harman Single Factor Test

Summary

Factor	SS Loadings	% of Variance	Cumulative %
1	12.2	32.9	32.9

Since only 32.9% variance is explained by 1 factor. This is below 50% variance observed for Common Method Bias

Factor Loadings		
	Factor	
	1	Uniqueness
GTL7	0.5842	0.659
GTL6	0.583	0.66
GTL5	0.5973	0.643
GTL4	0.637	0.594
GTL3	0.6355	0.596
GTL2	0.6183	0.618
GTL1	0.6563	0.569
PRO-O3	0.3568	0.873
PRO-O2	0.1789	0.968
PRO-O1	0.2396	0.943
PRO-T3	0.2553	0.935
PRO-T2	0.3024	0.909
PRO-T1	0.2598	0.933
PRO-I3	0.3242	0.895
PRO-I2	0.3603	0.87
PRO-I1	0.3207	0.897
PLC-E3	-0.153	0.977
PLC-E2	0.1532	0.977
PLC-E1	0.0723	0.995
PLC-A3	0.7367	0.457
PLC-A2	0.6474	0.581
PLC-A1	0.7104	0.495

PLC-F3	0.7085	0.498
PLC-F2	0.7583	0.425
PLC-F1	0.647	0.581
Pur-I3	0.7301	0.467
Pur-I2	0.7205	0.481
Pur-I1	0.8009	0.359
Pur-G3	0.7922	0.372
Pur-G2	0.7735	0.402
Pur-G1	0.7365	0.458
Pur-A3	0.7261	0.473
Pur-A2	0.6122	0.625
Pur-A1	0.6424	0.587
Pur-C3	0.4789	0.771
Pur-C2	0.62	0.616
Pur-C1	0.5736	0.671

Note. 'Maximum likelihood' extraction method was used in combination with a 'none' rotation

2. Partial Correlation Method

Figure A1. Our model before including the Control factor

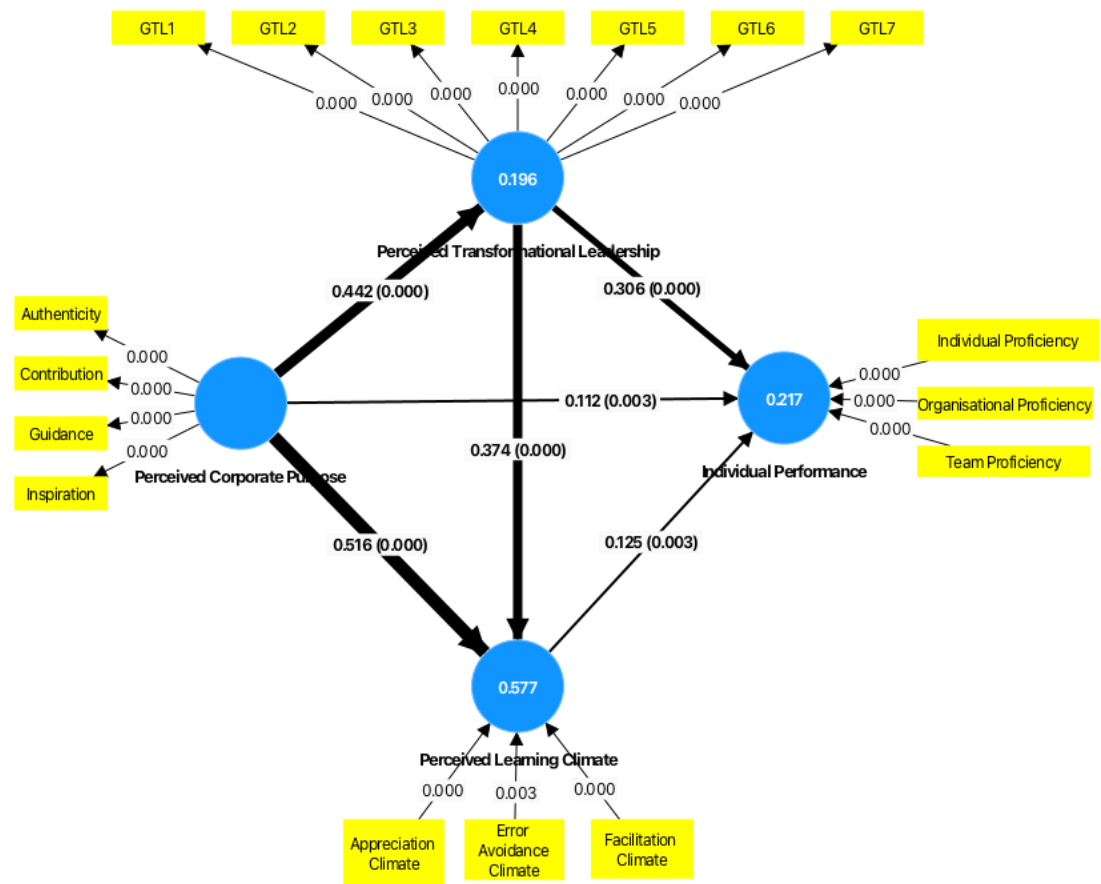
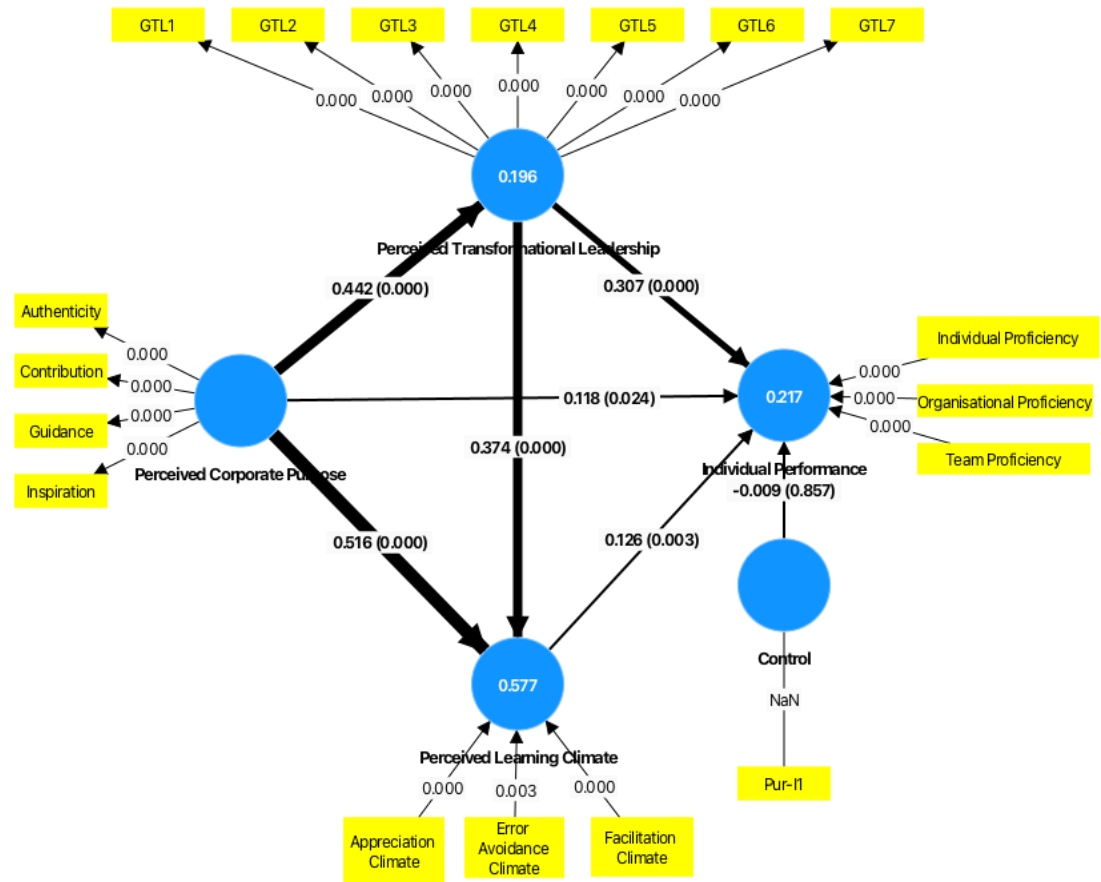


Figure A2. Our model after the highest loading factor is added to the model as a control variable



Note: No change in R^2 was observed indicating there is no common method bias.

3. Collinearity Test

Table A2. VIF

	VIF
perceived corporate purpose -> individual performance	1.884
perceived corporate purpose -> perceived learning climate	1.243

perceived corporate purpose -> perceived transformational leadership	1.000
perceived learning climate -> individual performance	2.408
perceived transformational leadership -> individual performance	1.588
perceived transformational leadership -> perceived learning climate	1.243

Note: VIFs below 3.3 indicate no common method bias

Appendix B

Table B1. Model Fit Analysis

Models	R Square (individual performance)	Model fit - SRMR (<0.08)	Model fit - NFI (>0.9)
Model 2a	0.244	0.044	0.914
Model 2b	0.22	0.074	0.898
Model 2c	0.244	0.074	0.897
Model 2d	0.245	0.065	0.857
Model 2e	0.218	0.044	0.914
Model 2f	0.218	0.044	0.913
Model 2g	0.242	0.046	0.913
Model 2h	0.243	0.046	0.913
Model 2i	0.219	0.044	0.914

Figure B1

Model 2a

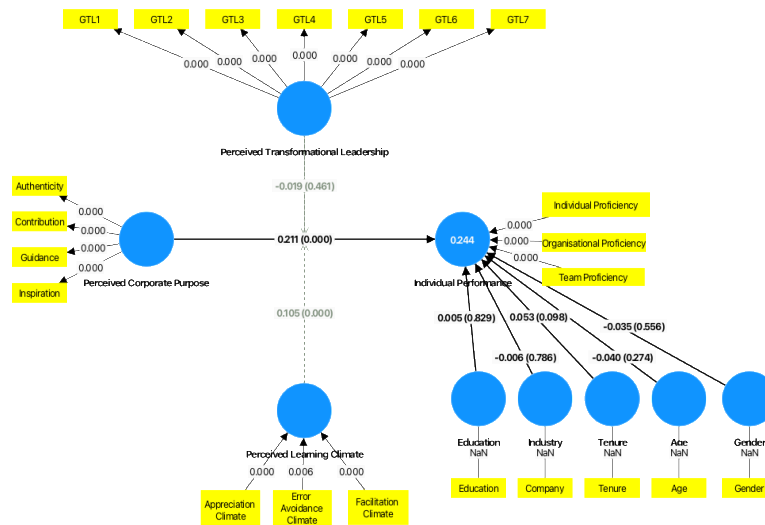


Figure B2

Model 2b

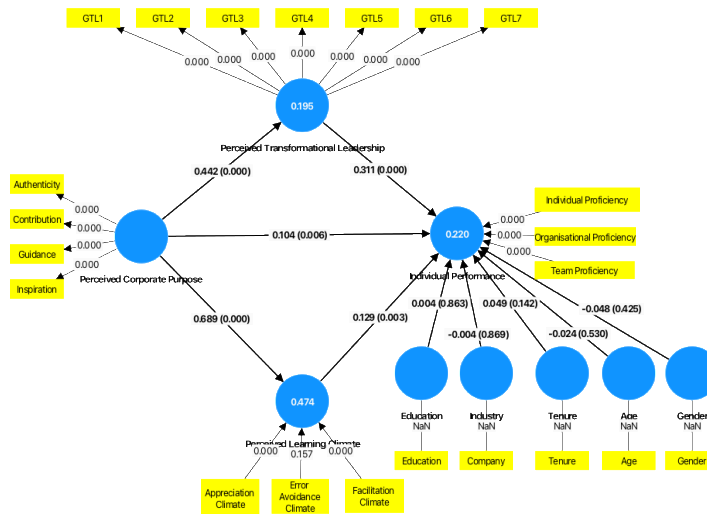


Figure B3

Model 2c

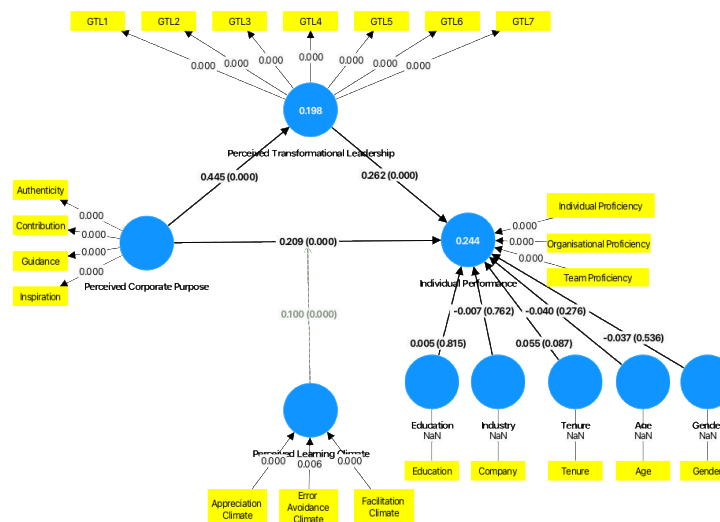


Figure B4

Model 2d

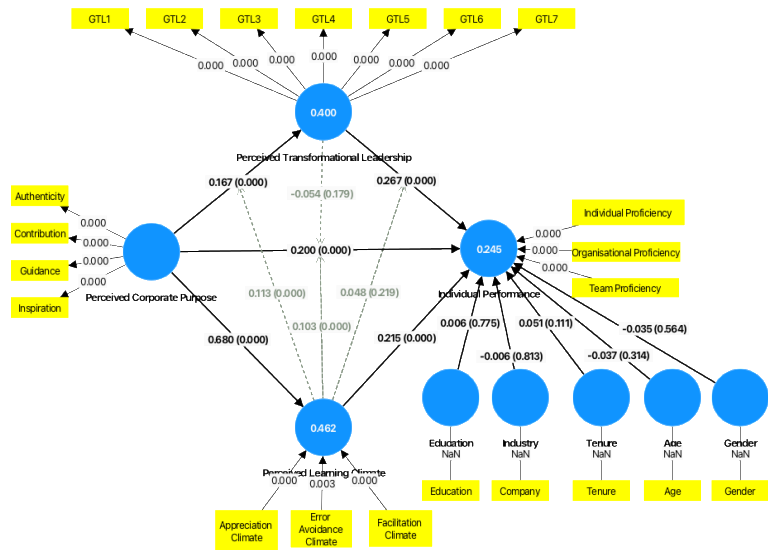


Figure B5

Model 2e

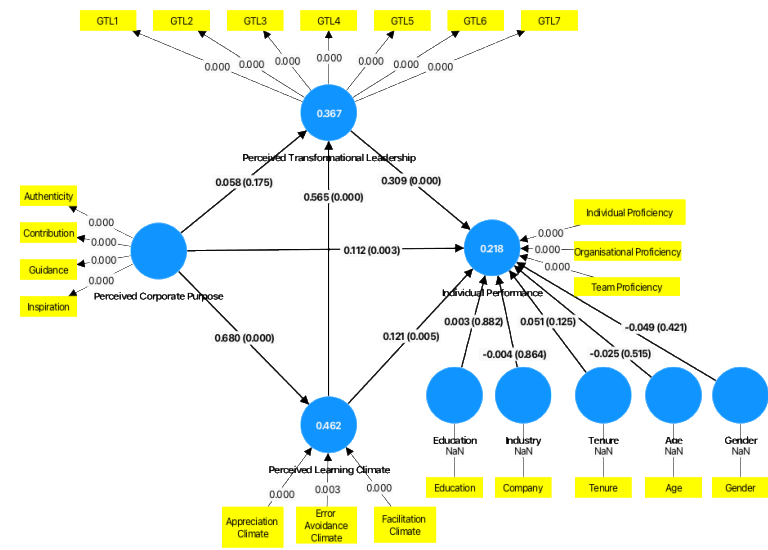


Figure B6

Model 2f

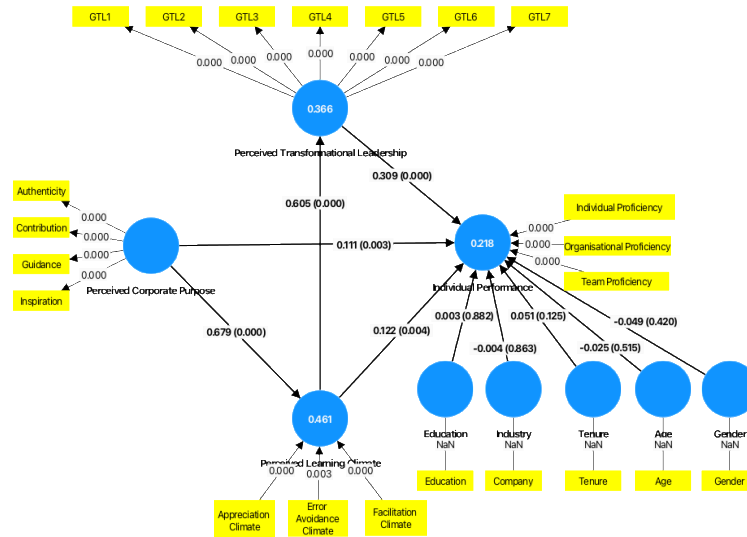


Figure B7

Model 2g

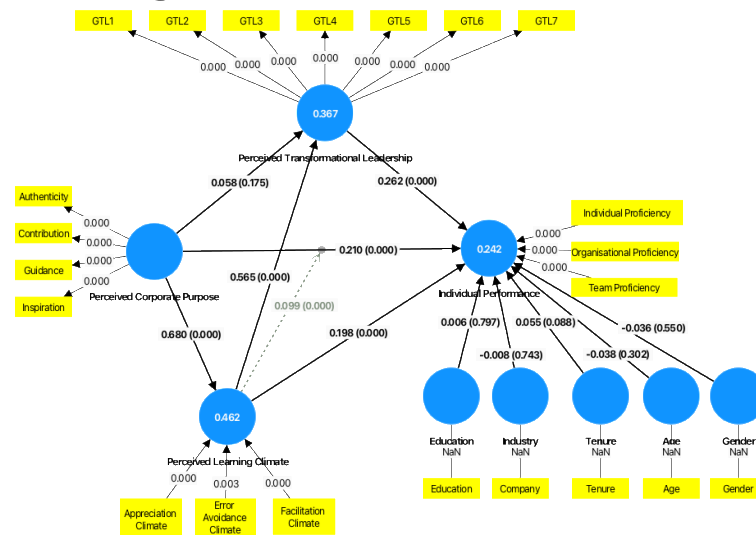


Figure B8

Model 2h

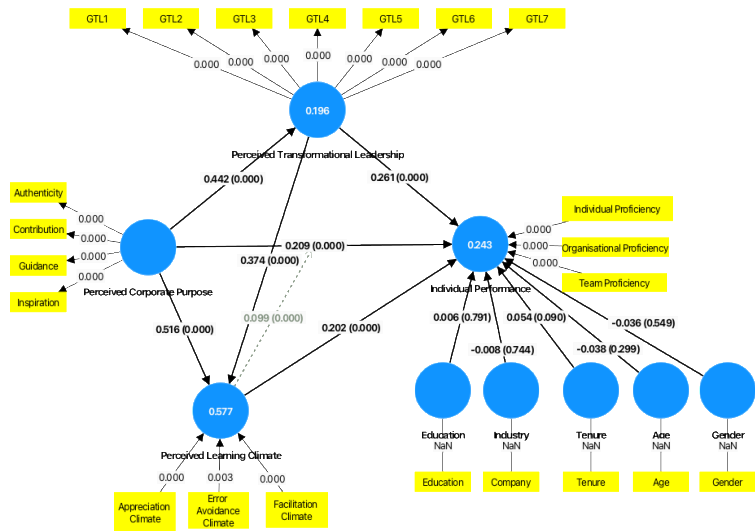
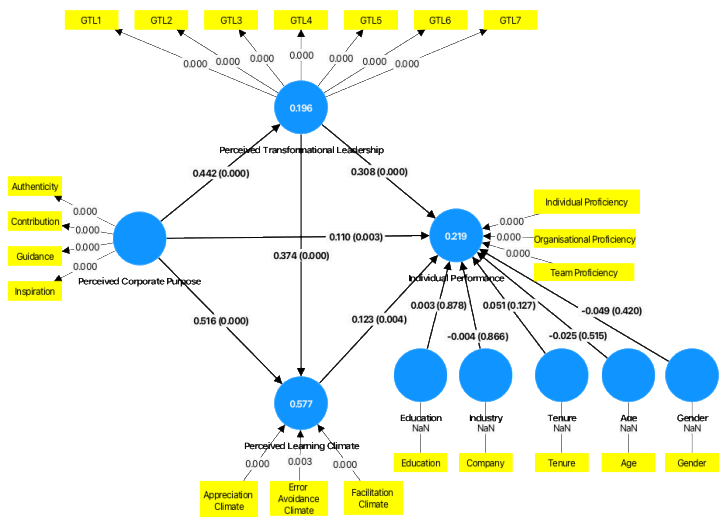


Figure B9

Model 2i



Appendix C

Figure C1. MGA Graphical Output - RSE

MGA Graphical output - RSE

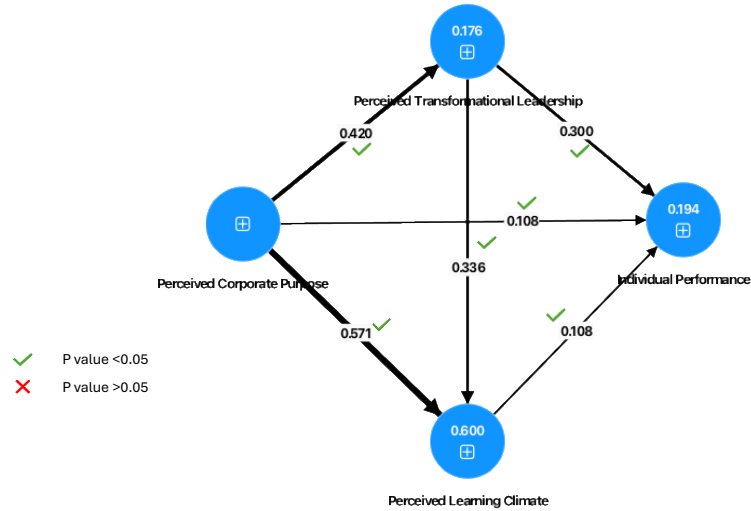


Figure C2. MGA Graphical Output - FPE

MGA Graphical output – FPE

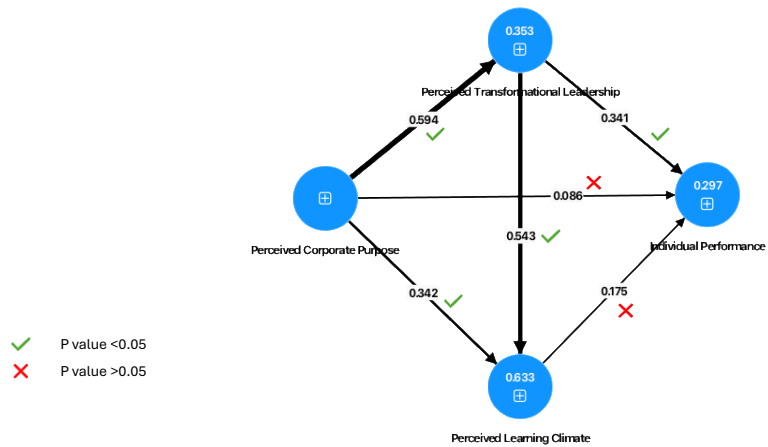
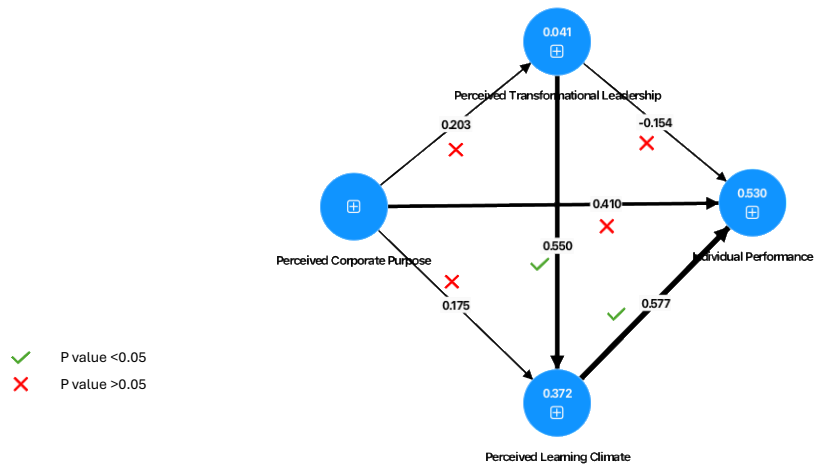


Figure C3. MGA Graphical Output - NPE

MGA Graphical output – NPE



Appendix D

Table D1. Definitions

Construct	Definition	References
Corporate Purpose	The essence of an organisation's existence by explaining the value it seeks to create for its stakeholders.	George et al., 2021
Corporate Purpose		
Perceived Corporate Purpose	The individual perception of an authentic organizational aspiration to contribute positively to society, which guides all organizational decisions and provides inspiration in daily operations	Jasinenko & Steuber, 2022
Transformational leadership	The process of influencing major changes in the attitudes and assumptions of organization members and building commitment for the organization's mission, objectives, and strategies	Yukl, 1989
Perceived learning climate	The perception of employees about the organization's beneficial activities in helping them create, acquire and transfer knowledge	Eldor & Harpaz, 2016
Rational social enterprises	A form of organization that blends the profit-making objective of for-profit enterprises with the social benefit goals of Not-for-profit enterprises	Gee et al., 2023
Not-for-profit enterprises	Organizations that focus on fulfilling a specific mission rather than generating profits to be returned to investors. They are often found in arenas in which public goodwill is important	Salamon, 1999 as cited in Gee et al., 2023